The role of multinational companies in the Middle East : the case of Saudi Arabia.

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THE ROLE OF MULTINATIONAL COMPANIES IN THE MIDDLE EAST: THE CASE OF SAUDI ARABIA

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Table of Contents

Appendix

List of Tables

List of Figures

Glossary

Ahadith	The plural of the Arabic term *Hadith*, which means saying of the Prophet Muhammad ﷺ (*Sallallaahu 'alayhi wa sallam* — may the peace and blessings of Allah be upon him).
CIHED	Northeastern University Center for International Higher Education Documentation
Culture	Customs, traditions and practices. In Islam, culture embraces all facets of life – economic, political, social, religious, etc.
DFI	Direct foreign investment or foreign direct investment (FDI)
Feedstock	Raw material like gas or any hydrocarbon resource
GDP	Gross domestic product, which is the total value of goods and services produced in a nation's economy in one year.
GFCF	Gross fixed capital formation
GNP	Gross national product, which is equal to GDP plus payments from overseas investment and labour income, minus similar payments to foreigners.
Islam	Peaceful and complete submission to the Will of Allah and obedience to His Law (the *Shari'ah,* which is based on the Qur'an and the Sunnah and the right deductions from these two revealed sources of knowledge and guidance).
JV	Joint venture
MBA	Multinational business activities
MNCs, MNEs	Multinational companies or corporations, which refer to any of the following: foreign firms or multinational enterprises (MNEs) operating in Saudi Arabia whose parent companies are located abroad, and joint-venture companies or corporations, which are partially owned by Saudi Arabian people or government.
Multinational customers	Consumers of multinational products or services who were selected for the pilot study by convenience sampling, according to their ability to understand and answer the questionnaire. Most of the customer respondents have obtained college degrees and are holding key positions — managers, engineers, architects, medical doctors, advisers or consultants, accountants, professors, instructors and administrative officers. A pretty good number of

	the respondents have masters and doctoral degrees.
Multinational managers	Include key managers and executives with authorities and responsibilities for MNCs planning, business operation and decision-making.
Muslim	One who peacefully and sincerely submits to the Will of Allah.
NOI	Net outward investment
R&D	Research and development
Radhiallahu anhu	ﷺ May Allah be pleased with him (referring to a companion of the Prophet ﷺ)
SABIC	Saudi Basic Industries Corporation
SAGIA	Saudi Arabian General Investment Authority
SAMA	Saudi Arabian Monetary Agency
SEC	Supreme Economic Council, chaired by the Crown Prince and First Deputy Premier of Saudi Arabia.
Shari'ah	Islamic Law according to the Qur'an and the Sunnah and those deduced from these two revealed scriptures.
Social capital	Refers to features of social organization such as trust, social networks and social norms that facilitate coordination and cooperation for mutual benefit.
SPSS	Statistical Package for Social Sciences – a comprehensive statistical software of SPSS Inc., Chicago, USA.
Sunnah	The teachings, sayings and traditions of the Prophet Muhammad ﷺ *Sallallaahu 'alayhi wa sallam* — may the peace and blessings of Allah be upon him)

Abstract

This study investigated whether known economic and international business theories available in the literature are meaningful enough to explain the nature, existence and role of multinational companies (MNCs) in the Middle East, particularly Saudi Arabia. Two sets of questionnaires were distributed in major cities of Saudi Arabia — one set for 100 multinational managers and another for 280 multinational customers. 234 questionnaires were collected — 45 from multinational managers and 189 from customers. This represents a total response rate of 62 percent, which is adequate for this study.

The empirical results, supported with comprehensive secondary data, confirmed virtually all of the research hypotheses. The study found that joint ventures are the dominant form of multinational business in Saudi Arabia, both in manufacturing and service industries. The core roles of MNCs in the Saudi-foreign ventures are evident in the cross-border value-adding activities of marketing, trading, manufacturing, consulting, contracting, project management, insurance, hotel operation and banking. Likewise, MNCs provide licensing, franchising, financing services and various auxiliary roles in the Kingdom. Therefore, the multinationality of a firm or a group of firms operating across national boundaries is not necessarily synonymous with international production — the main subject of contemporary multinational theories.

The respondents generally perceived the competitiveness of MNCs operating in Saudi Arabia as a function of a number of economic, management, marketing, technological and other variables. They also perceived the contributions of MNCs to the Kingdom's socio-economic developments as significant and positive.

The study also found that understanding Islamic values and ethics is important for MNCs. In this regard, the researcher looked at some objective indicators of business success and related them to selected measures of MNCs' local cultural awareness and responsiveness. The results indicate that the business success of multinationals operating in Saudi Arabia is positively related to their local cultural awareness and responsiveness. Along this line, this study covers some vital elements of Islamic culture, which will help MNCs understand further the cultural needs, values and sensitivities of the Saudi people and Muslims in general.

Chapter 1 - Introduction

Many contemporary theories and paradigms on multinational business operations have emerged in the past few decades or so, beginning mainly to explain post-war U.S. manufacturing or direct investment in West Europe, rather than services such as banking.[1] In recent times until today, various multinational business theories and paradigms (based on economic and management perspectives) have continued to emerge with emphasis on the existence and growth of international production.[2] Approaches to other cross-border business modalities are taken for granted as alternatives to multinational enterprise (or more specifically international production). Accordingly, firms choose to pursue direct foreign investment (or wholly owned production subsidiary across national borders) in the light of their ownership-specific advantages, location-specific advantages, as well as internalisation incentives. Thus, multinational enterprise can emerge by virtue of these advantages, and in response to imperfections or externalities in the goods or factor markets. There is a common view among international business scholars that market imperfections (such as tariff and other import barriers) prevent the efficient operation of international trade, hence the emergence of multinational companies.

In attempting to explain the existence and growth of multinational companies (MNCs) as a response to market imperfections, some scholars emphasise structural market imperfections (e.g. monopolistic and collusion tendencies). Others emphasise endemic or transactional imperfections.[3] For instance, the internalisation theory supposes that higher transaction costs prompt firms to internalise markets across national boundaries. Internalising a market means the establishment of a multinational firm or a multinational group of interdependent firms. This view, as well as the other alternative theories or paradigms available in the literature, is analysed by the researcher in this study, considering the multinational business operations in Saudi Arabia.

The tendency of contemporary international business scholars to argue that MNCs exist and grow, by virtue of their advantages, and in response to market imperfections is not surprising. In reality, national and international firms operate under all sorts of imperfect market conditions. After all, no market is ever perfect, recalling perfect information as one of the key assumptions that underlie the theory of perfect competition. The presence of imperfect conditions no doubt put some companies in better competitive positions (or greater competitive advantages) than others for certain products or services locally or internationally.

This research work investigates the role of multinational companies in the Middle East, with Saudi Arabia as the case in point. The researcher's interest has been driven by the common knowledge concerning the roles or contributions that multinational companies have made to every field of human endeavour. In one way or another, products or services of multinational corporations affect every society on earth. MNCs have served as vehicles of international production, international trade, economic development, human resource development and industrialisation across national boundaries. They have served as agents of technology transfer, advanced technology research and development, as well as product applications research and innovation across national boundaries. To pro-multinationals, all of these benefits mean increased human welfare, as more and more products and services become available for the satisfaction of human wants and needs.

Multinational companies have been largely responsible for uplifting almost all spheres of business life across the globe. They are the world leaders in automation and high-technology advancement, which have made extraordinarily efficient manufacturing, commerce and services around the world. They are the leaders in all commercial endeavours, such as manufacturing, banking, travelling, tourism, distribution, transportation and so on. They are the forerunners of new inventions and innovations in satellite communication, space technology and electronic information network services (like the Internet). They are actively engaged in logistic services, agricultural and food industries, car and aeroplane manufacturing, petrochemical industries and many more. All of these have phenomenally progressed to a magnitude never seen before, and multinational companies have been in the forefront in these developments.

In the Saudi Arabian setting, the roles of multinational companies are quite numerous, and they are the main thrusts of this research work. The contributions of MNCs are quite evident in the cross-border value-adding activities of marketing, trading, international production, joint venture, consulting, contracting, project management, licensing and financing. MNCs are recognised not only in terms of their diverse cross-border business activities, but also in terms of the size of their assets and annual sales. For instance, several multinational giants like General Motors, SHELL, MITSUI, MITSUBISHI, IBM, or Exxon have annual sales, which are larger than the gross national products of many countries.[4]

In pursuing this research work, the researcher has likewise been motivated by his observations and a priori information concerning multinational businesses in Saudi Arabia. Multinational firms in the Kingdom are enjoying an excellent business environment that is devoid of problems that the same companies might have experienced in many parts of the world. Particularly in developing countries, some individuals, groups or even institutions view the emergence of multinational companies with dismay, suspicion and scepticism. There are those who see multinational companies as a manifestation of the hegemonic tendencies of the developed countries to continuously subjugate the developing and poorer countries. They see multinationals as agents of global capitalism, materialism and secularisation. As a result, they resort to strikes, boycott, rebellion, violence and the like; and governments have discouraged multinationals. Likewise, there are those who perceive the western values brought in by the presence of multinational companies as threats to their indigenous cultural values. Thus, this study attempts to investigate, among others, whether this view holds true to the Middle East setting, particularly Saudi Arabia where Islamic culture prevails.

Many studies have been conducted on multinationals, but only a few have relevance to the Middle East setting. By the same token, none of those studies has ever investigated deeply the importance of understanding Islamic culture and the underlying implications to multinational business. As such, this research endeavours to study the role of multinationals in the Middle East, particularly Saudi Arabia, with an in-depth coverage of Islamic culture and its implications to multinational business. It is hoped that it will contribute positively to the current stock of knowledge on the subject of international business.

This study comprises seven chapters. Chapter 1 highlights the research objectives, significance and contributions of the study, as well as the scope and limitations of the study. Chapter 2 discusses the Saudi environment for multinational investment. Chapter 3 reviews selected multinational theories and paradigms found in the literature, and discusses some empirical studies relevant to the Middle East setting. Given the limitations of these theories and paradigms, this survey includes some culture-related studies on Saudi Arabia.

Chapter 4 presents the conceptual framework and research methodology, as well as the research design and statistical methods employed to test the hypotheses of the study. Chapter 5 discusses the multinational business in Saudi Arabia based on data and information gathered from secondary sources. Chapter 6 presents and analyses the empirical results of the study. The last chapter contains the study's summary and conclusions.

1.1 Research Problems and Objectives

This study presents an analysis of the role of multinational companies in the Middle East, with Saudi Arabia as the case in point. Starting with a review of multinational theories and studies available in the literature, it assesses whether they are meaningful enough to explain the nature, existence and role of MNCs in Saudi Arabia. Another key research issue investigated is the degree to which understanding Islamic culture is important for multinational companies doing business or planning to invest in Saudi Arabia. This work also addresses the following questions: Which economic and non-economic problems are generally viewed by the respondents as caused by multinational companies? What are the constraints to multinational operations in the Middle East particularly Saudi Arabia? What are the primary sources of MNCs' competitiveness in the Middle East? Do multinational companies contribute significantly to the host country's socio-economic developments as perceived by the respondents? What influences the success of multinational companies operating in Saudi Arabia? Chapter 4 further discusses the details of these research problems and issues.

Based on the above problems, this work endeavours to achieve the following research objectives:

- To review and understand the role of multinational companies (MNCs) in Saudi Arabia.
- To look deeply into the key Islamic cultural factors (based on the Qur'an and the Sunnah) and analyse their implications to the business operations of MNCs in the Middle East, particularly Saudi Arabia.
- To define and analyse the problems attributed to the multinational companies operating in Saudi Arabia and to identify the key constraints to their business activities in the Kingdom, as perceived by diverse groups of respondents.
- To identify and analyse the primary sources of MNCs' competitiveness in Saudi Arabia, as perceived by the respondents.
- To identify and analyse the variables influencing the success of MNCs operating in Saudi Arabia, as perceived by the respondents.

1.2 Significance and Contributions of the Study

This study, as its main contribution, has gathered and consolidated data, information and knowledge concerning Saudi Arabia, which for the first time have been used to define clearly the roles of the Kingdom-based multinational companies. The very comprehensive data presented in this study show that joint ventures are the dominant form of international business in Saudi Arabia. However, the study also found that international business activities in the Kingdom are quite broad — covering both manufacturing and service-oriented ventures from small to world-scale in size.

Another contribution of the study is that it has shown, based on the underlying conceptual framework, logical reasoning and factual information presented, that multinational firms in today's business world play multi-faceted roles domestically and internationally. Like a domestic firm, a multinational company operating across national borders considers its competence and advantages to do any business activity within its value chain that helps sustain or enhance its profitability and/or competitive position. This research has, in fact, clearly demonstrated that the multinationality of a firm or a group of firms operating across national boundaries transcends the scope of cross-border manufacturing activity.

In reality, international production and multinational firm are not always identical. Multinational firm has a broader scope of activities or value functions that include international production. In other words, multinational firm is more of an international corporate institution that earns its "multinationality", by virtue of its cross-border business operations that include both manufacturing and non-manufacturing activities. On the other hand, international production is more of a business function, which is an essential component of the value chain. International production, *per se*, as clearly seen in the case of the petroleum industry, as well as in many other industries, is only one of the strategically relevant functions. As commonly known, the petroleum value chain covers exploration, development, production, shipping, refining, pipeline, terminal operation, trucking, other support services and retail operation.[5]

International production is no doubt evident in the existence of a wholly owned company beyond the national border, but this holds true also for a manufacturing or service joint venture between a multinational firm and an enterprise in the host country. In practice, some multinational giants wholly own manufacturing or service subsidiaries across national boundaries. The same multinational giants are partners in joint ventures in countries where they have or do not have wholly owned subsidiaries. Thus, the degree of ownership or control is clearly the main source of difference between wholly owned subsidiaries and joint ventures of multinational firms across national borders.

Ownership-based and internalisation theories, as well as their variants including the eclectic paradigm, are indeed meaningful insofar as they attempt to explain the international production aspect of any multinational business. These theories and paradigms may hold true in the light of the respective authors' perspectives, objectives and geographical scope of their research subjects. So, they are not quite meaningful to explain the international business in Saudi Arabia as they are in the American or European setting.

This study found that various multinational business activities in Saudi Arabia are evident in the fields of international trade, strategic alliances, consulting, licensing and others. Thus, equating the so-called multinational theory to the various theories or paradigms of international production is not universal at all. At best, existing theories of international production speak for themselves in a fragmented style, and they do not truly represent an eclectic explanation — let alone a perfect view — of the entire scope of multinational business activities.

In recent years some leading international business scholars have begun to recognise that multinational firms with good cultural understanding across national borders are likely to acquire a noticeable competitive advantage in the global marketplace. In this regard, one vital issue that is relevant to the Middle East setting, but still in the embryonic stage of research investigation, is that of Islamic culture. A few studies have been done concerning multinational companies doing business in Saudi Arabia, but none has ever investigated deeply into the importance of understanding Islamic culture and the underlying implications to multinational business.

This research work analyses the Islamic cultural values and ethics relevant to understanding the role of multinationals in the Middle East, particularly Saudi Arabia. It highlights Islamic culture as one of the key factors that underscore the success of multinational business operation in Saudi Arabia. The study also presents the business implications of selected Islamic values that are important to be understood by multinational firms doing business or planning to invest in Saudi Arabia and the Islamic world. It also highlights cultural understanding as a key success factor in developing good multilateral relations and peaceful coexistence between Muslim countries and the rest of the world. Thus, the cultural aspect of the study will help major institutions worldwide gain understanding of Islam. This will enable them to identify, understand and reconcile, if possible, their cultural differences with the Muslim world. This *per se* is a major element of this study in the current research on international business.

Indeed, MNC managers and other decision-makers with limited understanding of Islam will find this study very helpful in managing the culture related aspects of their operations and activities in Saudi Arabia and the Muslim world at large. This, in turn, may help

MNCs overcome their problems and help them tap further economic opportunities in the Muslim world.

The cultural aspect of the study is intended to help overcome some of the limitations of existing theories. Thus, a theoretical framework that is holistic in character has been developed to complement — not to supplant — economics as the leading discipline. This approach is expected to be significantly useful to MNC decision makers, economists and international business scholars who may wish to go deeper into the study of MNC business patterns and operations in the Middle East, particularly Saudi Arabia.

Cognisant of the limitations of existing knowledge on multinational firms, the thesis does not claim to offer a panacea to bridge the sheer gap between the multinational theory and practice. It only attempts to enhance the multinational roles by taking a regionally meaningful overview of them beyond the narrow bounds of international production. In this way, the focus of future researches may recognise the complex eclectic world of multinationals surrounded by economic and non-economic phenomena that entail thorough empirical investigation. That world promises great potential rewards to economists and international business scholars who may wish to research further into the realities of MNC existence and business patterns.

1.3 Scope and Limitations of the Study

The study is designed to characterise the scope and roles of multinationals doing business in Saudi Arabia. Such characterisation helps throw light on the existence and nature of multinational firms operating in the Middle East region, particularly Saudi Arabia. By definition, multinational companies as viewed in this research work are not confined to manufacturing-based firms or enterprises, which are integrated across national frontiers either horizontally or vertically.

The researcher recognises that the essential elements of MNC operations are direct (as distinct from portfolio) investment abroad giving a power of control over decision-making in a foreign enterprise; the collective transfer of resources, involving factor inputs such as knowledge and entrepreneurship as well as money capital; and finally the requirement that the income-generating assets acquired by this process be located in a number of countries (Hood, Neil and Young 1979: 2). Along this line, a company can be considered "multinational" when it owns (in whole or in part), controls and manages income-generating assets in more than one country; or, when it has production or service facilities outside the country of its origin (The Economist Dictionary of Economics 1998: 286). An MNC is commonly known for its international production activity financed by foreign direct investment (Hood, Neil and Young 1979: 3).

The term "multinational" signifies that the activities of the company or firm involve more than one nation (United Nations. In Modelski 1979: 15). The "company", "corporation," "firm" and "enterprise" are used interchangeably in this work, within the context of common usage and without being dogmatic about their respective legal connotations. Another notion of MNC is that it is a firm that thinks 'multinationally' — one that weighs alternative investments on a global basis (Connor 1977: 3) in terms of profit maximisation and competing, non-profit-maximisation, considerations (Stevens. In Dunning 1974: 49-60). Others have advocated the application of "performance" criteria, i.e., some absolute or relative size of sales, assets, work force, or earnings derived from foreign operations. Connor (1977: 4-9) describes the modern MNC as a very large, complex institution involving the central control of a certain minimum number of foreign subsidiaries of substantial asset size and extent of geographical (that is, cross-national) spread. It has a strong tendency to be producing differentiated, technologically intensive products in relatively concentrated industries.

Frank (1981: 7) defines multinational enterprise as "an enterprise which carries out operations, such as production of goods or the provision of services, in more than one country through component units which are subject to some measure of central control." Dunning (1993a: 79) defines it as an enterprise, which engages in foreign value-added activities and internalises intermediate product markets across boundaries. According to Kolde (1973: 134), "the basic notion in any definition of MNE [multinational enterprise] is that of a number of affiliated business establishments which function simultaneously in different countries."

The researcher accepts all the foregoing definitions, but a note of caution needs to be borne in mind. A multinational firm may have a manufacturing activity in its home country; it may or may not have cross-border manufacturing activities in some countries in or outside the Middle East. The same firm may engage in value-adding activities (say joint ventures, international trading or project management) in Saudi Arabia or elsewhere in the Middle East. This does not mean that the same firm loses its multinational character simply because it engages in value-adding activities outside the realm of international production.

As the study is exploratory in character, its scope is not confined to a particular industry, multinational firm or product group. In other words, there is no restriction on the type of multinational company covered in this study. Making it restriction-free is in fact in line with the researcher's goal of determining from the respondents' answers and from available secondary data whether multinational activities particularly in Saudi Arabia are all-embracing, i.e., not confined to the phenomenon of international production. Moreover, the term "role" is applied in this study in its broad context. It refers to the business scope, nature, function or activity of multinational firms doing business in Saudi Arabia.

It is worth recalling that one of the research objectives is to identify and analyse the variables influencing the success of MNCs operating in Saudi Arabia. This was done through the survey distributed to multinational managers and customers. In addition, the author attempted to relate the business success of MNCs vis-à-vis cultural factors. Among the given success measures, sales growth turned out as the most appropriate success indicator in the light of data availability/constraints.[6]

The study takes the case of Saudi Arabia and the respondents were asked at a particular point in time. Thus, the implications of the findings may not necessarily be everlasting, and future researches may generate different results. Any interested researcher may replicate the study in the future, using some or all of the research issues in question. Some of the research problems that are associated with numerous variables can be approached through appropriate multivariate analysis. One can add time dimension to the same subject by touching on the changing roles of multinationals in the Middle East over time, using the results of this study as a base.

The researcher did not attempt to empirically investigate any cultural model, such as those of Hofstede (1980) and Gullestrup (1996). Any attempt to empirically apply any of these two models, briefly highlighted in Chapter 3, will have to be done as a separate study that is beyond the scope of this research. Hofstede's four dimensions of national cultures — power distance, uncertainty avoidance, individualism-collectivism and masculinity/femininity — are too narrow to capture a clear understanding of Islamic culture, which is a total way of life. Moreover, the model was not designed to understand the details of a particular culture. It only attempts to find general explanations to the significant similarities and dissimilarities among different national cultures (Alkhafaji 1995: 74-75). By the same token, Gullestrup's study presents a theoretical model, the empirical implications of which have yet to be defined. In contrast, the cultural aspect of this research pertains primarily to the importance for MNCs of understanding Islamic cultural and ethical values. Corollary to this, multinational managers were asked to rate their knowledge of the various branches of Islamic culture. The values and ethics covered in the survey are based on the Qur'an and the Sunnah (the Prophet's tradition) — the two authentic sources of Islamic teachings. This is very important, as Saudi Arabia is a country that has officially declared to be adhering to the teachings of the Qur'an and the Sunnah. Relevant aspects of Islamic culture and their implications to multinational business operations in Saudi Arabia are incorporated in this study, which may serve as a base upon which the multinationals may gauge their actual knowledge of the various branches of Islamic culture.

The findings of the study regarding Islamic culture and its implications on multinational business may apply to other Muslim countries in the Middle East and elsewhere. However, the degree of application may depend very much on their extent of adherence to the Qur'an and the Sunnah, as they may have their own respective customs and traditions which are peculiar to them.

Notes

[1] Initially, two main research problems were addressed — why do the American firms produce or directly invest in Europe rather than in the United States, and how can they compete with indigenous West European producers, given the additional costs of doing business abroad? See Casson in Hertner and Jones 1986: 43.

[2] Various approaches to the study of multinational companies are reviewed thoroughly in Chapter 3.

[3] Notes 1 and 2 of Chapter 4 provide some useful comments on the nature and types of market imperfections.

[4] The size of a multinational company has been well emphasised in the literature. See, for example, Pindyck, Robert S. and Daniel L. Rubenfeld. *Microeconomics* 4 Ed. (1998: 3). Upper Saddle River, New Jersey: Prentice Hall International.

[5] This is discussed with some details in Chapter 5. Detailed discussion on the petroleum industry value chain is found in Shank, Spiegel and Escher (First Quarter 1998: 37).

[6] Measuring the success of Saudi companies with multinational partners or with represented multinational companies is quite difficult and this could be a challenging area of future research. This is so because these companies, unless they are joint stock or public shareholding companies, do not publicise their financial data or statistics. The annual reports of multinational firms, with joint ventures or representative offices in Saudi Arabia, are easily obtainable, but they are usually global in scope, with very general information on sales revenues, profitability, rate of return on capital employed and other financial indicators. Income statements and balance sheets included in these reports do not show separate entries for their specific revenues, expenses and net profits (losses) in Saudi Arabia. The reports that they may be submitting to the Saudi government for taxation purpose are not available to public domain. The annual reports of the multinational affiliates or joint ventures in Saudi Arabia go to their parent companies, but the latter do not disclose such information to the Saudi public. The exception to this is when a multinational joint venture is a joint stock company, which for obvious reason will have to open its annual report to its public shareholders.

The data problem highlighted above is not new and not confined to multinationals operating in Saudi Arabia. In fact, Lall and Streeten (1977: 5-6) stressed that most developed countries do not publish comprehensive information on the foreign operations of their firms partly as a result of business secrecy and partly owing to a lack of official scrutiny. They remark:

Quite apart from these conceptual difficulties, there are great gaps in the statistics available, from both investor and recipient countries, on foreign investment. Partly as a result of business secrecy and partly owing to a lack of official scrutiny, most developed countries do not publish comprehensive information on the foreign operations of their firms. Even the United States, which has by far the best coverage of all aspects of business activity, is found wanting: thus, the massive study recently prepared for the US Senate's Committee on Finance (US Tariff Commission, 1973), with almost 300 tables of detailed statistics on US transnationals for 1966 and 1970, had to rely for its 1970 data on a sample of 298 parent companies, which were then used to extrapolate figures for the entire group of some 3400 companies with foreign investments for which data had been obtained for 1966. Furthermore, data on foreign operations were available only for majority-owned affiliates, leaving out a substantial proportion of operations abroad which were in fact controlled by US TNCs (Lall, Sanjaya and Paul Streeten. (1977) *Foreign Investment, Transnationals and Developing Countries*. London: The English Language Book Society and Macmillan).

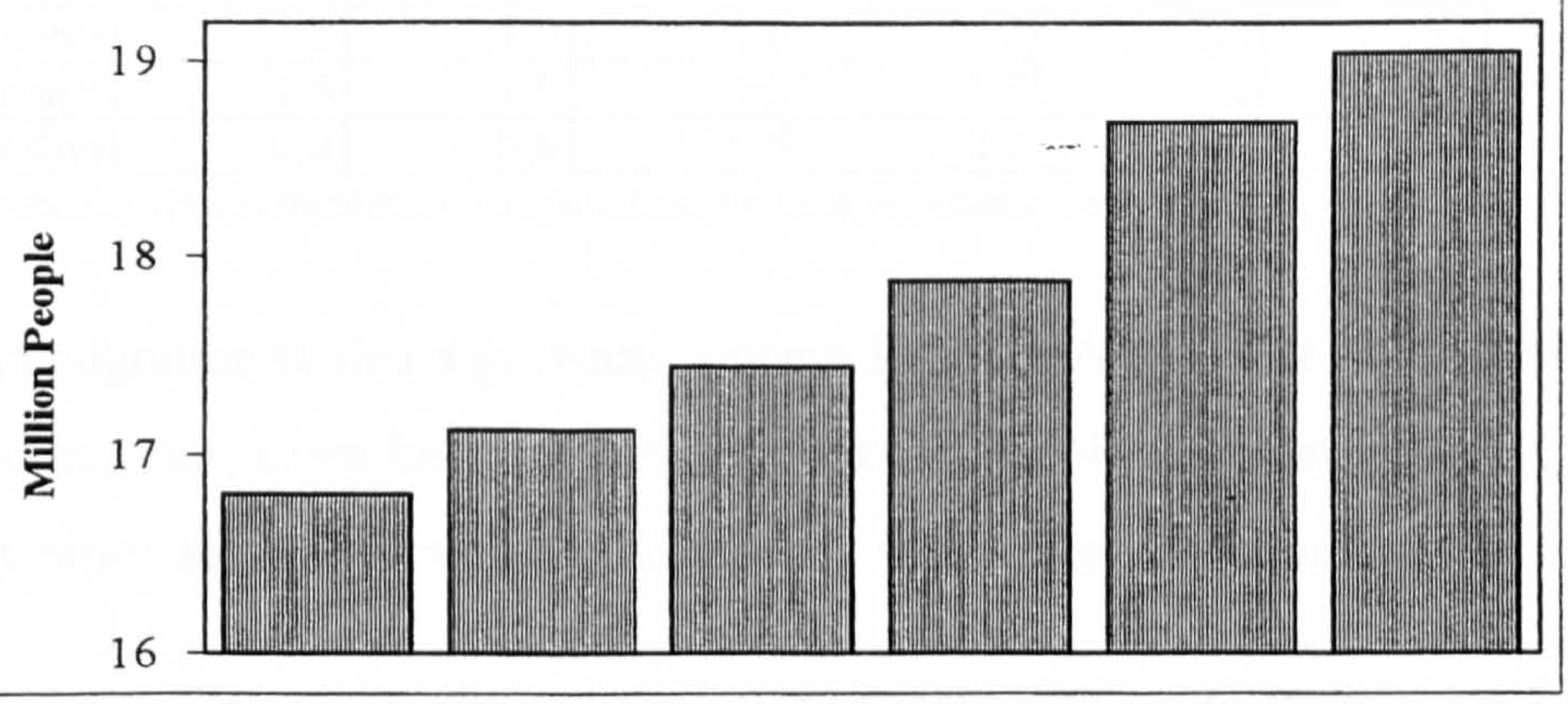
Chapter 2 - The Saudi Environment for Multinational Investment

2.1 Background Information

2.1.1 Population

A 1992 national government census put Saudi Arabia's population at 17 million, of which around 73 percent were Saudi nationals.[1] The remaining 27 percent were expatriates from various countries of the world.[2] In 1997 the Kingdom's population rose to about 19 million people (See Figure 2.1). The corresponding population density remained low in recent years — about seven persons per sq. km. in 1992 and nine persons per sq. km. in 1997 (The Ministry of Information 1997: 164).

Figure 2.1 Population of Saudi Arabia, 1992-1997

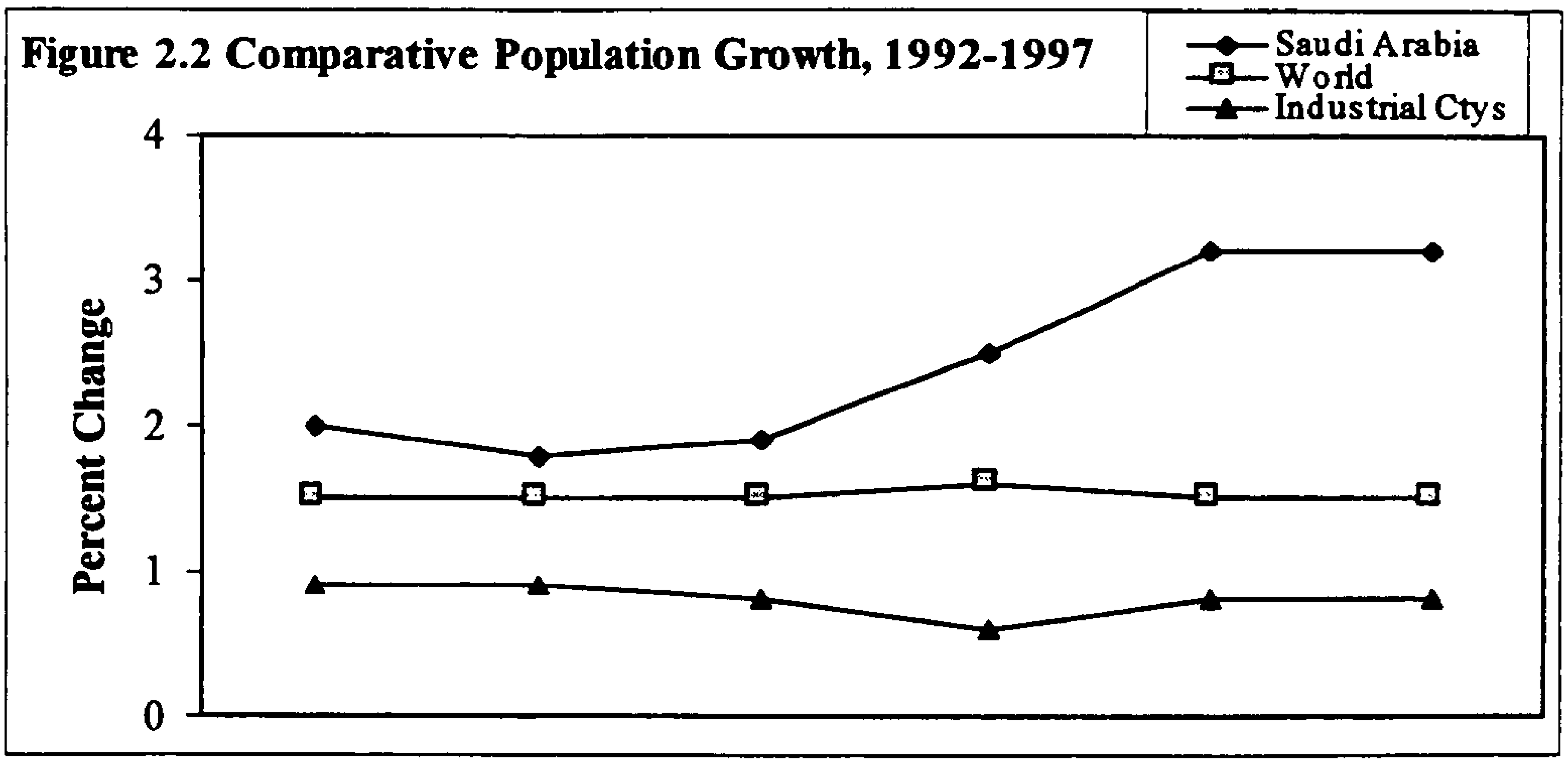


	1992	1993	1994	1995	1996	1997
Population	16.8	17.1	17.5	17.9	18.7	19.0
Growth (%)	2	1.8	1.9	2.5	3.2	3.2

Source: Bank of America World Information Services: Country Data Forecasts, Sept. 1997

Saudi Arabia has experienced one of the highest population growth rates in the world (Saudi Consulting House 1994: 15). Figure 2.2 indicates that the Kingdom's population growth is more than double the current world average of 1.5 percent; and many times higher than the 0.8 percent average growth rate for the industrial countries.[3]

The Kingdom's annual population growth is expected to remain exceptionally high at 3.2 percent vis-à-vis the world growth of 1.5 percent per year in the next few years. From the economic standpoint, the rapid growth of Saudi population may exert downward pressure on the growth of the gross domestic product (GDP) per capita in the years to come. This also means more Saudis requiring jobs over time. In fact, the issue of unemployment has already become one of the priorities of the Saudi Government at this stage, hence the need for replacing foreign manpower wherever and whenever possible.



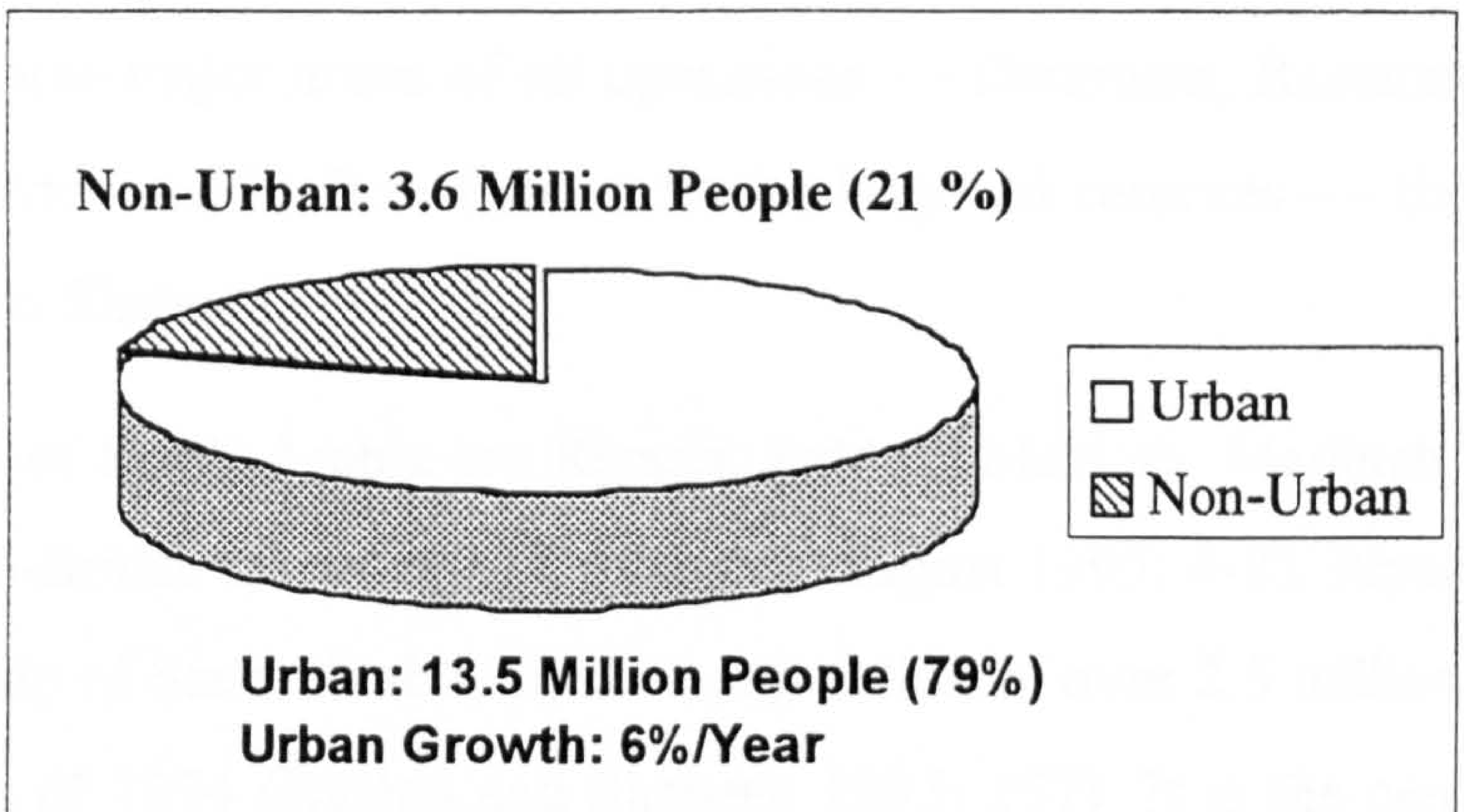
	1992	1993	1994	1995	1996	1997
Saudi Arabia	2	1.8	1.9	2.5	3.2	3.2
World	1.5	1.5	1.5	1.6	1.5	1.5
Industrial Ctys	0.9	0.9	0.8	0.6	0.8	0.8

Source: Bank of America World Information Services: Country Data Forecasts, Sept. 1997

Rural-to-urban migration is also a growing concern in Saudi Arabia, like most emerging nations. In recent years, there has been a rapid influx of people to the major cities, as a result of urbanisation associated with the Kingdom's socio-economic development.

Figure 2.3 shows that the Saudi population as of 1993 comprised 79 percent urban and only 21 percent rural. This was slightly higher than the 1990 urban share of 77 percent, but much higher than the 1965 level of only 39 percent (World Bank. World Development Report 1992: 279). Urbanisation is still rising at a growth rate of 6 percent per annum. This trend will continue in the foreseeable future as more people without jobs in the rural areas migrate to the cities for employment and other purposes.

Figure 2.3 Saudi Arabian Urbanisation as of 1993



Source: World Bank Development Report 1995

Quoted in Koch-Weser, Caio. (November 1995: 54) The Middle East & North Africa: Issues in Development. Washington: The World Bank.

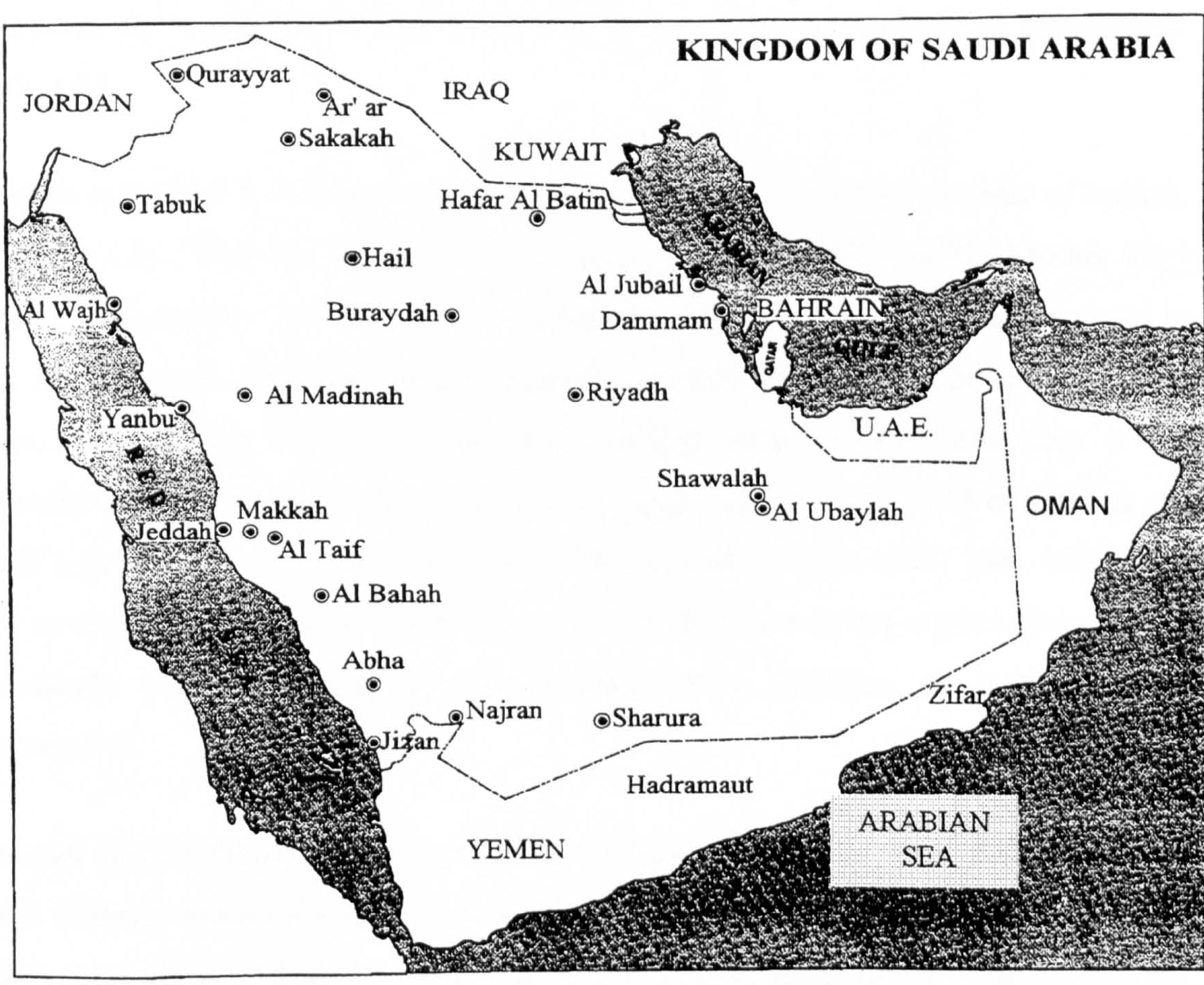
2.1.2 Geography

Saudi Arabia has a total area of 2.2 million square kilometres — about 10 times the size of the United Kingdom, six times the size of Japan or Germany and a third the size of the entire continental United States of America (Saudi Ministry of Information 1997: 151; Rashid and Shaheen 1995: 1; Shilling 1975: 1; and also Arab-British Chamber of Commerce August 1995: 4-8). The Kingdom covers roughly 80 percent of the Arabian Peninsula, with the remaining 20 percent comprising the smaller countries of Yemen, Oman, the United Arab Emirates, Qatar, Bahrain and Kuwait (Shilling 1975: 1). The Kingdom is bordered by Kuwait on the Northeast, by Iraq and Jordan on the North, by the Arabian Gulf, Bahrain, Qatar and United Arab Emirates on the East, by the Sultanate of Oman and Yemen Republic on the South and by the Red Sea on the West (Figure 2.4). The western border of Saudi Arabia along the Red Sea covers a coastal length of 1,800 kilometres; its eastern border along the Arabian Gulf, 610 kilometres (Saudi Ministry of Information 1996: 30). The total length of its northern and southern borders is 2,700 kilometres (Saudi Consulting House 1994: 15).

The Kingdom of Saudi Arabia comprises four regions. In the Northwest is the Hijaz region, which borders the Red Sea and contains the Muslim Holy Cities of Makkah and Madinah and the Kingdom's major commercial centre, Jeddah. In the central plateau is the Najd region, where the administrative capital, Riyadh, is located (Shilling 1975: 1). In the Southwest is the Asir region and in the East is the Eastern Province. The latter is located on the Arabian Gulf and was once called the Province of Al-Hasa. It contains Saudi Arabia's three major areas of oil operations — Dammam, Rastanura and Abqaiq. The Eastern Province is, in fact, famous for its huge oil reserves — the largest in the world (Rashid and Shaheen 1995: 2).

The major cities of Saudi Arabia are Riyadh, Jeddah, Makkah, Madinah, Dammam and Al-Khobar (Arab-British Chamber of Commerce August 1995: 4-8). Riyadh is the capital and the largest city of Saudi Arabia. It has a population of over 2.5 million and an area of 1,600 sq. km. as of 1994 (Rashid and Shaheen 1995: 157). It is the central location of government, ministries, government institutions and embassies. It is a very active industrial and commercial city, and has many modern landmarks, buildings, basic infrastructures and modern communication facilities. It is a beautiful and great metropolis and is called "The Desert Pearl" (Saudi Ministry of Information 1997: 153).

Figure 2.4 Map of Saudi Arabia



Source: Adopted from the Ministry of Planning, Kingdom of Saudi Arabia. Achievements of the Development Plans 1970-1998.

Jeddah is Saudi Arabia's second largest city, with a population of nearly two million (as of 1994) and an area of 1,200 sq. km. It is also a great industrial and commercial city, and has many modern landmarks, buildings, basic infrastructures and modern communication facilities. With a long corniche of about 80 kilometres, Jeddah is called "The Bride of the Red Sea" (Saudi Ministry of Information 1997: 157). It is the main seaport on the Red Sea and the gateway (air and sea) for most of the pilgrims coming from all over the world to visit Makkah and Madinah during the *Hajj* season and during other periods throughout the year (for *Umrah* — small pilgrimage).

Makkah Al-Mukaramah is the Kingdom's Holy Capital. It is the most sacred city to all Muslims world-wide. It contains Masjid Al-Haram (the Grand Mosque), which includes *Al-Kaaba*, the *Maqam* (Station) of Ibrahim, *Hijr* (Stone) of Ismael, Zamzam well, Al-Safa and Al-Marwa. Muslims, who have the means and are physically able, are obliged to perform pilgrimage (*Hajj*) to Makkah once in a lifetime. It is part of the *Hajj* requirements that they also visit the other Holy Places close to Makkah, such as Mena, Muzdalifa and Arafat. This *Hajj* is the fifth pillar of Islam (Ministry of Information. 1997: 160).

Makkah is located in a mountainous landscape, which is 73 kilometres east of Jeddah. The Holy City (*Al-Balad Al-Haram*) is also known as *Umm Al-Qura* (the Mother City) or *Al-Balad Al-Amin* (the City of Trust). Being surrounded with mountainous rocks as high as 300 metres, Makkah needed a tunnel infrastructure to facilitate smooth traffic flows. As such, the Government of Saudi Arabia under the able leadership of the Custodian of the Two Holy Mosques did not spare any effort to build in Makkah the world's most sophisticated tunnel systems (Rashid and Shaheen 1995: 168). Makkah is now an ultra-modern city, with new supermarkets, first class hotels, super highways with cloverleafs and overpasses, modern communication facilities, as well as clean environment.

Madinah Al-Monawarah is the second Holy City to all Muslims world-wide. Originally called *Yathreb*, Madinah is also known as *Teebah* (the city of the Messenger) or Dar Al-*Hijrah* (the place of *Hijrah* – referring to the historic flight of the Prophet and the

Muslims from Makkah to Madinah). Muslims who come for pilgrimage are recommended, as part of the Sunnah, to visit Madinah, but this is not a requirement for fulfilling *Hajj*. It contains the Prophet's Mosque and his grave (Ministry of Information. 1997: 160). Other interesting sites at Madinah are the King Fahd Holy Qur'an Printing Complex and the Islamic University.

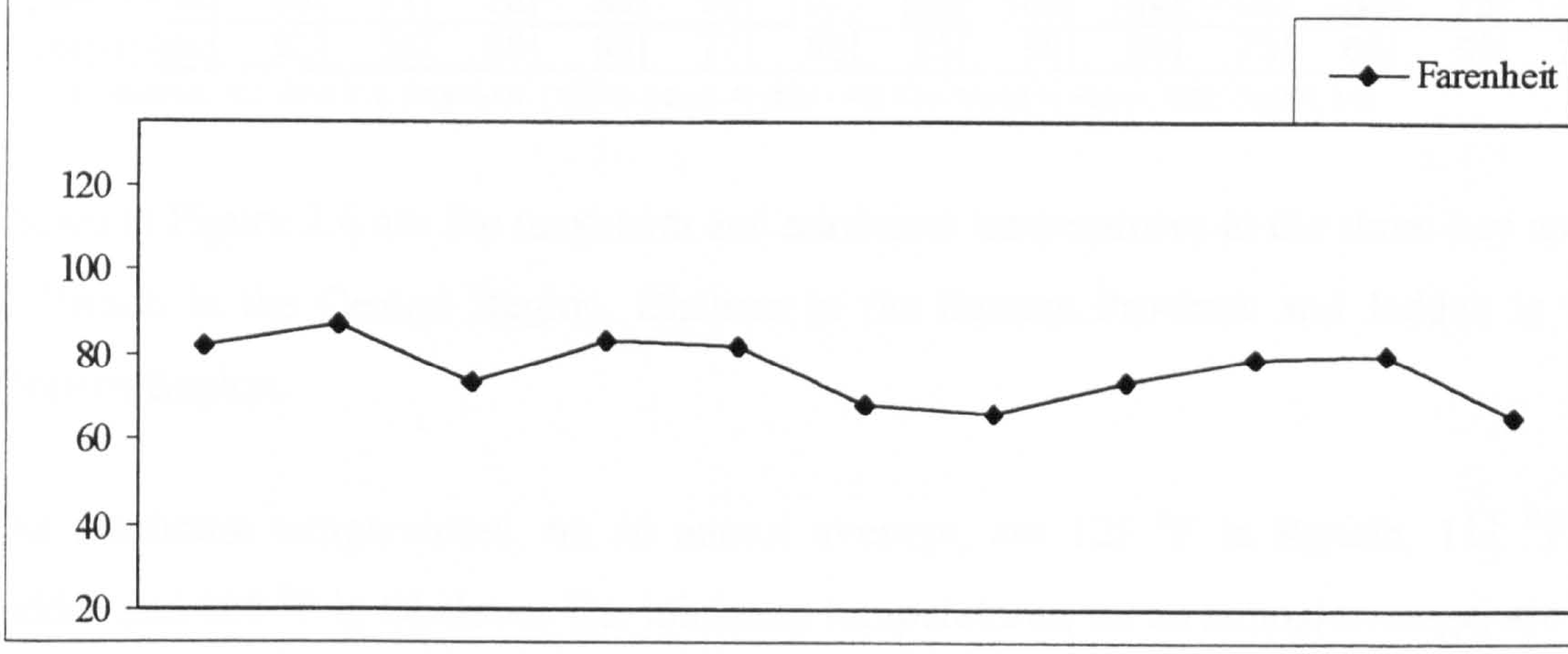
Dammam is the Eastern Province's largest city, with a population of about one million people (Saudi Ministry of Information 1997: 159). It has undergone tremendous expansion to such a great magnitude that it is now connected to Dhahran and Al-Khobar — the other two important cities in the Eastern Province. These three cities have now become one large metropolis with a combined area of 718 sq. km. Together, they constitute a modern and fabulous metropolis, with mushrooming industries, beautiful parks, excellent highways, modern communication facilities, as well as a clean environment (Rashid and Shaheen 1995: 163-164). Dammam is, likewise, a major shipping area on the Arabian Gulf. It is Saudi Arabia's second largest seaport, after Jeddah.

2.1.3 Climate

The climate in Saudi Arabia varies from one region to another. The central, western and eastern regions all tend to have hot to very hot weather during summer. Heat and humidity are quite high in the coastal areas along the Arabian Gulf (Eastern Coast) and the Red Sea (Western Coast) during summer. In the same season, Southern region and more specifically the high lands in the Southwestern part of Saudi Arabia enjoy mild weather. In particular, the summer resorts of Taif and Abha have mild weather and low humidity during summer.

The average annual temperature levels in certain cities of Saudi Arabia are shown in Figure 2.5. On an annual average, the temperature is generally mild in the cities of Abha, Quarayat, Turaif and Taif. On the other hand, the average annual temperature in Makkah, Jeddah, Madinah, Yanbu, Dhahran and Riyadh is generally hot.

Figure 2.5 Average Annual Temperatures for Key Saudi Cities



	Jeddah	Makkah	Taif	Madinah	Yanbu	Qurayat	Turaif	Hail	Riyadh	Dhahran	Abha
Farenheit	82	87	73	83	82	68	66	73	79	80	65
Celsius	28	31	23	28	28	20	20	23	26	27	18

Source: Rashid, N.I. And E.I. Shaheen. (1995) Saudi Arabia - All You Need to Know. IITI: Joplin, Mo.

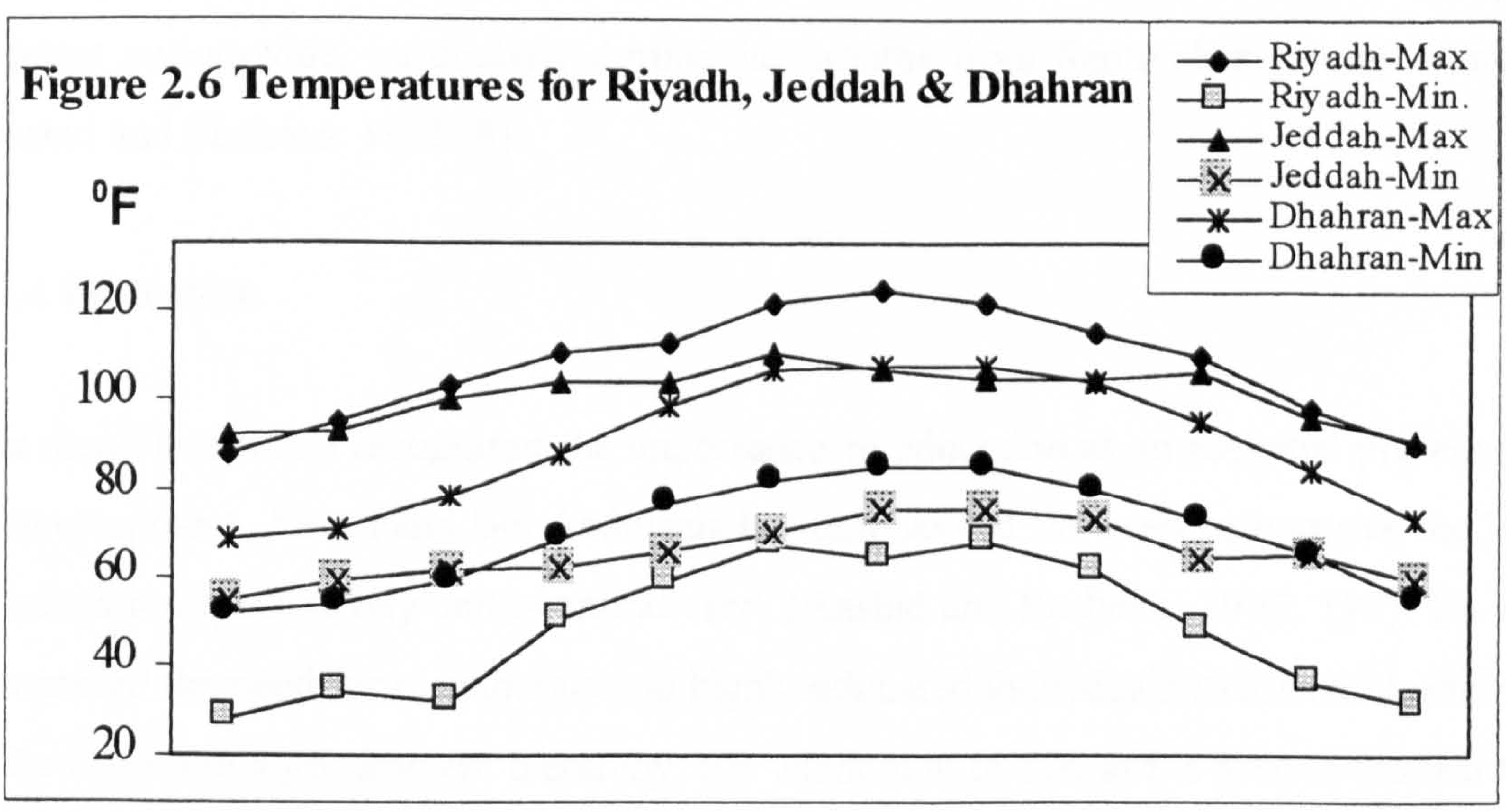


Figure 2.6 Temperatures for Riyadh, Jeddah & Dhahran

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Ave.
Riyadh-Max	88	95	103	111	113	122	125	122	115	110	98	90	108
Riyadh-Min.	28	34	32	50	59	67	64	68	61	48	36	31	48
Jeddah-Max	92	93	100	104	104	111	107	105	105	106	96	91	101
Jeddah-Min	55	59	61	62	66	70	75	75	73	64	65	59	65
Dhahran-Max	69	71	78	88	99	107	108	108	104	95	84	73	90
Dhahran-Min	52	54	59	69	77	82	85	85	80	73	65	55	70

Source: Rashid, N.I. And E.I. Shaheen. (1995) Saudi Arabia - All You Need to Know. IITI: Joplin, Mo.

Shown in Figure 2.6 are the maximum and minimum temperatures in the three key areas of Riyadh in the Central Region, Dhahran in the Eastern Province and Jeddah in the Western Region.

The maximum temperatures, on an annual average, are 125 ^{0}F in Riyadh, 111 ^{0}F in Jeddah and 108 ^{0}F in Dhahran. The minimum temperatures, on an annual average, are 28 ^{0}F in Riyadh, 55 ^{0}F in Jeddah and 52 ^{0}F in Dhahran. In Riyadh, the maximum average temperature occurs in the month of July, while the minimum temperature is in January. In Jeddah, the maximum average temperature occurs in the month of June, while the minimum temperature is in January. In Dhahran, the maximum average temperature occurs in the months of July and August, while the minimum temperature is in January (See Figure 2.6). When summer is gone, the weather in Saudi Arabia tends to be quite pleasant nation-wide, particularly during the months from September through January (Rashid and Shaheen. 1995: 8).

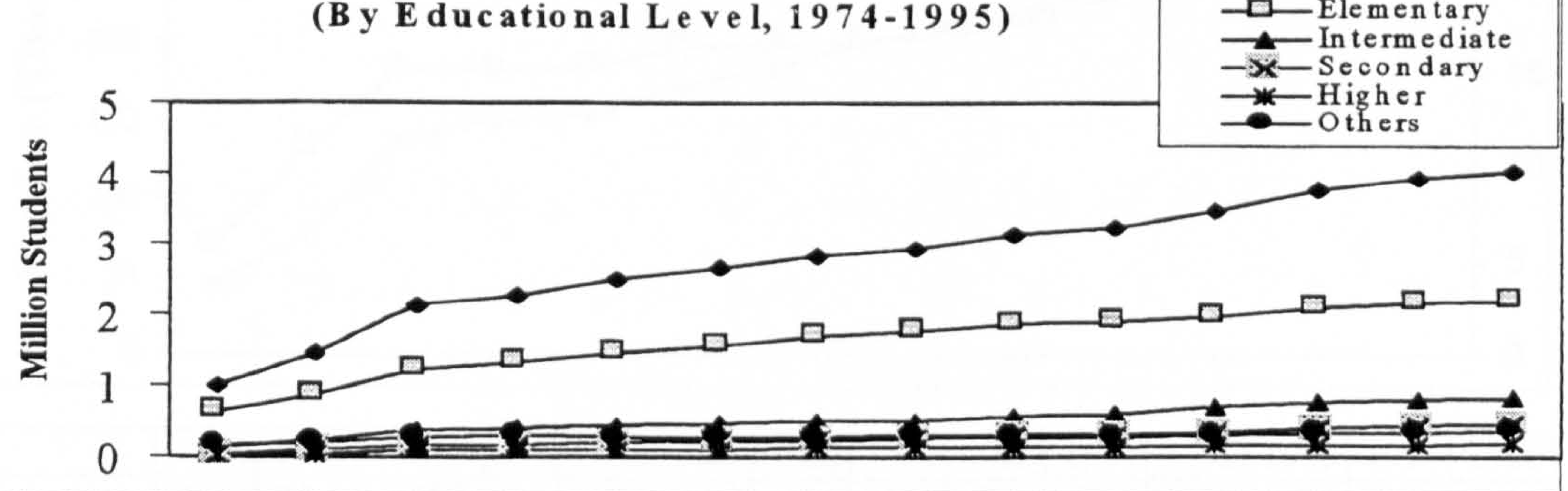
2.1.4 Education

The Saudi leadership recognised the importance of education as an essential prerequisite to development. King Fahd Bin Abdulaziz has emphasised the need to improve the level of education qualitatively and quantitatively" (Rashid and Shaheen. 1995: 119). He also recognised the need for technocrats and highly educated individuals to assume leadership in the Kingdom's government hierarchy. His wisdom in this regard is seen in the fact that more than 20 ministers in the present-day Council of Ministers are holding doctorate degrees from among the best universities in the United States, Europe and the Middle East (including Saudi Arabia). It is worth mentioning also that more than two-thirds of the Consultative Council members are having Ph.D. degrees. Indeed, Saudi Arabia has among the most highly educated ministerial and legislative bodies in the world.

In the past through 1990 Saudi Arabia's illiteracy rate was comparatively high. In 1990, for instance, 38 percent of the total population was considered illiterate compared with 35 percent for the world and only 4 percent for the industrial countries (World Bank 1992: 219). Cognisant of the urgent need to improve the Saudi population's literacy, the government has given priority to education in the annual budgets — second only to defence and security spending. In 1996, for instance, a total of SR 35 billion was actually spent for the education sector, compared with the budget of SR. 28 billion (Taecker January 1997: 9).

Historical and current data show the success of the Kingdom's sound educational policy. For instance, the total number of students enrolled in all levels of education increased from 980 thousand in 1974 to 4 million in 1995, reflecting an annual increase of 15 percent (See Figure 2.7). Elementary students in 1995 reached 2.2 million; intermediate, 840 thousand; secondary, 450 thousand; higher studies, 190 thousand; and others, 360 thousand (Ministry of Planning. Achievements of the Development Plans 1970-1996: 307-311).

Figure 2.7 Development in Saudi Education
(By Educational Level, 1974-1995)



	1974	1979	1984	1985	1986	1987	1988	1989	1990	1991	1992	1993	1994	1995
Total	0.98	1.46	2.15	2.28	2.49	2.66	2.82	2.93	3.14	3.25	3.45	3.76	3.93	4.04
Elementary	0.63	0.86	1.24	1.32	1.46	1.58	1.69	1.76	1.88	1.91	1.98	2.11	2.15	2.2
Intermediate	0.14	0.25	0.37	0.39	0.43	0.47	0.49	0.51	0.57	0.61	0.69	0.77	0.82	0.84
Secondary	0.04	0.09	0.16	0.17	0.2	0.22	0.24	0.25	0.29	0.31	0.35	0.38	0.45	0.45
Higher	0.02	0.05	0.09	0.1	0.11	0.12	0.12	0.12	0.13	0.14	0.15	0.16	0.17	0.19
Others	0.15	0.21	0.28	0.3	0.28	0.28	0.27	0.28	0.26	0.27	0.29	0.33	0.35	0.36

Source: Saudi Ministry of Planning. Saudi Arabia: Achievements of the Development Plans 1970-1996

The total number of male students enrolled in all levels of education increased from 673 thousand in 1974 to 2.1 million in 1995. The total number of female students increased from 311 thousand in 1974 to nearly 2 million in 1995 (See Figure 2.8).

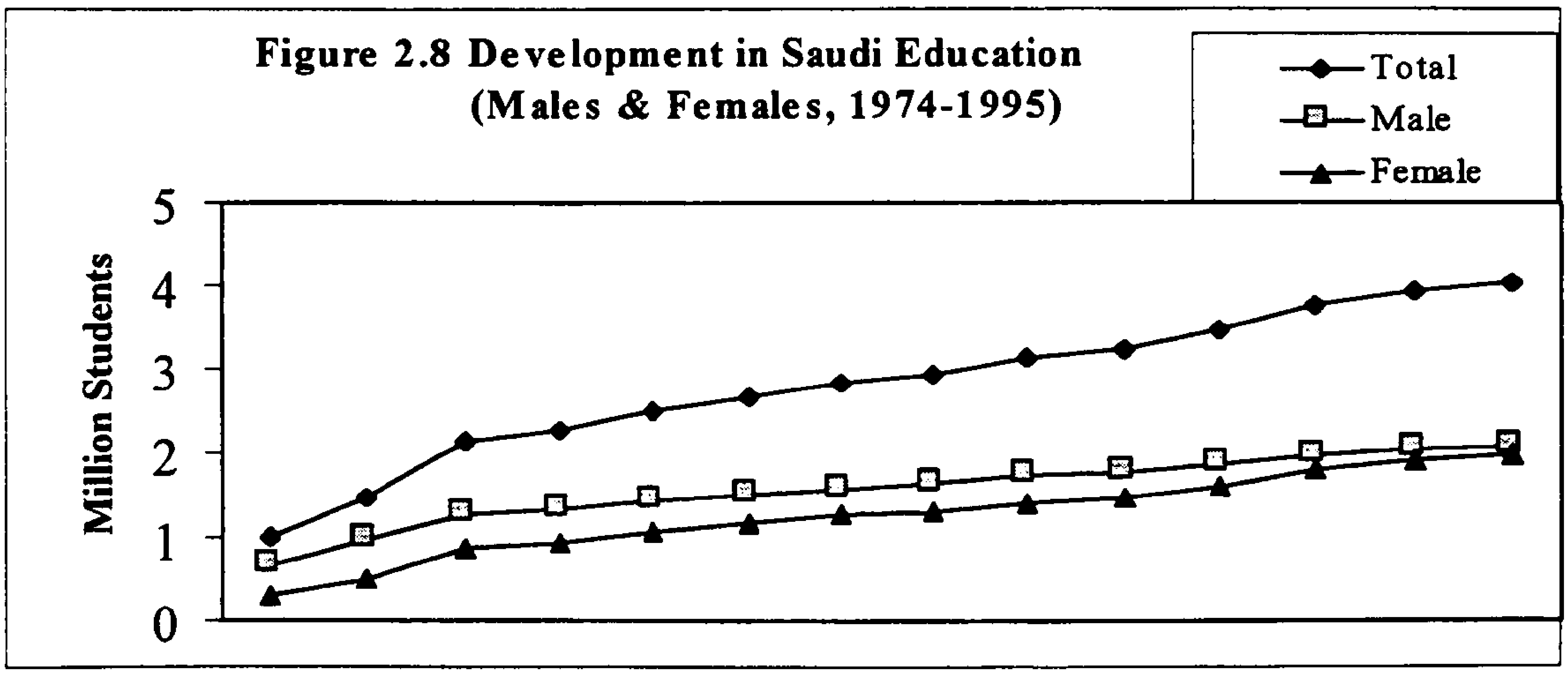


Figure 2.8 Development in Saudi Education (Males & Females, 1974-1995)

	1974	1979	1984	1985	1986	1987	1988	1989	1990	1991	1992	1993	1994	1995
Total	0.98	1.46	2.15	2.28	2.49	2.66	2.82	2.93	3.14	3.25	3.45	3.76	3.93	4.04
Male	0.67	0.95	1.27	1.35	1.42	1.49	1.56	1.62	1.73	1.76	1.87	1.97	2.02	2.07
Female	0.31	0.51	0.88	0.93	1.06	1.17	1.26	1.31	1.4	1.48	1.59	1.78	1.91	1.97

Source: Saudi Ministry of Planning. Saudi Arabia: Achievements of the Development Plans 1970-1996

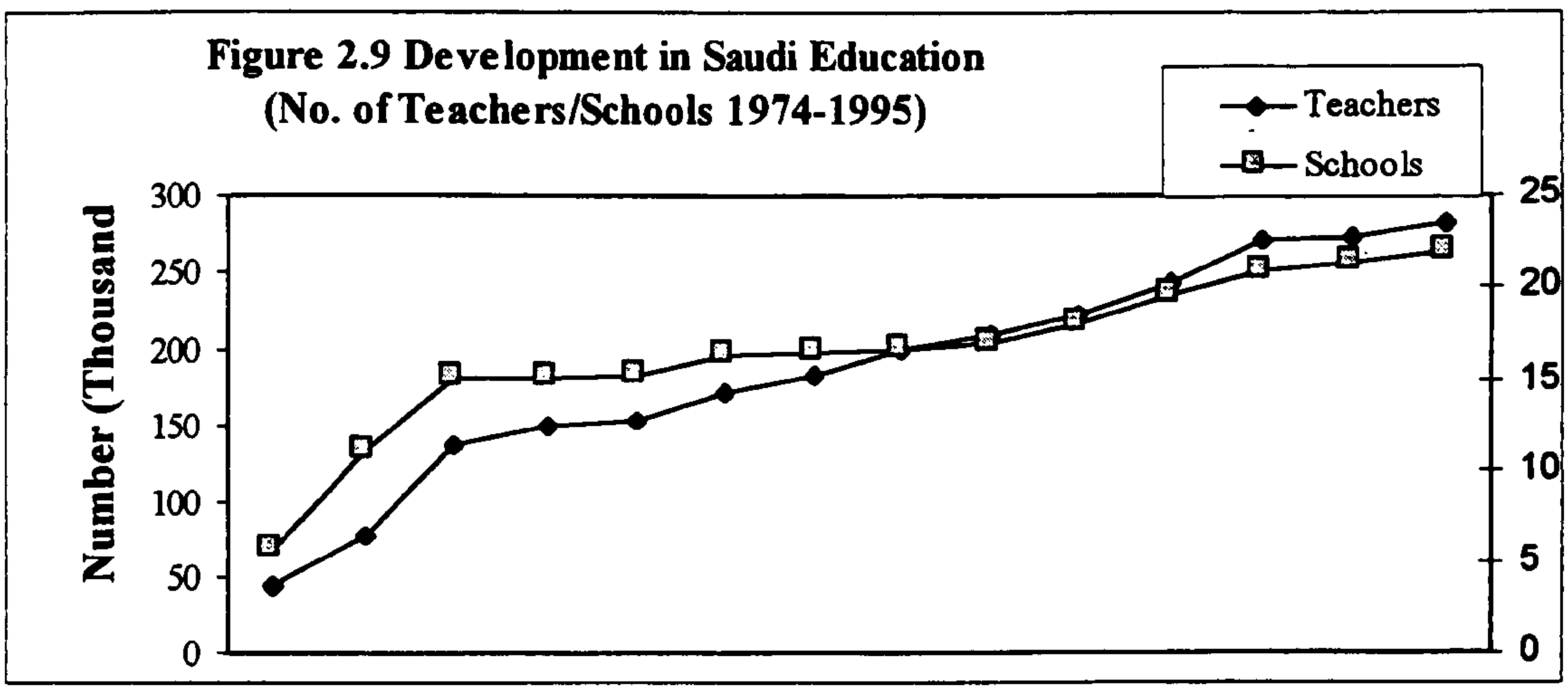


Figure 2.9 Development in Saudi Education (No. of Teachers/Schools 1974-1995)

	1974	1979	1984	1985	1986	1987	1988	1989	1990	1991	1992	1993	1994	1995
Teachers	43.8	78.3	137	151	154	171	184	199	209	222	243	270	272	281
Schools	5.63	11.1	15.1	15.1	15.4	16.3	16.6	16.6	17	18	19.6	20.8	21.3	21.9

Source: Saudi Ministry of Planning. Saudi Arabia: Achievements of the Development Plans 1970-1996

The average annual growth rate was 7 percent for male students and 11 percent for females (Ministry of Planning. Achievements of the Development Plans 1970-1996: 307-

311). The faster growth of the number of female students reflects the drive of the government to achieve a balanced educational development, as well as the determination of the females to catch up in the field of education.

The tremendous progress in the field of Saudi education is also seen in the number of schools that came to operation in the last two decades. As of 1995 the number of schools in Saudi Arabia reached about 22 thousand, compared with less than six thousand in 1974 (See Figure 2.9). This reflects an annual growth rate of 14 percent during the period 1974-1995. The number of teachers during the same period increased to 281 thousand as against 44 thousand in 1974, or an annual increase of 26 percent.

2.1.5 Infrastructure, Transportation and Communication

Saudi Arabia has successfully developed its physical infrastructures and other prerequisites of development within the span of two decades. The Kingdom's road network is very impressive and among the best anywhere in the world. Fully developed (asphalted) roads and highways cover a total length of 42 thousand kilometres in 1995, compared with 8 thousand kilometres in 1970. Paved agricultural roads cover a total length of 96 thousand kilometres in 1995, compared with 3.5 thousand kilometres in 1970. The total cost of road infrastructure as of 1995 reached SR. 130 billion (Ministry of Information 1997: 92).

The Kingdom has a modern railway network connecting the Eastern Province with Riyadh. Two express passenger trains operate daily in each direction between the Eastern Province and Riyadh. The travel time between the two points (covering 450 km. distance) is four hours (Ministry of Information. 1997: 93-94).

The Kingdom's commercial seaports have a total of 182 berths in 1995 compared with only 27 berths in 1975. These include the 23 berths at King Fahd Industrial Seaport in Al-Jubail and 22 berths at King Fahd Industrial Seaport in Yanbu. Jeddah Islamic Port is the Kingdom's largest port for transporting passengers and goods. The port has been renovated to overcome congestion. As a result, it is now possible to unload cargoes as soon as coming ships arrive and transfer their loads to their destination swiftly and efficiently (Ministry of Information 1996: 97-98). The Dammam-based King Abdulaziz Seaport is the Kingdom's main port in the Eastern Province. The port is also equipped with a ship repair dock, which was built in 1984 at a cost of SR. 797 million (Ministry of Information 1996: 101-102).

Another important seaport in the Eastern Province is King Fahd Industrial Port located at Al-Jubail Industrial City. The port can handle yearly over 50 million tons of bulk liquids and 10 million tons of other materials (Ministry of Information. 1996: 125). There is also King Fahd Industrial Port in Yanbu, with 7 terminals and 25 quays. The port can receive huge oil tankers with capacities of up to 500,000 tons (Ministry of Information. 1996: 88).

Saudi Arabia has 25 commercial airports — 14 domestic, 8-regional and 3 international airports. The international airports are the King Abdel Azis International Airport in Jeddah, King Khalid International Airport in Riyadh and Dhahran International Airport in Dhahran. King Abdel Azis International Airport is one of the world's busiest international airports, particularly during the *Hajj* season. Built on an area of 105 sq. km. to handle 10 million passengers annually, the Airport has three terminals: Domestic Terminal, International Terminal and Pilgrims' Terminal. The latter resembles an Arab tent, and has won an international award for an advanced engineering innovation and a unique piece of design (Ministry of Information 1996: 93).

Inaugurated in 1983, King Khalid International Airport covers an area of 225 sq. km., big enough to serve 15 million passengers annually. It has one domestic terminal, one international terminal and one Royal Terminal. It has a beautiful mosque that can accommodate several hundreds of worshippers. The airport buildings were designed according to modern Islamic style of architecture (Ministry of Information 1996: 39). King Khalid International Airport is, in fact, one of the world's most advance and biggest airports.

Dhahran International Airport has been in operation for more than 25 years now, and is smaller compared to the other two international airports. The airport has a total area of 100 sq. km. (Ministry of Information 1996: 190-191). However, it is a very important airport as it is the air gateway to the Eastern Province. Another ultra-modern airport — King Fahd International Airport — was inaugurated on 27 October 1999 by the Crown Prince Abdullah, Deputy Premier and Commander of the National Guard (*Arab News*, 28 October 1999: 1). The new airport has a total area of 760 sq. km and a capacity to handle 16 million passengers. It is located 50 kilometres away from Dammam (Farsi: 1989: 88). King Fahd International Airport is equipped with state-of-the-art equipment and facilities, making it the Kingdom's most modern and largest airport and one of the world's largest (*Arab News*; *Riyadh Daily*, 28 October 1999: 1). It has two passenger terminals and one Royal Terminal.

Commercial banks, including joint ventures with multinational banks, exist in all major cities. Money exchangers are also prevalent throughout the Kingdom and they deal in foreign currency exchange. It is worth noting that there is no restriction on converting the Riyal (divided into 100 Halalahs, with notes in 1, 5, 10, 50, 100, 200 and 500 Riyal denominations). Transferring money (foreign remittances) abroad is also not restricted. Foreign companies can also repatriate their earnings to their home countries without restrictions.

The Kingdom has also got modern communication facilities. The existing telephone system is fully automatic and one can make long distance calls virtually anywhere in the world without operator assistance (*Ahlan Wasahlan*, February 1997, Useful Information page). The Kingdom has around 1.6 million lines as of 1994. An expansion program is currently underway to increase it to 3.5 million lines (Ministry of Information 1997: 97). This is being implemented under a 4 billion U.S. dollar contract with AT&T (Rashid and Shaheen 1995: 140). Aside from this massive telephone network, the Kingdom has at present 281 telegraph centres (Ministry of Information 1997: 97). The facsimile system and mobile phones system are also very popular in the Kingdom nowadays. Electronic mail services currently cover more than 20 countries through 16 E-mail centres (Ministry of Information 1997: 99).

There are now 488 main post offices, along with 178 sub-offices, throughout the Kingdom. Postal services now cover 4,664 towns and villages. Express post services currently cover 37 Saudi cities and 46 Arab and non-Arab countries.

The Saudi Ministry of Information supervises two television channels — one Arabic and another English, with a news bulletin in French. The Kingdom's television studios are among the most modern in the world (Rashid and Shaheen 1995: 141).

In the field of satellite communications, the Kingdom has two standard stations, with a combined capacity of 234 circuits covering 20 countries. There are also 11 satellite stations serving the major cities of Saudi Arabia. (Ministry of Information 1997: 99-100) In 1988 King Fahd City for Satellite Communication, located between Makkah and Jeddah, was inaugurated. It has four communication stations connected with 200 countries. These are: 1) The Arabsat Ground Station with 850 telephone circuits and a TV transmission system; 2) The Indian Ocean Satellite Ground Station with 1300 telephone circuits and a TV transmission system; 3) The Atlantic Ocean Satellite Ground Station with 1400 telephone circuits and a TV transmission system; and 4) The Ground Station for Maritime Communication via Satellite, connected with Inmarsat. The latter has 12 telephone circuits and 22 telex circuits (Ministry of Information 1997: 99-100).

2.1.6 Health Care Facilities and Services

The Kingdom has also got excellent medical facilities and services, comparable to the best anywhere in the world. There are many world-class hospitals in major cities, as well as general and specialised hospitals, clinics and infirmaries, which offer services to the public at large. During the period from 1974 to 1995, the number of government hospitals under the Ministry of Health increased from 58 to 175; the number of public health centres, from 609 to 1,725; and the number of public hospital beds, from 9.1 thousand to 26.7 thousand (See Figure 2.10).

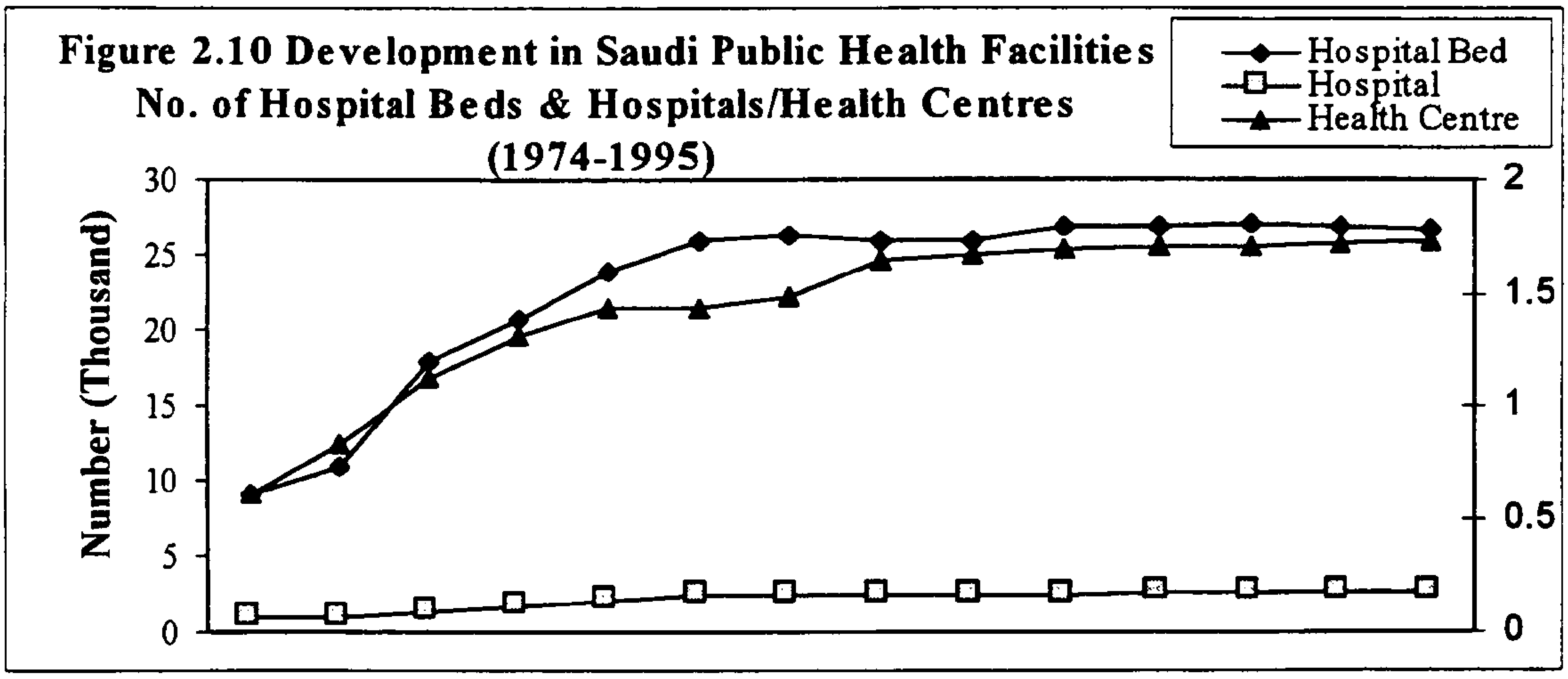


Figure 2.10 Development in Saudi Public Health Facilities
No. of Hospital Beds & Hospitals/Health Centres
(1974-1995)

	1974	1979	1984	1985	1986	1987	1988	1989	1990	1991	1992	1993	1994	1995
Hospital Bed	9.07	11	18	20.8	23.9	25.9	26.3	25.9	25.8	26.9	26.9	27	26.9	26.7
Hospital	0.06	0.07	0.09	0.11	0.14	0.16	0.16	0.16	0.16	0.17	0.17	0.17	0.17	0.18
Health Centre	0.61	0.82	1.12	1.31	1.43	1.44	1.48	1.64	1.67	1.69	1.7	1.71	1.72	1.73

Source: Saudi Ministry of Planning. Saudi Arabia: Achievements of the Development Plans 1970-1996

Aside from health care facilities under the Ministry of health, there are those under the auspices of other government institutions and the private sector. Based on available information for the period from 1970 to 1994, the total number of government and private hospitals rose from 74 to 79; the number of public and private health centres combined, from 591 to 3.3 thousand; and the number of hospital beds, from 9.0 thousand to 41.8 thousand. The ratio of hospital beds stood at 2.4 for every 1,000 persons (Saudi Ministry of Information 1997: 102).

The remarkable progress of Saudi Arabia in health care is also evident in the number of medical and paramedical personnel (See Figure 2.11). During the period from 1974 to 1995, the number of government physicians rose from 1.9 thousand to 15.5 thousand; the number of government nurses, from 4.2 thousand to 35.2 thousand; and the number of other public personnel, from 2.7 thousand to around 20 thousand (Saudi Ministry of Planning. Achievements of the Development Plans 1970-1996).

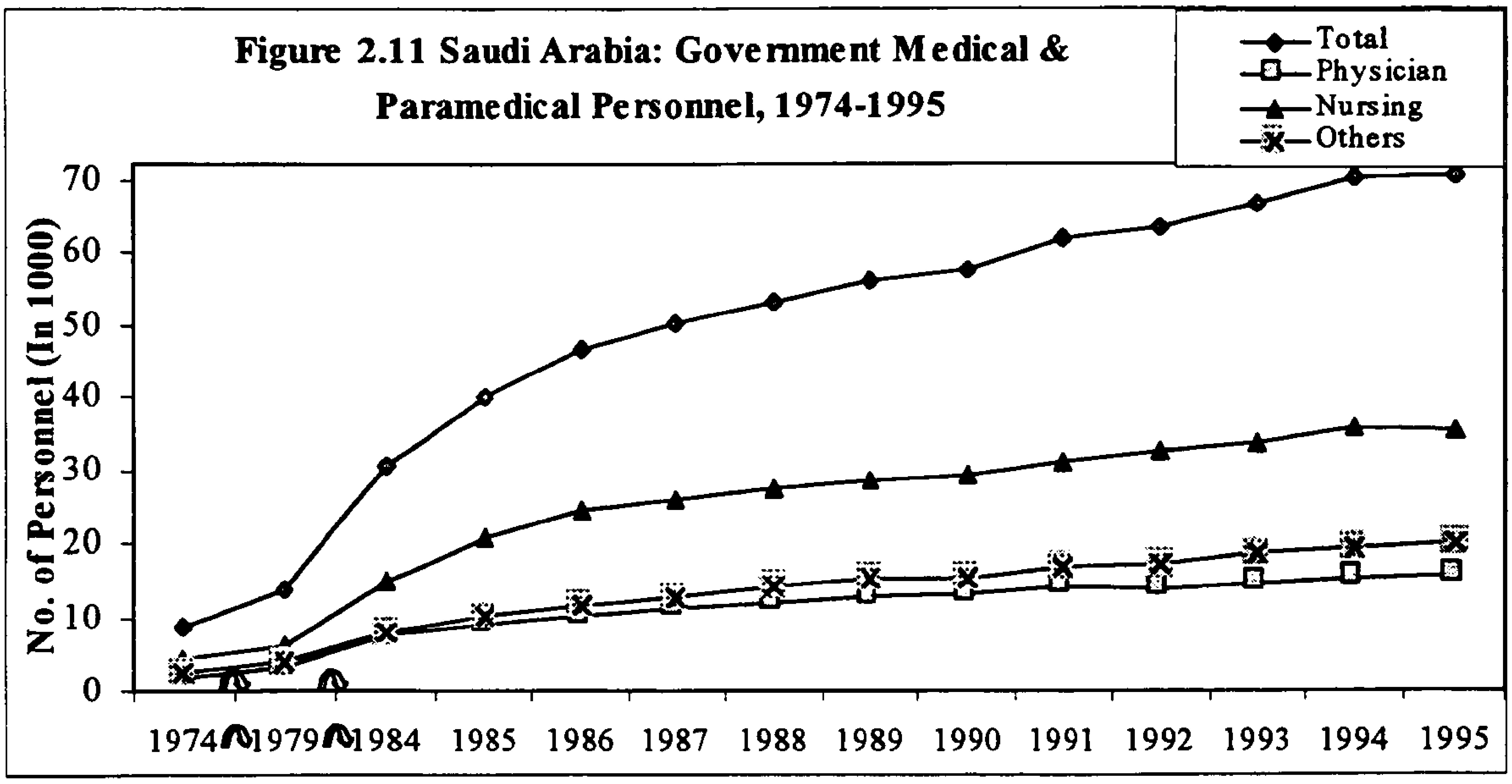


Figure 2.11 Saudi Arabia: Government Medical & Paramedical Personnel, 1974-1995

	1974	1979	1984	1985	1986	1987	1988	1989	1990	1991	1992	1993	1994	1995
Total	8.8	13.7	30.4	40.1	46.4	50.1	53.1	56	57.4	61.7	63.3	66.5	70.1	70.7
Physician	1.9	3.41	7.49	9.26	10.4	11.3	11.9	12.6	13	14.1	13.9	14.6	15.1	15.5
Nursing	4.23	6.17	14.9	20.7	24.5	26	27.2	28.3	29.1	30.8	32.2	33.4	35.7	35.2
Others	2.67	4.09	7.96	10.1	11.5	12.8	14	15.1	15.3	16.8	17.2	18.5	19.3	20

Source: Saudi Ministry of Planning. Kingdom of Saudi Arabia: Achievements of the Development Plans 1970-1996

Based on available information for the period from 1970 to 1994, the total number of government and private physicians (male and female combined) rose from 1.2 thousand to 29.2 thousand. Likewise, the number of public and private nurses altogether increased from 3.3 thousand to 61.2 thousand; and the number of medical technicians, from 1.7 thousand to 32.2 thousand. The average annual growth rates during the period from 1970 to 1994 were indeed remarkable — 16.1 percent for the number of physicians, 15 percent for the number of nurses, and 14.7 percent for number of medical technicians (Saudi Ministry of Information 1997: 102).

Health services in Saudi Arabia comprise three levels. The first level is the primary health care under the aegis of the health centres. The second level is under the aegis of general hospitals, and the third level is under the umbrella of specialised hospitals (Saudi Ministry of Information 1997: 105). The best example of a specialised hospital in Saudi Arabia is the Riyadh-based King Khalid Eye Specialist Hospital. It is one of the best-equipped and largest eye hospitals in the world. Patients come to this hospital from various parts of the world including Spain, Egypt, United Kingdom and the United States.

2.1.7 Working and Business Hours

Government offices open at 7:30 a.m. and end at 2:30 p.m., with Thursdays and Fridays as rest days. Private businesses are generally open from 9:30 a.m. to around 2:00 p.m., with evening working hours from 4:00 or 5:00 p.m. until 8:00 p.m. In the Eastern Province banking hours are from 8:00 a.m. to 11:30 a.m. and from 4:00 p.m. to 6:00 p.m. during the weekdays of Saturday through Wednesday; and from 8:00 a.m. to 11:30 a.m. only during Thursdays. In the Central Region banking hours are from 8:30 a.m. to noon and from 4:30 p.m. to 6:30 p.m. during the weekdays of Saturday through Wednesday; and from 8:30 a.m. to noon only during Thursdays. In the Western Region banking hours are from 8:30 a.m. to noon and from 5:00 p.m. to 7:00 p.m. during the weekdays of Saturday through Wednesday; and from 8:00 a.m. to noon only during Thursdays (U.S.-Saudi Arabian Business Council 1996: 11).

Some shopping centres/super markets, with so much varieties of goods produced locally as well as imported from various countries, are open 24 hours a day. Likewise, some restaurants and fast food centres are open till dawn everyday. However, all commercial establishments are required to close during prayer times, which usually take 15 to 30 minutes. During *Ramadan*, virtually all shopping centres, department stores, restaurants, groceries and other commercial establishments are open till midnight to dawn.

During *Hajj* season, pilgrims from all corners of the world enjoy the same access to goods and services offered by various business establishments within Makkah, Madinah and Jeddah from day time to dawn. Land travellers from and to all major points of the Kingdom also enjoy almost 24 hours of access to plentiful goods, restaurants and rest houses along the highways. Indeed, consumers in Saudi Arabia (Saudi nationals and expatriates alike) enjoy very wide choice, with abundant supply of goods coming from different countries of the world at comparatively cheap prices.

2.1.8 Government System

The Kingdom of Saudi Arabia (known in Arabic as Al-Mamlaka Al-Arabia Al-Saudia) is an Arab and Muslim state, whose constitution is based on the Qur'an (the Book of Allah) and the Sunnah (the tradition, sayings and teachings of Prophet Muhammad ﷺ *Sallallaahu 'alayhi wa sallam* — may the peace and blessings of Allah be upon him). The Kingdom is monarchical, with the King as the Head of State, Prime Minister and Supreme Commander of the Armed Forces. In formulating and executing national policies, the King is directly assisted by his Deputy Prime Minister, who is also the Commander of the National Guard, and by the Second Deputy Premier, who is also the Minister of Defense and Inspector General. The King also gets policy and legislative supports from the other ministers appointed to the Council of Ministers, and from the members of the Consultative Council (*Majlis Al-Shoura*).

King Fahd Bin Abdul Aziz is the incumbent Head of State, who is also the President of the Council of Ministers and the Custodian of the Two Holy Mosques. He has been in the realm of the Saudi monarchy since 13 June 1982 when his predecessor King Khalid passed away (Saudi Ministry of Information. 1996: 18). Assisting King Fahd in his duties are Crown Prince Abdullah Bin Abdul Aziz, the Deputy Premier and Commander of the National Guard; Prince Sultan Bin Abdul Aziz, the Second Deputy Premier, Minister of Defense and Inspector General; and the rest of ministers (U.S.-Saudi Arabian Business Council 1996: 8). The ministers, who are eminent personalities with great intellect and vast experiences, represent the cream of the Saudi society. By the sâme token, the King gets advisory supports from the members of the Consultative Council, whose majority earned their higher education or post-graduate degrees from among the best universities in the world.

In his desire to introduce political reforms and constitutional enhancements, the Custodian of the Two Holy Mosques, King Fahd Bin Abdul Aziz issued three royal decrees on 1 March 1992 (Saudi Ministry of Information 1997: 49). These are the Basic System of Government (Al-Nidham al-Asasi), the System of the Consultative Council (Nidham Majlis Al-Shura) and the Provincial system (Nidham Al-Manatiq). Together, these statutes manifest the Saudi Government's determination to consistently adhere to Islamic principles and teachings (Dar Al-Ufuq 1995: 96-130).

In Saudi Arabia, justice is done through the application of *Shari'ah* (Islamic Law). The Basic System of Government emphasises this fact as per following articles concerning the powers and authority of the Judiciary (Dar Al-Ufuq 1995: 106-107).

1. The Judiciary is an independent authority and subjects itself to no authority except the authority of Islamic *Shari'ah*.
2. The source of edict in the Kingdom of Saudi Arabia is the Holy Qur'an and the Prophet's Sunnah.
3. The courts apply in the course of its function, the principles of Islamic *Shari'ah* in accordance with the Holy Qur'an, esteemed Sunnah and regulations issued by the ruler which are not incongruous with it.
4. With due consideration to the hierarchy of the Board of Grievances and its jurisdiction, the courts are competent to look into all disputes.

In line with Islamic political tradition, King Fahd issued on 20 August 1993 four royal decrees bearing constitutional and legislative reforms. The first decree deals with Cabinet By-laws, one article of which states that the Council of Ministers duration will not exceed four years. During or at the end of the duration, the Council of Ministers will be reformulated again (Rashid and Shaheen 1995: 54). The second decree likewise limits the services of Cabinet Ministers to four years, but with a possible extension of an additional two years through a royal decree. It also specifies the rules and regulations governing the Council of Ministers and their duties (Rashid and Shaheen 1995: 54).

The third decree gives the list of the 60-member Consultative Council (*Majlis Al-Shura*) comprising prominent members of Saudi social, academic, political and religious life (U.S.-Saudi Arabian Business Council 1996: 8). In 1997 a royal decree increased the council composition to 90 members. The fourth decree specifies the rules, regulations and functions concerning the Consultative Council. It is worth noting that consultation is one of the traditional principles of the Islamic political system (Qur'an 42:36-38). The Prophet ﷺ applied the principle of consultation to the fullest extent in his private and public affairs. Likewise, his companions and the early rulers of Islam fully adhered to this principle, which proved very successful in conducting their personal, social and political affairs.

The consultative system is not new to the Saudi Government system. In fact, the Kingdom of Saudi Arabia was originally founded on the principle of Islamic *Shura* from the very beginning. The late King Abdulaziz made this very clear when he entered Makkah in 1924. He said:

> *We will make the rule in this holy country a Shura between Muslims and the source of legislation and regulations will derive from the Book of God (Qur'an), the traditions (Sunnah) of the Prophet, and the agreement of prominent Muslim scholars.* (Dar Al-Ufuq 1995: 132)

The Provincial System (also known as the Regional and Administrative System) aims at improving the level of administrative and development works in the regions of Saudi Arabia. It is worth noting that the regions are divided into provinces, each of which is headed by a governor or Emir. After the issuance of the Provincial System, the Kingdom of Saudi Arabia comprises 13 provinces, namely: Riyadh, Makkah Al-Mukarramah, Al-Madinah Al-Munawarah, Eastern Province, Al-Qasseem, Assir, Al-Baha, Tabuk, Hail, Northern Border Province, Jizan, Najran and Al-Jouf (Ministry of Information 1997: 152).

2.2 Islam: The Foundation of the Saudi Society

Islam is an Arabic word that connotes submission, surrender and obedience (Maududi 1984: 2). It means peaceful and complete submission to the Will of Allah and obedience to His Law (the *Shari'ah*). It is not only a religion, but also a complete way of life for all. Islam is the foundation of the Saudi society, and the Qur'an — along with the Sunnah (Tradition of the Prophet ﷺ) — is the constitution of Saudi Arabia. These two Islamic scriptures embody laws laid down by Allah on all religious and worldly matters (Saudi Ministry of Information 1996: 31). An elaborate compilation on Islam as a complete way of life, based on the Qur'an and the authentic Prophet's Sunnah, is shown in Appendix 3.

The Custodian of the Two Holy Mosques, King Fahd Bin Abdulaziz emphasised the Saudi Government's commitment and permanent adherence to the path of Islam, as the Islamic *Shari'ah* and creed are the overall sources on which the Kingdom was based. In his royal speech publicly announcing the new laws promulgated by virtue of the royal decrees on 1 March 1992, he said, among other things, that the program upon which the Kingdom has always rested was based on the following foundations:

> *First: The monotheism creed which makes people devote sincere worshipping to Allah alone without partners, and which makes them live in dignity.*
>
> *Second: Islamic Law (Shari'ah) protects the rights and the lives of people, organises the relation between the ruler and the people, controls dealings between the individuals of the society and maintains public security.*
>
> *Third: To advocate the Islamic call (Da'wah) and to spread it, since the call towards Allah is one of the most important tasks of the Islamic states.*
>
> *Fourth: To find a general environment of piety, which is devoid of corruption and evil deeds. This mission was entrusted to the committee for propagation of virtue and prevention of vice.*
>
> *Fifth: To achieve the unity in faith, which is the basis of the unity in politics, society and geography.*
>
> *Sixth: To take the path of modernity and development, which eases the live of people and cares for their interests within an Islamic framework.*
>
> *Seventh: To establish Shura (Islamic consultation) which has been ordered by Islam. Islam praised those who apply it since it is one of the characteristics of the believers.*
>
> *Eighth: The two Holy Mosques should remain purified for those who compass it round, or stand upon it, bowing or prostrating themselves, as Allah the Almighty likes them to be. They should not be involved in actions that may hinder the performance of Hajj (Pilgrimage), Umrah (Minor Hajj) and worshipping of Allah in the right way. The Kingdom should take over the mission to accomplish the rights of Allah and to serve the Muslim nation.*
>
> *Ninth: The defence of faith, the Holy shrines, the nation, the citizen and the state.*
>
> *These were the major foundations on which the Kingdom of Saudi Arabia was based.* (Excerpts from the Royal Speech of the Custodian of the Two Holy Mosques, King Fahd Bin Abdulaziz. Quoted by the Ministry of Information 1997: 50-60)

Saudi Arabia has a unique role in human history as it was chosen by Allah the Almighty as the place where Muhammad Bin Abdullah, the last of the prophets and messengers, received the final revelation — i.e., the Qur'an. It is a place where he set out to convey his message to mankind, advise the *Ummah* (nation), and carry out the trust bestowed upon him until Islam spread to the world (Saudi Ministry of Information 1997: 7).

Prior to the advent of Muhammad's Prophethood, Arabs led a nomad life marked with social, ideological and religious deviations. They were superstitious, ignorant, oppressive and animalistic. They were entangled in a mesh of superstitions that led them to an animal-like life. Their women were treated as marketable commodities. Tribal wars were rampant, and one tribe fought one another for very trivial reasons (Al-Mubarakpuri 1995: 44; Saudi Ministry of Information 1997: 7; see also Al-Ismail 1990: 8). In the dark ages prior to the Prophetic era, mankind had lived in pain, despair, oppression, cruelty and chaos. Before this, messengers had come in regular succession, but for 600 years no message had come from Allah. The absence of divine guidance for so long a time was itself a manifestation of Allah's chastisement to mankind for doing all kinds of evil deeds on earth. Then one day Allah sent Prophet Muhammad ﷺ and chose him as a universal Messenger to all mankind (Qur'an 34:28), as a Mercy for all creatures (Qur'an 21: 107) and as the Seal of the Prophets (Qur'an 33:40).

Saudi Arabia, where the Muslim Holy Cities of Makkah and Madinah are situated, is the centre of the Islamic World. Muslims all over the world are spiritually and emotionally attached to these two Holy Cities for a number of reasons. Concerning Makkah, Muslims in every corner of the world have to face it as part of Islamic traditions whenever they stand for prayer. The Grand Mosque at Makkah contains *Kaabah*, the first house of worship — devoted to Allah, the One and Only True God — built by the Prophet Abraham (may the peace and blessings of Allah be upon him). Every year, Muslims from all over the world come to Makkah for *Hajj* (pilgrimage), which is obligatory once in a lifetime for those who can afford it. It was also in Makkah where the Prophet Muhammad ﷺ was born in 570 CE. It was also there where he (at the age of forty) received the first Divine Revelation and part of the series of Qur'anic Revelations from Allah the Almighty through Angel Gabriel which ran through the course of 13 years. These divine revelations focused on strengthening the faith of a Muslim, in terms of moulding him with the right Islamic ideology. The issues dealt with were concerning man and his nature, God and His unique Attributes, man's relationship with God, his role in the universe, and his final destiny in the life after death. During his last pilgrimage, the Prophet ﷺ received the last Qur'anic revelation from Allah the Almighty, which says:

> *"...This day have I perfected your religion for you, completed My favour upon you, and have chosen for you Islam as your religion."* (Qur'an 5: 3)

As for Madinah, the Prophet Muhammad ﷺ received there the other parts of the Qur'anic revelations over a period of 10 years. These revelations covered everything concerning the life and affairs of a Muslim. The issues dealt with include the affairs of believers as individuals, as families, as members of the *Ummah* (Muslim community), as members of the society, as followers, leaders, as soldiers, as businessmen and so on. In short, the series of revelations in Madinah cover the social, political, economic, educational, environmental and physical affairs of the Muslims, on local, national and international levels. The Prophet "took pains to see that individual and public conduct of the people in the nascent society of Madinah conformed to the moral and legal injunctions of Islam" (Abu Hananeh 1994: 1). His flight to Madinah, together with his followers, marked the beginning of the Islamic calendar (*Hijrah*) corresponding to 16 June 622 CE (Farsi 1989: 16). In the early periods of the Prophetic era and those of the rightly guided Caliphs, the affairs of the entire Muslim world were run and controlled in Madinah. Even after the Muslims under his leadership peacefully subjugated Makkah, the Prophet ﷺ continued to reside and rule the affairs of the Muslim world in Madinah until he died there at the age of 63 (about 632 CE). So, the Prophetic era lasted for a period of 23 years — 13 years in Makkah and 10 years in Madinah. The Prophet's ten-year era in Madinah earmarked the success of the first Islamic state that was based strictly on the Qur'an, the Sunnah, and legislation deduced from these two authentic Divine scriptures. These three constitute the *Shari'ah* (Islamic Law) which Saudi Arabia is adhering to.

Adherence to Islamic Law has been the most important goal of the Saudi leadership, and has been a significant factor behind the spectacular progress of Saudi Arabia. This has been publicly confirmed by prominent Saudi leaders and distinguished personalities who acknowledge Islamic *Shari'ah* as a blessing from Allah:

> *The goals of the Kingdom of Saudi Arabia are to hold firm to the Islamic Shari'ah, and to apply it in all of its affairs. It [the Kingdom] also aims at using all resources — bestowed by Allah – and exerting all efforts for the achievement of comprehensive development and increasing the standard of living to enable the Saudi citizen to live in prosperity and reassurance. Allah the Almighty enabled these lands to achieve most of these matters, and we hope for more with the help of Allah and with the cooperation of citizens everywhere to achieve these goals.* (Custodian of the Two Holy Mosques King Fahd Bin Abdulaziz. Cited in the Ministry of Information. 1997: 63)
>
> *"It was a great blessing from Allah, which enabled King Abdulaziz to unite the Kingdom and bring peace and stability to all parts of the country."* (Custodian of the Two Holy Mosques King Fahd Bin Abdulaziz. *Arab News*, 23 September 1997: 1)
>
> *"If there is something the people of the Kingdom have to boast of, it will be the establishment of their state on the basis of Islamic Shari'ah; and its lofty values that illuminated the way before Muslims over the previous centuries to realize achievements in the interest of all human societies."* (Prince Faisal Bin Fahd Bin Abdulaziz. *Riyadh Daily*, 23 September 1997: 17)
>
> *"Saudi Arabia's phenomenal success was possible only with the help of Allah and through the serious and sincere efforts of the leadership since the reunification of the Arabian Peninsula."* (Dr. Ahmed A. Sanad Al-Yusuf, Saudi Gazette Editor-in-Chief. *Saudi Gazette*, Special Edition. 23 September 1997: I)
>
> *"When one looks at the accomplishments being made, no doubt, he will be of gratitude to Allah the Almighty for all the boons he bestowed on this country, a matter that fills self with happiness and joy."* (Prince Sattam bin Abdulaziz, Vice Governor of Riyadh Region. *Riyadh Daily*, 23 September 1997: 17)

Thus, the Saudi Government and the Saudi nationals, in general, attribute the Kingdom's prosperity primarily to Allah's blessings and to the nation's adherence to Islamic Law. In fact, the Kingdom's current five-year development plan (1995-2000), just like the previous development plans, states clearly as its first and foremost objective to "safeguard Islamic values by duly observing, disseminating and confirming Allah's *Shari'ah* (God's Divine Law)."

Sheikh Ahmed Zaki Yamani, former Minister of Petroleum and Mineral Resources in Saudi Arabia, categorically states that the Islamic *Shari'ah* is fully implemented in Saudi Arabia, and is capable of meeting contemporary issues and solving them (Muna 1980:

15). In line with this view, the Saudi Minister of Interior, Prince Nai'f Ibn Abdul Aziz Ibn Saud (a son of the founder of the Kingdom), remarks:

> *"The development strategy in Saudi Arabia, ever since its outlines were laid by the late King Abdul Aziz, depends on the principles of Islamic Shari'ah."* (*Saudi Gazette*, 20 October 1997: 3)

Islamic teachings derived from the Qur'an and Sunnah (Traditions of the Prophet ﷺ) have been the guiding principles in the governance, administration and policy-making of the Saudi government. Over the years, the Kingdom's legitimacy is based on strong Islamic foundations. In every endeavour, "the Kingdom goes back to the source of its pure Islamic belief to get the inspiration that guides it towards success" (Dar Al-Ufuq 1995: 17).

Examples of the Islamic values based on the Sunnah, which are seen in the actual behaviour and day-to-day affairs of the Saudis and other Muslims residing in Saudi Arabia are as follows:

- In general, Muslims in Saudi Arabia perform on time the obligatory *Salah* five times a day — at *Fajr* (dawn), *Dhuhr* (immediately after noon), *'Asr* (mid-afternoon), *Maghrib* (sunset) and *Isha* (sunset). *Salah* is the second pillar of Islam, without practising it a Muslim becomes a non-believer. The other pillars of Islam are found in Appendix 3. As soon as the fixed time for prayer occurs, *Adhan* (a call to prayer) will be made in every mosque throughout the Kingdom. With *Adhan* consistently called on time five times a day in each of the more than 30,000 mosques in Saudi Arabia, every Muslim around is being reminded to come to prayer for his own success. The making of *Adhan* is a call for every Muslim to come to prayer. Before praying one must have a valid ablution (the prescribed purification based on the way of the Prophet). So, all commercial establishments and offices are expected to close for about 15 to 30 minutes every praying time. Multinationals need to be aware of this daily practice and should always be flexible to give their Muslim employees the time to pray.
- During the fasting month of *Ramadan*, office timing is usually shortened from eight to six hours per working day. The normal opening hours are usually delayed

by an hour or two. This is so because Muslims spend more time at night for the special night prayers during *Ramadan*, more time for reading the Qur'an, for entertaining relatives and guests and other activities. Multinationals are also expected to follow suit to adjust their office timing.

- During *Ramadan* all non-Muslims are expected not to eat in the sight of the public as a show of respect to the Muslims who abstain from eating, drinking, smoking, etc., from dawn to sunset. In fact, all restaurants are closed during day (fasting) time.
- When *Adhan* is made as the sun sets, Muslims are signalled to break their fasts on time. Those who do not have time to break their fasts together with their families at home may opt to go to any mosque where meals are usually served free for the fasting public. Some non-Muslims enjoy eating the free meals. During *Ramadan*, Muslims are encouraged to be more charitable. So, it is part of the Islamic culture to exchange food, to invite relatives, friends and neighbours for breaking the fast, and to give more charity to the poor.
- Muslims have two major holidays every year — *Eid Al-Fitr* (to celebrate the end of *Ramadan*) and *Eid Al-Adha* (to commemorate the *Hajj* period). These holidays are celebrated first in the form of congregational prayers. Then, families, relatives, neighbours and friends get together to celebrate the happy occasions. To give more time for these celebrations, companies, commercial establishments and institutions throughout Saudi Arabia give their employees five to ten days break from work. The multinationals need to understand that during the two *Eid* holidays, all offices are generally closed.
- Every Muslim is expected to greet his fellow Muslims, either as individuals or as a group, with the universal Islamic greeting of *As-Salaamo alaikum* (Peace be unto you). In return, the receiver of the greeting is expected to say "*Wa alaikum as-Salaam wa Rahmatullah*" ("And to you be the Peace and Blessings of Allah"). This greeting is usually done every moment that Muslims meet one another, indicating that they go for peace.
- Islamic culture is also manifested in the day-to-day verbal expressions of the Saudis and Muslims, notably those who are pious. For instance, every righteous

Muslim remembers Allah by saying "*Bismillah Ar-Rahman Ar-Rahim*" ("In the Name of Allah, Most Gracious, Most Merciful") before starting to do something. When a Muslim asks his fellow Muslim concerning his condition, the latter will normally say "*Alhamdulillah*" (Praise be to Allah). Even when he is not in a happy mode, he will reply by saying "*Alhamdulillah ala kullihal*" ("Praise be to Allah at all times"). When he admires someone else for possessing something praiseworthy, he must not be envious but must always remember that Allah is the Source of everything that is worth admiring. He is expected to express his admiration either alone or openly in front of the one he admires by saying "*Masha Allah*" (Allah made it happen by His Will). In a gathering, a Muslim expresses his delight or appreciation by saying "*Allaho Akbar!*" ("Allah is Great!"), instead of clapping his hands. When he promises or makes commitment to someone else for something to be fulfilled in the future, he will say "*Insha Allah*"(Allah willing). This expression means that while he will try his best to fulfil it, Allah's Will must always prevail in the end. This is not a fatalistic view of life, but rather a humble recognition that he has natural capabilities and limitations as a human being. Being a Muslim he has to submit to the Will of Allah Who Alone is the Provider, Sustainer and Cherisher of the worlds.

The foregoing examples are made to illustrate that the core culture of Muslims (piety or God consciousness) can be seen in their manifest culture, and this holds true very much for the Saudis and the Muslims at large who are residing in Saudi Arabia. More examples of Islamic cultural values are shown in Appendix 3.

2.3 The Saudi Arabian Economy

2.3.1 The Structure of the Economy

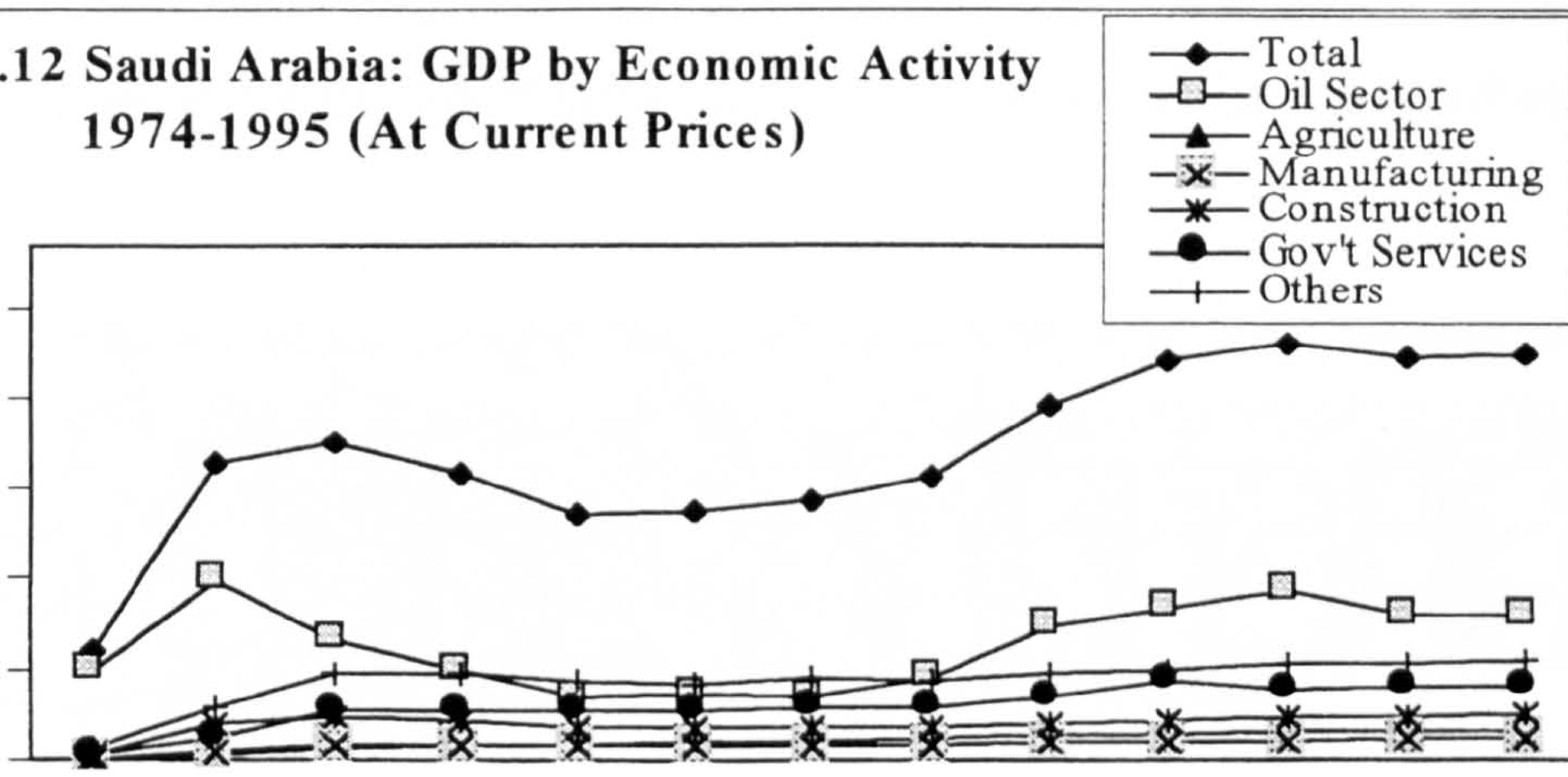
Saudi Arabia has achieved a remarkable economic progress in a record time. This can be discerned using available country data on gross domestic product (GDP) and gross national product (GNP). By definition, GDP is the total value of goods and services produced in a nation's economy in one year. On the other hand, GNP is equal to GDP plus payments from overseas investment and labour income, minus similar payments to foreigners. The difference between these two measures of "total economic activity" is usually relatively small, but what is important is to note that "where GNP is higher than GDP it indicates net investment income from abroad" (The Economist Guide to Economic Indicators 1997: 26; 41-44).

In less than three decades since 1970s, the Kingdom has undergone a phenomenal transformation from subsistence to modern economy. The Government has wisely used its oil income to establish all prerequisites of development, diversify and modernise the economy, encourage private economic activities, and develop viable hydrocarbon-based downstream and upstream industries. All these have become possible through the working of the free market system while at the same time preserving the Kingdom's religious values, through government commitment and support for socio-economic development, as well as through systematic development planning and sound fiscal management.

The early part of 1970s witnessed the relative shift of the economy to the petroleum sectors. Dramatic price hike of oil in 1973-1974 brought about significant reduction of the non-oil sectors in favour of crude oil and gas production. As a result, the share of the oil sector in the nominal GDP peaked in 1974 (El Mallakh 1982: 28).

Figure 2.12 shows the composition of nominal GDP by economic sector over the period 1974-1995. The oil sector maintained a larger — albeit declining — share of the GDP until late 1970s. It accounted for around 82 percent of the GDP in 1974, and it decreased five years later to 61 percent. The share of the oil sector in the GDP fell significantly to 25 percent in 1986, and 26 percent in 1987. The significant fall in the oil contribution to the GDP was partly due to unfavourable oil market conditions particularly from 1986 to 1988. Although the official OPEC prices stood at the range of \$28-29 per barrel from 1984 to 1986, the spot levels fluctuated considerably and even fell to \$13.55 per barrel. The oil sector's share fell to a record low of 24 percent in 1988. This happened when spot price of oil fell to as low as \$11.73 per barrel in the fourth quarter of 1988 (Ministry of Planning. Achievements of the Development Plans 1970-1996: 284).

Figure 2.12 Saudi Arabia: GDP by Economic Activity 1974-1995 (At Current Prices)



	1974	1979	1984	1985	1986	1987	1988	1989	1990	1991	1992	1993	1994
Total	121	326	351	314	271	275	285	311	392	442	461	444	450
Oil Sector	98.6	199	133	97	67.5	70.4	69.1	90.7	148	168	187	158	158
Agriculture	1.35	4.6	11.6	13.8	15.9	18.3	20.9	22.7	25.1	26.9	28.8	30.2	31.1
Manufacturing	1.16	6.13	13.6	14.3	13.8	14	14.8	15.8	17.4	19.1	20.6	22	23.8
Construction	4.42	38.8	46.5	40.3	33.7	36.1	34.3	35	39.2	42.6	46.1	46.3	47.7
Gov't Services	4.29	22.2	52.1	55	54.1	53.1	56.3	57.8	68.7	87	74.5	78.8	80.1
Others	11	55.9	95	93.7	86.1	83.6	89.7	88.8	93.5	98.9	105	108	110

Source: Saudi Ministry of Planning. Saudi Arabia: Achievements of the Development Plans 1970-1996

The oil sector's share of the nominal GDP continued declining since late 1970s through the 1990s. It remained below 30 percent until 1989; but in 1990 it increased to 38 percent, which was the same level as in 1984. In nominal terms, the oil sector's share of the economy stood at 35 percent in 1994. It is worth noting that while oil production remained relatively high at well over 8 million barrels a day in the early years of 1990s, prices remained comparatively low when compared to the previous high levels in 1970s.

In contrast, the shares of the other economic sectors such as agriculture, manufacturing, construction and other non-oil sectors increased markedly as a whole. Their combined shares of the nominal GDP increased from only 18 percent in 1974 to a record 76 percent in 1986. The non-oil sectors' shares of the GDP at current prices stood at 65 percent in 1994 (See Tables 2.1a and 2.1b). In the last two decades, therefore, there was a clear structural shift of the economy in favour of the non-oil sectors, as the government continued its way towards diversification.

In real terms, however, the Saudi economic structure has remained relatively balanced between the oil and non-oil sector in recent years. Likewise, international trade has remained the backbone of the Saudi economy, with oil as its major source of export revenues.

Table 2.1a GDP (in Percent) by Oil & Non-Oil Sectors at Current Prices, 1974-1994

	1974	1979	1984	1985	1986	1987	1988	1989	1990	1991	1992	1993	1994
Total GDP (%)	100	100	100	100	100	100	100	100	100	100	100	100	100
Oil Sector	82	61	38	31	25	26	24	29	38	38	40	36	35
Total Non-Oil Sector	18	39	62	69	75	74	76	71	62	62	60	64	65

Source: Based on data from the Achievements of the Development Plans 1970-1996.

Table 2.1b GDP (in Percent) by Oil & Non-Oil Sectors at 1984 Constant Prices, 1974-1994

	1974	1979	1984	1985	1986	1987	1988	1989	1990	1991	1992	1993	1994
Total GDP (%)	100	100	100	100	100	100	100	100	100	100	100	100	100
Oil Sector	75	64	38	32	42	37	41	40	46	50	51	50	50
Total Non-Oil Sector	25	36	62	68	58	63	59	60	54	50	49	50	50

Source: Based on data from the Achievements of the Development Plans 1970-1996.

In real terms (i.e., GDP at constant prices), the structural dependence of the economy on the oil sector persisted until the end of 1970 decade. The aggregate share of non-oil sectors peaked at 68 percent of real GDP in 1985. It gradually stabilised to around 50 percent from 1991 through 1994. At constant prices, therefore, the diversification thrust of the government towards non-oil economic activities has clearly paid off since the early years of 1990s. For instance, the agricultural sector's share of GDP has grown to 6-7 percent in recent years since 1986, compared to only 1 percent of total national output in 1974. In the last two decades (between 1974 and 1994) the other non-oil sectors also increased their shares of national output, at current prices. For instance, manufacturing's share rose from 1.0 percent in 1974 to 5.3 per cent in 1994; construction, from 3.7 to 10.6 percent; government services, from 3.6 to 17.8 percent; and others (transport, storage and communications), from 9.1 to 24.4 per cent.

As regards diversification, Commerce Minister Dr Osama Jaafar Faqih highlighted the belief by the Kingdom's leadership that oil is an exhaustible resource and should be used as an incentive to development by diversifying economic base and national income sources (*Saudi Gazette*, 20 October 1997: 13). So, the government has been exerting great efforts to lessen dependence on the oil sector and add value to the Kingdom's plentiful hydrocarbon resources (Al-Sa'doun May 1997: 15). In recent years, value-adding activities have continued to spread to the other economic sectors. In 1992, for instance, the value-added contribution of the oil sector to the economy was 41 percent, while the private and government sectors added 36 percent and 33 percent respectively. In 1996, the value-added contributions of the oil and private sectors equalised at 37.5 percent each, with the balance (25 percent) accounted for by the government sector (Taecker January 1997: 17). This reflects the gradual success of the government's privatisation and diversification policies.

2.3.2 Patterns of Expenditure on Saudi Arabian GDP

This section briefly covers the patterns of expenditure on the gross domestic product, i.e., how goods and services produced in Saudi Arabia are utilised. Table 2.2 shows the expenditure composition of the Saudi GDP — government consumption, private consumption, gross fixed capital formation (GFCF), and net foreign trade savings — for the period 1974-1994.

The consumption expenditure on the GDP staged a very high growth rate of 21.9 percent in 1974-1979 and 6.4 percent in 1979-1984, on an annual average. Despite some fluctuations in the consumption growths, the average growth rate over the past 25 years through 1994 remained high at 8.9 percent, on an annual average (Ministry of Planning. Achievements of the Development Plans 1970-1996: 233). Government consumption (at current prices) increased more than eight folds in just 10 years from US $ 3.6 billion in 1974 to US $ 33.9 billion in 1984. This was so, as the Saudi leadership has been traditionally generous to sharing the Kingdom's wealth with the entire populace. With the accumulation of oil revenues, wealth has been redistributed to the masses in various forms — provisions of attractive subsidies, interest-free loans, needed social services, employment and the like. Government consumption peaked in 1991 to US $ 44.1 billion, as a result of increased spending related to the Gulf War. With the pressure of budget deficits, the government began to trim down its expenditure in recent years. For instance, from the 1991 record level of US $ 44.1 billion, government consumption fell to US $ 31.9 billion in 1994 (Ministry of Planning. Achievements of the Development Plans 1970-1996: 231).

Private consumption likewise showed stiff increases from US $ 3.9 billion in 1974 to US $ 44.6 billion in 1984, and to a peak level of US $ 52 billion in 1994. Thus, both private and government consumption reflect the growing economic welfare of the Saudi populace.

Table 2.2 Expenditure on GDP at Current Prices (US$ Billion), 1974-1994

	1974	1979	1984	1985	1986	1987	1988	1989	1990	1991	1992	1993	1994
Consumption Exp.	8	51	78	75	66	65	63	65	75	89	89	86	84
Government	4	23	34	31	28	29	26	26	33	44	40	34	32
Private	4	28	45	44	37	36	37	39	42	45	49	52	52
Changes in Stock	0	-2	5	-3	-3	-3	1	2	2	2	2	2	2
GFCF 1/	4	25	27	21	18	17	15	16	20	23	25	26	22
Government GFCF	2	17	13	9	7	7	6	7	11	12	9	8	6
Private GFCF	1	7	11	10	9	8	8	9	7	10	15	16	14
Oil Sector GFCF	1	1	3	2	2	2	0	0	1	1	2	2	2
Exports	29	61	41	31	23	26	28	32	49	53	56	48	48
Less: Imports	6	38	53	38	31	32	31	31	41	49	49	44	36
Expenditure on GDP	34	97	98	86	72	74	76	83	105	118	123	119	120

Source: Ministry of Planning. Achievements of the Development Plans 1970-1996.
1/GFCF= Gross fixed capital formation.

With inflation generally mild in Saudi Arabia over the past two decades, the pattern of consumption expenditure on the GDP at 1984 constant prices did not vary significantly from that of the expenditure at current prices from 1985 through 1994 (See Table 2.3). At constant prices, government consumption showed increased from US $ 13.3 billion in 1974 to US $ 33.9 billion in 1984, and to US $ 35.8 billion in 1992.

In 1994 government consumption slowed down to US $27.1 billion, as the Saudi leadership resorted to some belt tightening measures to minimise budgetary deficits. On the other hand, private consumption likewise showed significant increases from US $ 8.2 billion in 1974 to US $ 44.6 billion in 1984, and to a peak level of US $ 50.1 billion in 1994.

On the investment side, the Kingdom's gross fixed capital formation (GFCF) had likewise grown quite well over the past two decades through 1994. Capital formation staged a very high growth rate of 21.8 percent in 1974-1979, but virtually flat in 1979-1984, on an annual average. GFCF growths fluctuated over a broad band of –21.5 percent in 1985 to +23.3 percent in 1991.

Table 2.3 Expenditure on GDP at 1984 Constant Prices (US $ Billion), 1974-1994

	1974	1979	1984	1985	1986	1987	1988	1989	1990	1991	1992	1993	1994
Consumption Exp.	21	61	78	78	71	70	65	69	74	79	81	79	78
Government	13	32	34	32	30	30	26	30	32	36	34	29	27
Private	8	30	45	46	41	39	39	40	42	43	48	50	50
Changes in Stock	1	-3	5	-3	-3	-4	1	2	2	3	2	6	5
GFCF	10	29	27	21	17	16	13	13	16	20	20	22	18
Government GFCF	4	20	13	9	6	7	5	6	9	9	5	5	4
Private GFCF	4	8	11	10	8	8	7	7	6	10	14	15	13
Oil Sector GFCF	2	2	3	2	2	2	0	0	1	1	2	2	2
Exports	70	89	41	33	44	41	49	48	59	72	73	65	66
Less: Imports	9	41	53	40	32	30	25	29	33	37	37	33	27
Expenditure on GDP	93	135	98	89	97	93	103	103	118	136	140	139	139

Source: Ministry of Planning. Achievements of the Development Plans 1970-1996.

However, the average growth rate of the country's capital formation over the past 25 years through 1994 remained positive at 5 percent, on an annual average (Ministry of Planning. Achievements of the Development Plans 1970-1996: 237). By the same token, the foreign trade's net contribution to the GDP expenditure also staged significant growths. With much lower expenditure on imports vis-à-vis exports, the country consistently accumulated huge savings from its net foreign trade sector.

2.3.3 Performance of the Saudi Economy

The Saudi economy has performed remarkably well in the 1970s. Nominal GDP reached 26.7 percent during the period 1970-1978; while real GDP, 14.1 percent (El Mallakh 1982: 33-34). Increased oil revenues explained the high nominal growth rate of the economy. During this period inflation had accelerated and, thus, dampening the GDP growth at constant prices. From 1978 on to 1997, the Saudi economy's performance has fluctuated in conformity with the changes in the global oil market. Figure 2.13 shows the growth rates of Saudi Arabian GDP at constant prices, in comparison with those of the industrial countries and the world, during the period 1978 through 1997.

In real terms, the Kingdom's economic performance fluctuated quite significantly during the period 1978-1997. During the ten-year period 1978-1987, the Saudi economy had a real growth of only 1.0 percent, compared with 3.3 percent for the world and 2.7 percent for the industrial countries, on an annual average.

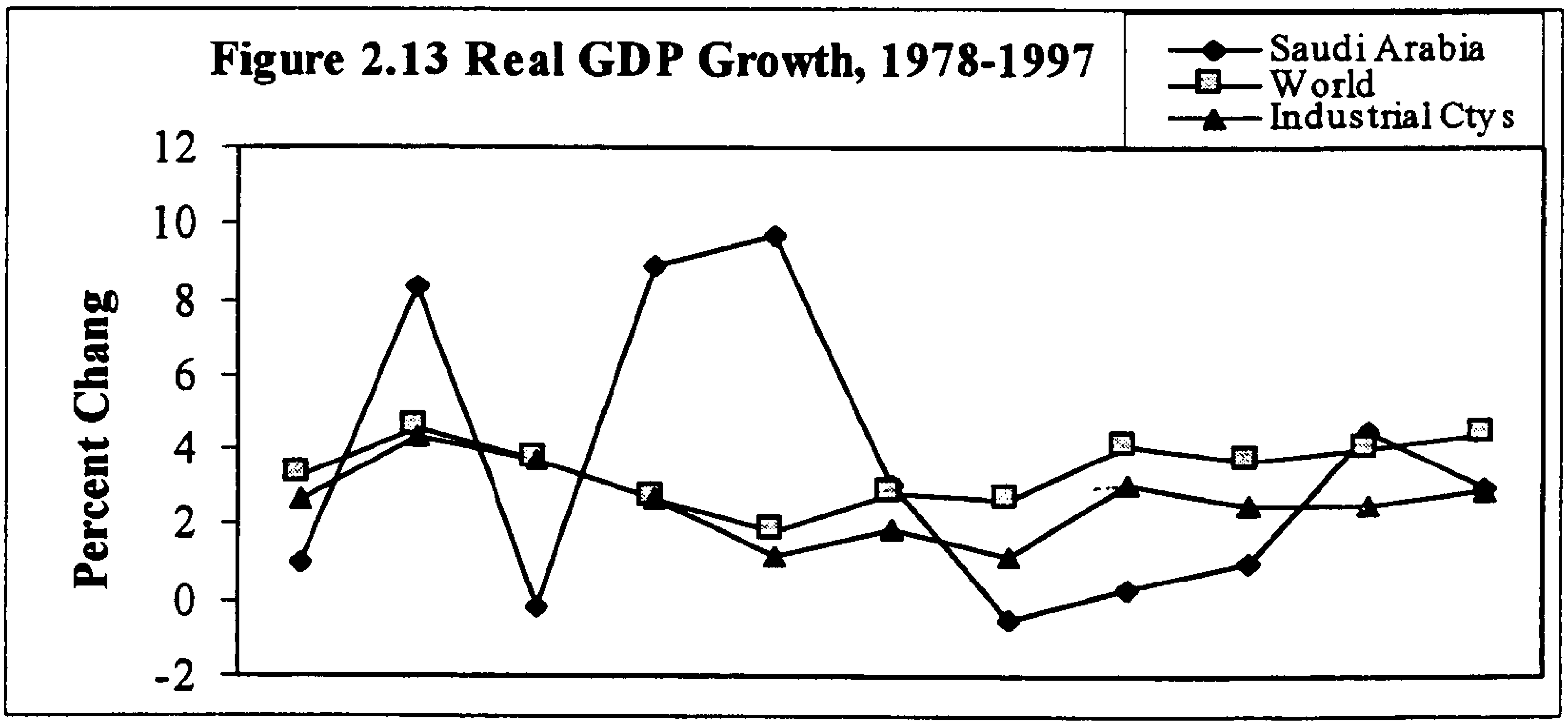


Figure 2.13 Real GDP Growth, 1978-1997

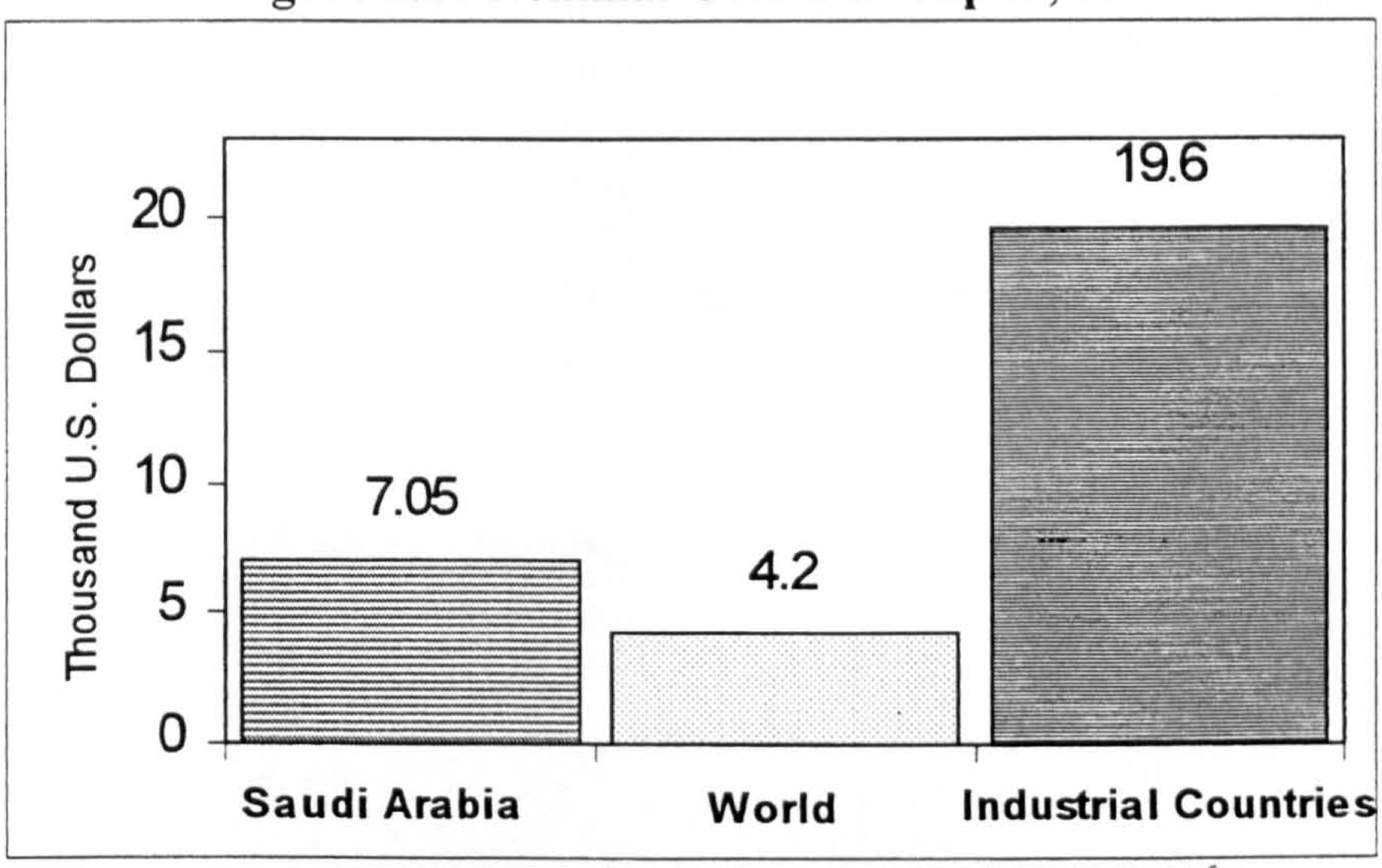
	78-87	1988	1989	1990	1991	1992	1993	1994	1995	1996	1997
Saudi Arabia	1	8.4	-0.2	8.9	9.7	3.1	-0.5	0.3	1	4.5	3
World	3.3	4.6	3.7	2.7	1.8	2.8	2.7	4.1	3.7	4	4.4
Industrial Ctys	2.7	4.3	3.7	2.7	1.2	1.9	1.2	3.1	2.5	2.5	2.9

Sources: IMF. World Economic Outlook. May 1996; May1997. 1995-1997 data for Saudi Arabia were taken from Bank of America World Information Services: Country Data Forecasts, March 1997.

In 1988, Saudi economic growth rose markedly, following the high oil prices witnessed in 1979 and the following years through 1985. In 1986-1988, oil prices softened and thus pulling down the Kingdom's real GDP growth in 1989. On the other hand, the lower prices of oil fuelled the economies of the industrial countries and the rest of the world. Although the international oil prices were relatively low in 1986-1988, this three-year period marked the significant increase in the economic activities of the Saudi non-oil sectors, and thus boosting the GDP growth in 1988. For instance, basic industries under Saudi Basic Industries Corporation showed very good performance in 1988. Agriculture, construction, commerce and other non-oil sectors also showed better performance in the same year.

In terms of GNP per capita, the average Saudi income recorded impressive increases, although much of the increase was generated from the net foreign sector in the modern period. But even during the 1960s, the real income per capita grew at an annual rate of 5.8 per cent, which was quite satisfactory when compared to the world average. In 1990 the Saudi per capita GNP exceeded US $ 7,000. This was much lower than the per capita GNP for industrial countries, which was US $ 19,600, but fared well when compared to the world average of US $ 4,200 (See Figure 2.14).

Figure 2.14 Nominal GNP Per Capita, 1990

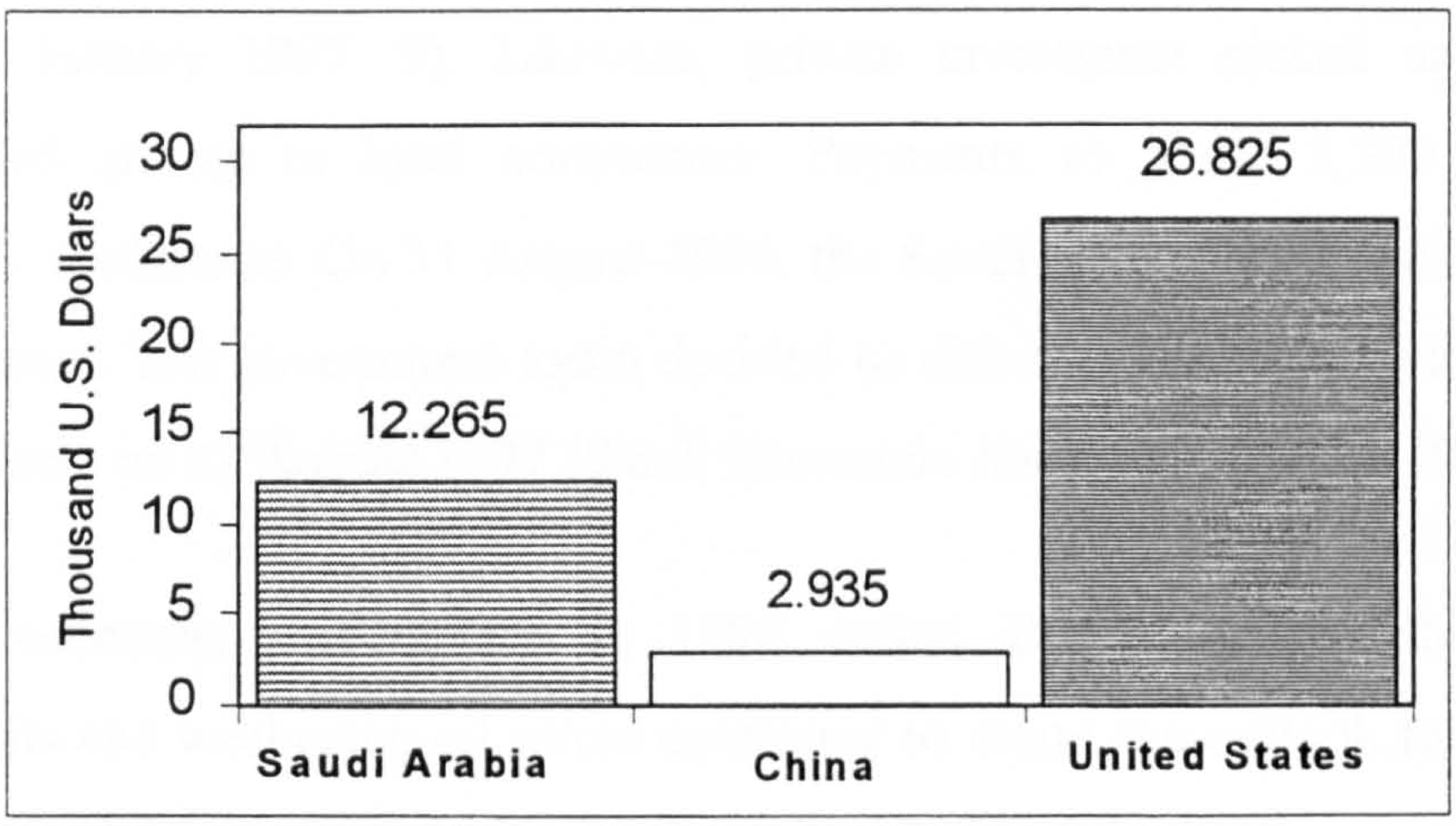


Source: World Bank. World Development Report 1992. New York: Oxford University Press.

Based on World Bank's Purchasing-Power Parity (PPP) ratios (See Figure 2.15), the Kingdom's per capita GDP (US $ 12,265) was comparatively higher than that for China (US $ 2,935), but much lower than that for the United States (US $26, 825). Figure 2.16 shows that, in terms of growth rates, the Saudi GNP was above the annual averages both for the world as a whole and for the industrial countries during the period 1965-1990.

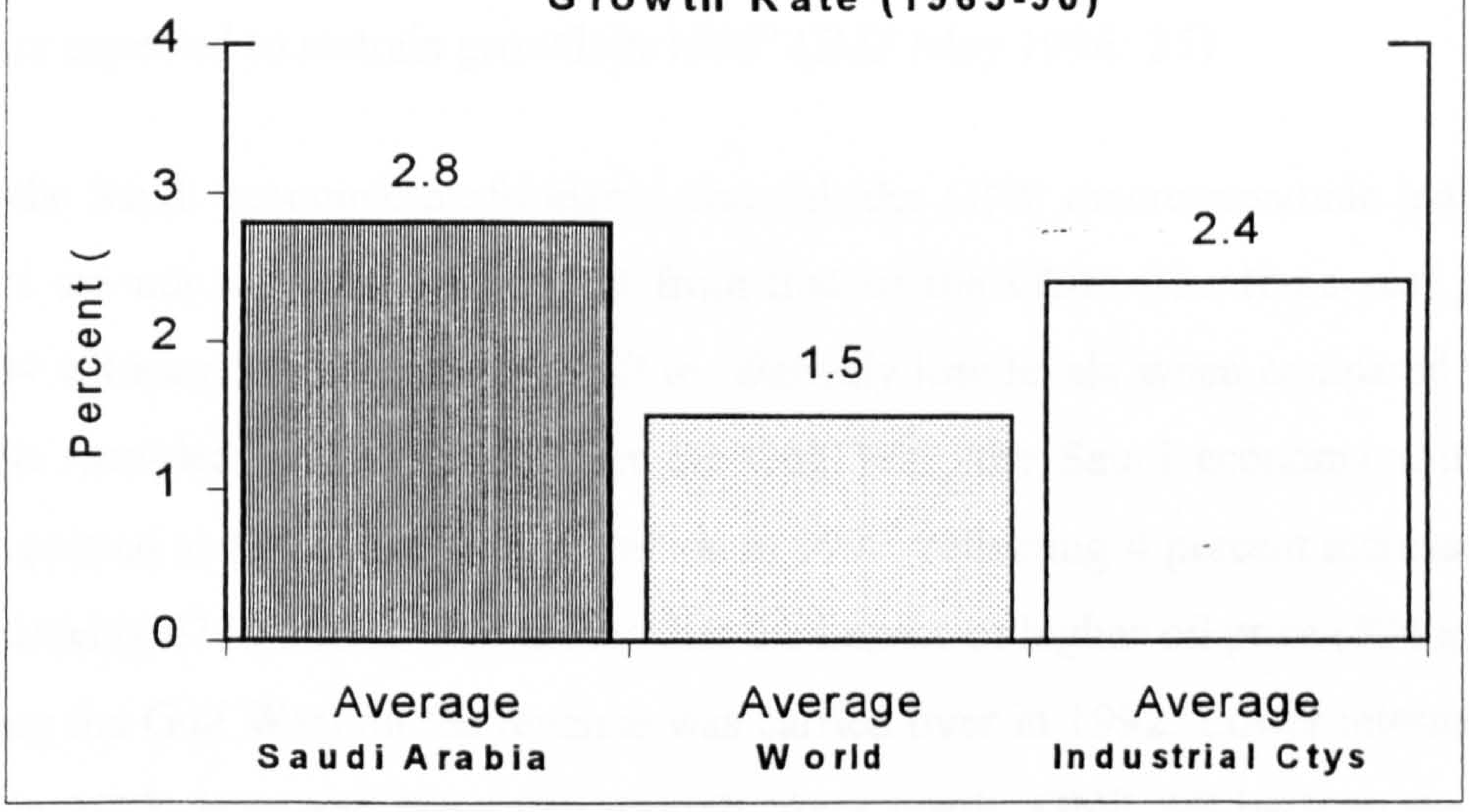
In recent years, the Saudi economy has been susceptible not just to economic circumstances, but also to non-economic factors. For instance, to finance its role in the Gulf War, the Government had resorted to military and other forms of loans within and outside the Kingdom, and thus limiting economic growth particularly from 1993 to 1995.

Figure 2.15 GDP Per Capita (PPP), 1996



Source: Asiaweek, 17 January 1997: 53.

Figure 2.16 GNP Per Capita: Average Annual Growth Rate (1965-90)



Source: World Bank. World Development Report 1992. New York: Oxford University Press.

Saudi Arabia's economy achieved an estimated growth of 6 percent in 1996, according to the annual report of the Saudi Arabian Monetary Agency (SAMA) for 1415-16 H (*Saudi Gazette*, 19 November 1996: 1; *Arab News*, 19 November 1996: 1). This was significantly higher than the growth rate of 4.3 percent recorded in 1995, in nominal terms, 1.3 percent in 1994, -3.8 percent in 1993, and 2.7 percent in 1992.

The huge surplus of oil revenues generated in 1996 enabled the government to clear payment arrears with domestic businesses and farmers, and to further strengthen the foundations for private sector growth. This has boosted the confidence of local industrialists to expand investment activities within the Kingdom (Bank of America July 1997:1; Taecker January 1997: 9). Likewise, private investment picked up as the government settled arrears to local contractors. Payments to about 5,500 farmers boosted consumer confidence. On 31 August 1996, the Saudi Government disbursed $3 billion to the farmers. The government again decided to disburse similar amount (SR. 3 billion) to the farmers on 31 August 1997 (Saudi Economic Survey 27 August 1997: 2).

The favourable economic performance in 1996 defied IMF's analysis that large government deficits and weakening oil prices continued to cloud the outlook for several oil producers. This did not happen as oil prices in 1996 were strong enough ($22-33/barrel) to have given Saudi Arabia the leverage to wipe out budget deficits for the first time. It also defied IMF's analysis that, in Saudi Arabia, "continued tight fiscal policies are expected to restrain growth in 1996" (IMF May 1996: 25).

Viewing the Saudi economic performance through the GNP macroeconomic indicator, the results are not significantly different from that of the GDP. The three-year period 1992-1994 witnessed the decline of GNP to relatively low levels when compared to the high levels recorded in the 1980s. After the Gulf War, the Saudi economy witnessed some turnaround as GNP rose to $121 billion in 1992, reflecting 4 percent increase over the 1991 level of $116 billion. This means that the impact of higher oil price ($24 a barrel seen during the Gulf War) on the revenue was carried over in 1992. Lower international oil price in 1993 depressed economic growth. As a result, GNP fell back to the 1991 level of $116 billion. GNP remained relatively flat at $117 billion for another year as oil prices hit a low level of $15.80 a barrel in 1994. World economic recovery started in 1994 and continued to be felt in 1995. This resulted in strong oil demand, which pushed oil prices to their highest levels since the Gulf War. This gave impetus to the Saudi GNP to rise markedly by 8 percent to an estimated $126 billion in 1995 (Taecker January 1997: 17). In 1995, the economy generated $5 billion of oil revenue surplus, which was disbursed to repay the last of Saudi's foreign official loans, pay ahead for cooperative programs, and rebuild foreign exchange reserves (Taecker January 1997: 9). In 1996, lower petrochemical prices and growing imports slowed down economic growth rate

(Bank of America July 1997: 8). However, the Saudi GNP that year continued to rise in absolute terms to about $131 billion.

2.3.4 The Saudi Oil Industry: Historical Review and Outlook

The year 1933 earmarked the era of oil exploration in Saudi Arabia (See Akhdar 1974: 21-32; Naimi. Middle East Insight 1995; *Saudi Gazette*, 2 November 1996; Forbes March 1996: 1-10). This was a real milestone as it marked the birth of the Saudi oil industry, which is the largest in the world and the lifeblood of the Saudi economy. Saudi Arabia is classified (by IMF definition) as a predominantly fuel exporting economy, with the ratio of its fuel exports exceeding 50 percent of total export earnings (IMF May 1996: 110). It is a developing country with fuel as its main source of export earnings (IMF May 1997: 122).

On 29 May 1933 the Saudi Government granted oil concession to SOCAL (Standard Oil Company of California) — known later as CHEVRON — by virtue of the basic concession agreement signed between them (Ministry of Planning. Achievements of the Development Plans 1970-1996: 34). The concession area covers all of the eastern part of Saudi Arabia, about 43 percent of its total land area. SOCAL, in return, would pay the Saudi Government an annual rent of Sterling Pounds δ 5,000 in gold for the first year, lend it initially a loan of Sterling Pounds δ 30,000 in gold and another loan of Sterling Pounds δ 20,000 after 18 months of the signing of the agreement. If the exploration led to oil discovery, SOCAL agreed to pay the Government four shillings in gold, or its equivalent, per ton of net crude oil not destined for domestic consumption. SOCAL also agreed to grant the Government 200,000 gallons of gasoline and 100,000 gallons of kerosene every year (Akhdar 1974: 26).

In December 1936, 17 months before the discovery of oil in Saudi Arabia, SOCAL and TEXACO Incorporated merged their overseas operations and formed one company called CALTEX (California Texas Oil Company). By virtue of this merger, TEXACO agreed to buy from SOCAL 50 percent of the CASOC (California Arabian Oil Company)

— the SOCAL subsidiary responsible for oil exploration in Saudi Arabia (Akhdar 1974: 29).

In March 1938 CASOC made the first commercial oil discovery in Saudi Arabia, and in 1939 the first tanker shipment of crude oil from the country took place. On January 31, 1944, CASOC was changed to ARAMCO (Arabian American Oil Company). In March 1947, EXXON and MOBIL bought 30 percent and 10 percent, respectively, of ARAMCO ownership, enabling SOCAL and TEXACO to finance required project expansions, such as the 1068 miles pipeline to transport crude oil from the Saudi fields to the Mediterranean coast — a project successfully completed in 1950 (Middle East Insight 1995: 97).

In 1973 the Saudi Government acquired a 25-percent equity in ARAMCO's oil and gas producing assets. The Kingdom's ownership in ARAMCO gradually increased to 60 percent in 1974 and to 100 percent in 1980 (Ministry of Planning. Achievements of the Development Plans 1970-1996: 34). So, when other countries swiftly moved to expropriate the multinational oil companies operating in their domains, Saudi Arabia opted to amicably nationalise ARAMCO by gradually purchasing it from the American multinational companies. Full nationalisation of ARAMCO by the Saudi Government took about eight years from 1973 to 1980.

Based on the foregoing historical facts, ARAMCO was an American multinational company for about forty years until early 1970s when the Saudi Government gradually acquired ownership shares in it. ARAMCO (CASOC) was first owned by SOCAL (CHEVRON) until 1936. From December 1936 to February 1947, ARAMCO remained a joint-venture partnership between SOCAL (CHEVRON) and TEXACO. In March 1947, EXXON and MOBIL bought shares in ARAMCO. So, from 1947 to early 1970s, ARAMCO was and remained a consortium of four American multinational companies — CHEVRON, TEXACO, EXXON and MOBIL.

The restructuring of ARAMCO began in the late 1980s. On 13 November 1988 the Saudi Government issued Royal Decree No. M/8 creating Saudi ARAMCO (Saudi

Arabian Oil Company) as a wholly owned Saudi company in place of ARAMCO (Ministry of Planning. Achievements of the Development Plans 1970-1996: 34; Al-Naimi. Middle East Insight 1995: 23; *Saudi Gazette*, 23 September 1997: II).

On 1 July 1993 a Royal Decree was issued to sanction a decision by the Council of Ministers to merge into Saudi ARAMCO all of the country's oil refineries and petroleum product distribution facilities. Thus, the company has become responsible since then for virtually all of the Kingdom's oil activities, including exploration, production/refining, transportation and marketing. It now produces and exports more crude oil and natural gas liquids than any other company in the world; and its revenues are important source of national income and help underpin Saudi Arabia's development (*Saudi Gazette*, 23 September 1997: II).

2.3.5 Proven Oil Reserves, Production and Oil Market Outlook

By the end of 1996 Saudi Arabia's recoverable crude oil reserves under the management of Saudi ARAMCO amounted to 259.1 billion barrels compared to 259 billion barrels in the previous year (Ministry of Planning. Achievements of the Development Plans 1970-1998: 34). These reserves, plus the Saudi share in Saudi Arabia-Kuwait Neutral Zone, account for about 25 percent of the entire world's proven reserves. This makes the Kingdom of Saudi Arabia the single country with the largest oil reserves in the world. In addition, Saudi Arabia has huge gas reserves, which in 1995 amounted to 192 trillion standard cubic feet (Ministry of Planning. Achievements of the Development Plans 1970-1996: 34). In 1997 Saudi gas reserves reached 204 trillion standard cubic feet compared to 197.4 trillion standard cubic feet in the previous year (Ministry of Planning. Achievements of the Development Plans 1970-1998: 34; *Saudi Gazette*, 16 October 1997: 13).

Saudi Arabia's total crude oil production rose to about 8.36 million b/d in December 1996; and reached an average of 8.22 million b/d for the entire 1996 period (Meed. Saudi Arabia Quarterly Report March 1997: 9). On an annual average, Saudi crude oil production slightly exceeded the OPEC-agreed ceiling of 8 million b/d in 1995 and 1996.

Even at that output level, unused capacity remained close to 2 million b/d indicating that Saudi Arabia effectively restrained its oil supply in 1996 (MEED. Saudi Arabia Quarterly Report December 1996: 15).

Saudi oil reserves will last for nearly 100 years and gas reserves for 133 years, if production will continue at the current operating rates. The oil reserves will last longer than 100 years if the estimate of approximately 315 billion barrels given by the Saudi Ministry of Information (1997: 127) holds true. Latest report reveals that some 70 oil and gas fields have been discovered in Saudi Arabia since exploration began in early 1930s. These include Ghawar, the world's largest in-land field and Safaniya, the world's largest offshore field. The Ghawar oil field was actually discovered six years after the commencement of exploration in 1933 (Campbell and Laherrere 1995: 111). From 1989 through 1994, Saudi ARAMCO discovered 15 gas oil fields in Central and Northwest Saudi Arabia and on the Red Sea coasts. New discoveries in the Central Region included super-light, low-sulphur crude equal to the world's finest grades. The oil and gas fields discovered since 1989 account for about one-fifth of total discoveries since exploration began more than 60 years ago (*Saudi Gazette*, 23 September 1997: II).

As regards the oil market, the historical price movement has been directly influenced by the interaction of demand and supply forces. Figure 2.17 shows the historical movement of OPEC oil prices during the period 1970-1996. The chart shows that oil prices were so low in 1970. The Organisation of Petroleum Exporting Countries (OPEC) was in early 1970s able to strengthen its position as a cartel of major oil exporting countries. In September 1973 OPEC succeeded in imposing a unilateral price increase. As a result, official OPEC prices jumped to US $8.65 per barrel for light crude oil and US $8.57 per barrel for heavy crude oil.

Successive price increases had occurred since then, reaching a peak level of US $38.2 per barrel on a spot basis in the fourth quarter of 1979. Although prices have been volatile in conformity with global market conditions, OPEC has succeeded to maintain great influence on the direction of oil prices since its inception. In recent years, OPEC official prices have stabilised to US $17/barrel, more or less (see Figure 2.17).

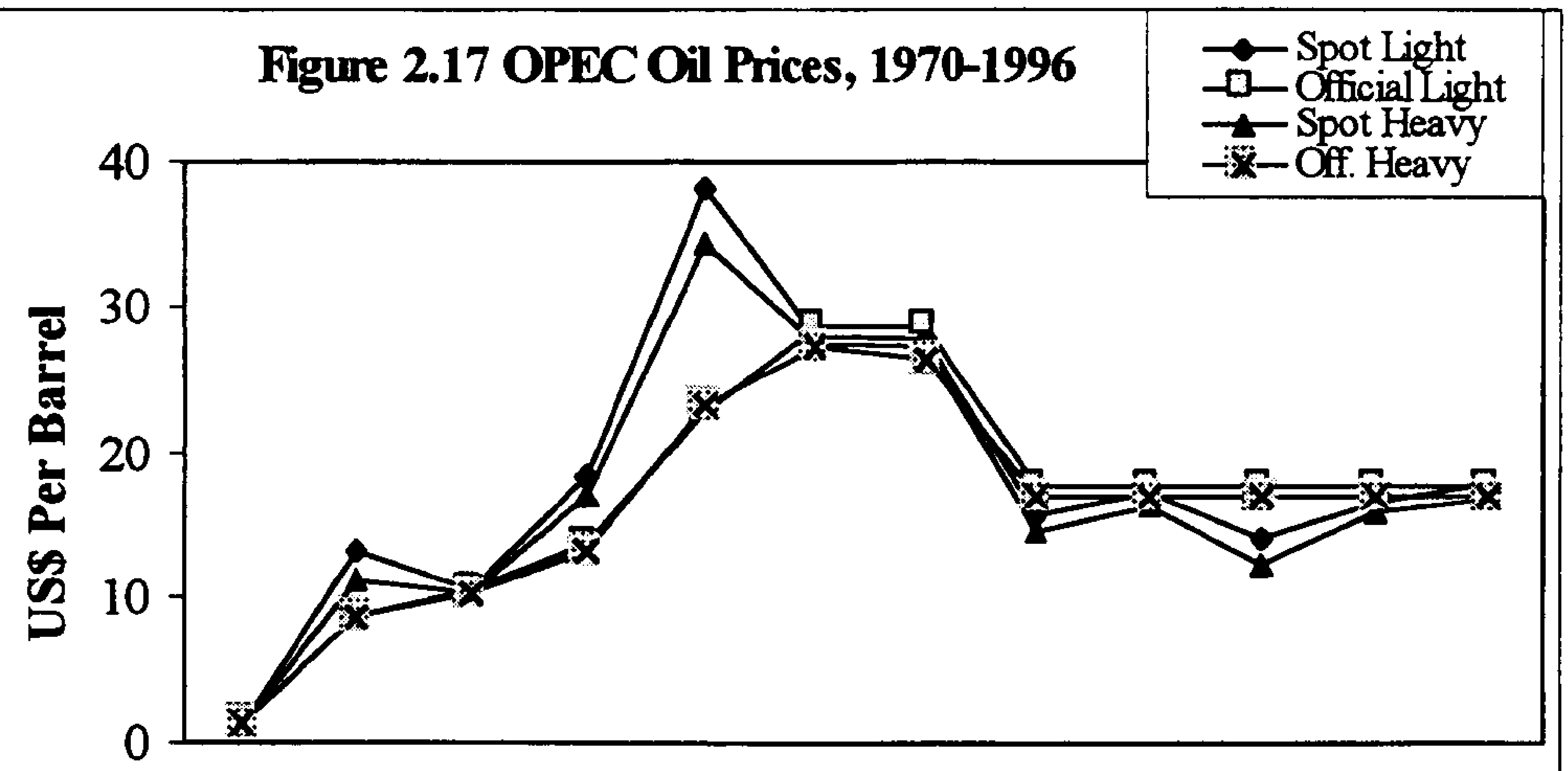


Figure 2.17 OPEC Oil Prices, 1970-1996

	1970	1q74	4q74	1q79	4q79	1q84	4q84	1q89	4q89	1q94	4q94	1q96
Spot Light	1.21	13	10.3	18.4	38.2	28.1	27.8	15.7	17.2	14	16.6	17.9
Official Light	1.35	8.65	10.4	13.5	22.8	28.6	28.8	17.6	17.6	17.7	17.7	17.7
Spot Heavy	1.15	11	10.2	16.9	34.5	27.6	27.4	14.4	16.3	12.2	15.7	16.7
Off. Heavy	1.3	8.57	10.2	13.1	23.3	27.4	26.6	17.0	17.0	17.0	17.0	17.0

Source: Ministry of Planning. Kingdom of Saudi Arabia: Achievements of the Development Plans 1970-1996

The surge in oil prices reflected positively in oil sector GDP, where nominal growth is about 9.2 percent. Growth in non-oil sector remained subdued at around 1.6 percent, while public sector at around 1 percent in the same period (*Arab News*, 8 June 1996: 15).

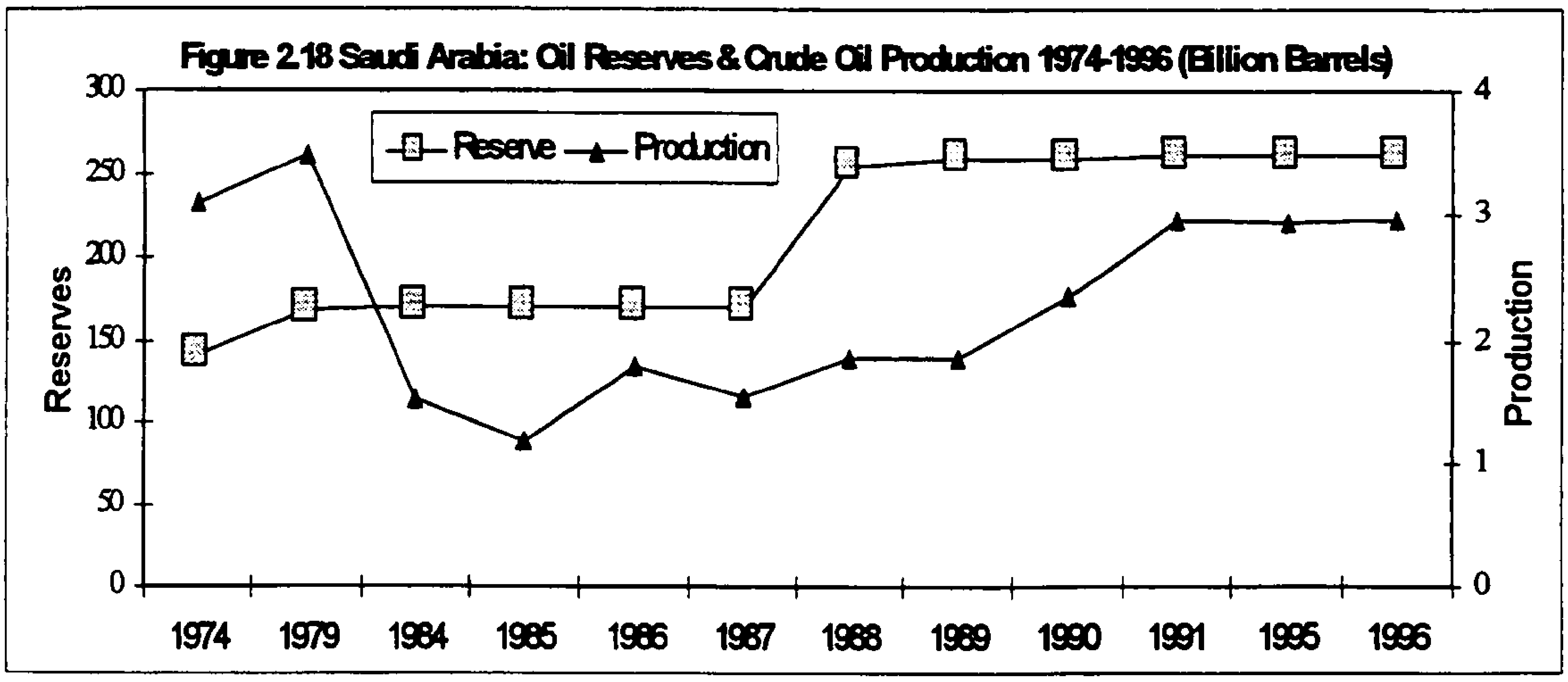
Saudi crude oil export prices exceeded the $18/barrel in 1996, reflecting about $3 a barrel more than forecast in the budget, and significantly higher than the 1995 level of about $15.80 a barrel. This gave the country a windfall oil revenue of as much as $10 billion during 1996 (MEED. Saudi Arabia Quarterly Report March 1996: 9 and December 1996: 3).

Saudi Arabia's current level of crude oil production can be sustained in the long term, bearing in mind its unrivalled oil reserves (Middle East Insight 1995: 97). The Kingdom's oil reserves stood at around 141 billion barrels in 1974, 168 billion barrels in 1979, 169 billion barrels in 1984, 170 billion barrels in 1987, and 261 billion barrels in 1991 (Ministry of Planning. Kingdom of Saudi Arabia: Achievements of the Development Plans 1970-1996: 120). The proven oil reserves slightly rose to 261.2 billion barrels in 1995 (Arab-British Companies Directory 1997/1998: 66) and 261.5 billion barrels in 1996 (Arab Oil & Gas October 1997: 33). The Minister of Petroleum and Natural Resources, Ali Naimi, said that the Saudi oil reserves stand at 263 billion barrels in 1997

(*Saudi Gazette*, 16 October 1997: 13). Some other reports put the Saudi oil reserves at 276 billion barrels in 1995 (Campbell and Laherrere 1995: 112), and 315 billion barrels in 1997 (Saudi Ministry of Information 1997: 127). However, these figures appear to reflect current estimates only, and not yet proven.[4]

Figure 2.18 shows Saudi Arabian oil reserves and crude oil production for the period 1974-1995. The Kingdom's oil production reached 3.1 billion barrels in 1974, and 3.5 billion barrels in 1979. Production fell to 1.5 billion barrels in 1984, and remained at around the same level in 1987 (Ministry of Planing. Achievements of the Development Plans 1970-1996: 266). In 1991 through 1996 oil production remained in the level of around 3.0 billion barrels per year.[5]

In the early stage of oil exploration, commercial oil production in Saudi Arabia jumped from 20 thousand barrels a day (b/d) it had reached before 1944 to 500 thousand b/d by end of 1949. By 1974, ARAMCO's oil production reached 8.2 million barrels per day (Farsi 1989: 75).

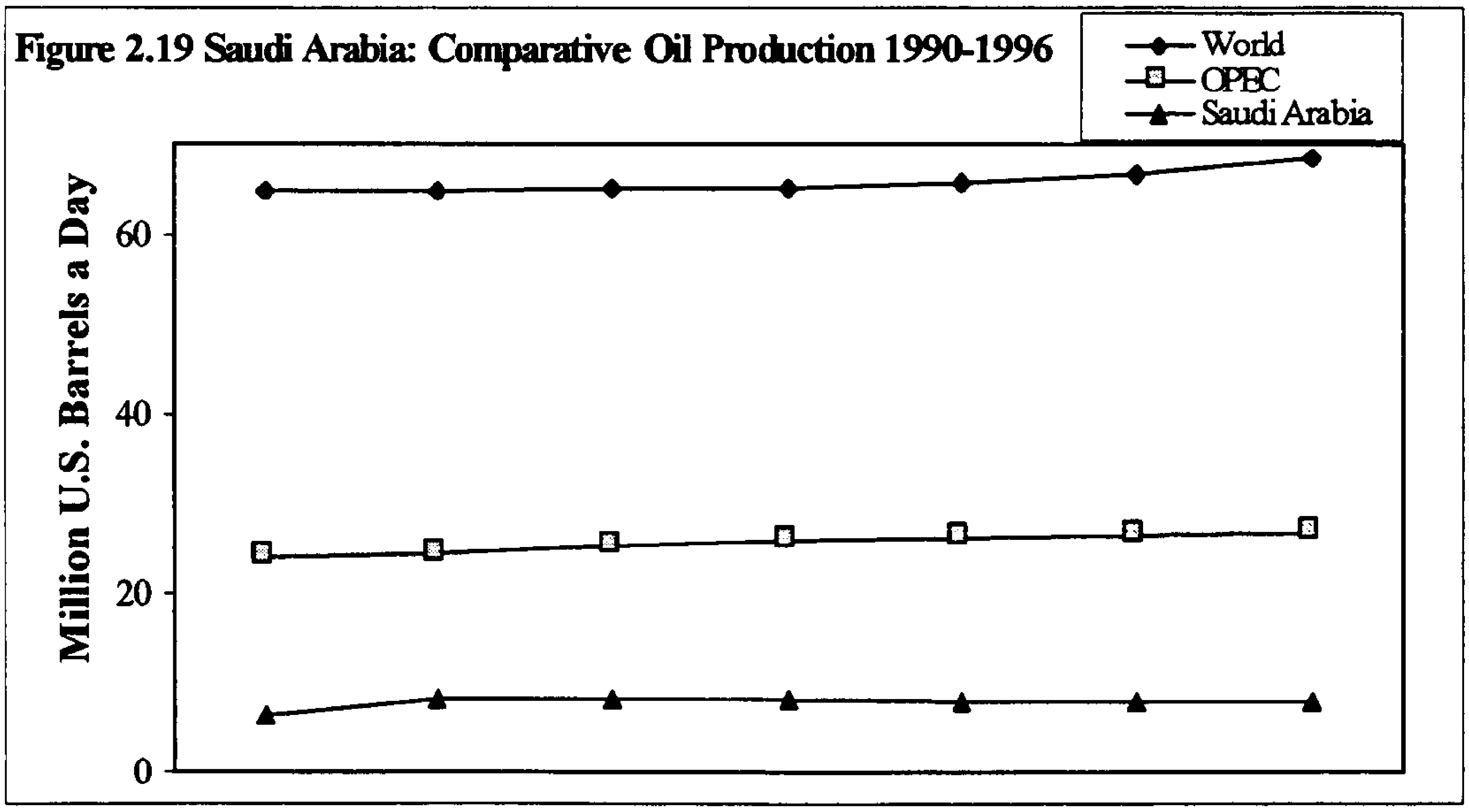


	1974	1979	1984	1985	1986	1987	1988	1989	1990	1991	1995	1996
Reserves	141	168	169	169	170	170	255	260	260	261	261	261
Production	3.1	3.48	1.52	1.18	1.78	1.53	1.86	1.85	2.34	2.96	2.93	2.97

Source: Saudi Ministry of Planning. Saudi Arabia: Achievements of the Development Plans 1970-1998.

In recent years until 1993, Saudi oil production had consistently exceeded the 8 million b/d mark — 8.2 million b/d in 1991, 8.4 million b/d in 1992 and 8.2 million b/d in 1993

(See Figure 2.19). Production was relatively stable at 8 million b/d of oil from 1994 through 1996 (Petroleum Economist July 1997: 52).



	1990	1991	1992	1993	1994	1995	1996
World	64.9	64.8	65.1	65.0	65.8	66.7	68.3
OPEC	23.9	24.2	25.3	25.7	26.0	26.3	26.6
Saudi Arabia	6.5	8.2	8.4	8.2	8.1	8.1	8.0
Saudi/World %	10	13	13	13	12	12	12
Saudi/OPEC %	27	34	33	32	31	31	30

Source: Petroleum Economist, July 1997

Saudi oil production has accounted for around 12 percent of total world oil production, and slightly over 30 percent of OPEC output in recent years. Analysts commonly project Saudi Arabia's oil production to remain within its OPEC quota of 8 million barrels a day (EIU. Country Report on Saudi Arabia 4th Quarter 1996: 7). If this holds true, and given a price bracket of $18-23 a barrel (MEED March 1997: 11), the Kingdom will continue to enjoy a buoyant economy in the years to come.

2.3.6 Saudi ARAMCO's Globalisation Thrusts

In recent years, Saudi ARAMCO has moved beyond the scope of national production by expanding its operation across national boundaries largely in forms of joint ventures. In 1988, Saudi ARAMCO bought from TEXACO 50 percent ownership interest in Star Enterprise, a refining and marketing company that operates widely in the eastern part of the United States (Middle East Insight 1995: 98). Star Enterprise started operating in

1989 to market up to 600,000 barrels/day of Saudi crude oil in the eastern and southeastern regions of the United States. To effectively fulfil its marketing function, the company owns three refineries in Texas, Louisiana and Delaware with a combined capacity of 615,000 barrels/day. It also owns about 9,400 service stations around the eastern and southeastern regions of the United States (Ministry of Planning. Achievements of the Development Plans 1970-1996: 37).

In 1991 Saudi ARAMCO bought 35 percent shares in Ssang Yong Oil Refining Company in South Korea, with a total refining capacity of 525,000 barrels/day. Saudi ARAMCO is committed to providing Ssang Yong Oil Refining Company 70 percent of its total crude oil requirements.

In 1993 Saudi ARAMCO also bought 40 percent shares in PETRON Corporation, the largest refining and marketing company in the Philippines. The other 40 percent of PETRON's shares were retained by the Philippine National Oil Company (PNOC) and the remaining 20 percent were sold by the Philippine Government to the public. Saudi ARAMCO provides PETRON 90 percent of its total crude oil requirements. Saudi ARAMCO is trying to further consolidate its long-term supply strategy in Asia by pursuing a joint venture with India's Hindustan Petroleum Corporation (HPC). This joint venture with HPC involves the construction of a 120,000 b/d refinery at a projected cost of $2 billion. The Indian government approved the project, which is expected to come on-stream by the year 2001 (EIU Country Report on Saudi Arabia, 4th quarter 1996: 20).

In July 1996 Saudi ARAMCO signed a non-binding memorandum of understanding with Petroleus de Portugal (PETROGAL) of Portugal to assess the viability of a strategic alliance between the two companies (EIU Country Report on Saudi Arabia, 4th quarter 1996: 19). The Portuguese government initiated this proposed alliance in April 1996, in view of PETROGAL's need for new capital and stable supply of crude oil and technological know-how. However, Saudi ARAMCO announced on 22 September 1997 that it has put an end to its negotiations with the shareholders of PETROGAL. This was a strategic decision taken by Saudi ARAMCO for re-organising its foreign investment programme (*Riyadh Daily*. 23 September 1997: 1-2).

Sometime in 1996 Saudi ARAMCO also acquired a 50 percent stake in Motor Oil Hellas (MOH) Corinth Refineries S.A., a Greek refining and marketing company with a refinery of 100,000 barrels/day. Saudi ARAMCO is likewise committed to providing MOH a significant volume of its crude oil requirements.

Today, Saudi ARAMCO is going more global in perspective. The company operations are truly diversified from oilfields to refineries and terminals, from the Exploration and Petroleum Engineering Centre in Dhahran to a fleet of super tankers on the high seas, and from joint ventures to marketing activities around the world. Its global marketing organisation has subsidiary offices in New York, London, Tokyo and Singapore; and markets not only crude oil, but also refined oil products, NGL (natural gas liquids) and sulphur to customers world-wide (*Saudi Gazette*, 23 September 1997: II).

It is worth recalling the fact that ARAMCO was an American multinational company for about forty years until early 1970s when the Saudi Government gradually acquired ownership shares in it. This time it has successfully resumed its multinational character under Saudi ownership and management. In fact, Saudi nationals hold nearly 100 percent of Saudi ARAMCO's senior management and 74 percent of its 2,500 supervisory positions. The company's total work force in 1995 reached 57,800, which comprised more than 50 nationalities. Saudi nationals comprised 46,200 or around 80 percent of Saudi ARAMCO's total number of employees in 1995.

Saudi ARAMCO expects to earn great benefits from its global strategic thrusts through joint ventures with major overseas companies. Among these include guaranteeing an outlet for Saudi Arabia's crude oil, protecting against price volatility, as well as enhancing the company's value adding activities and profitability (EIU Country Report on Saudi Arabia, 4th quarter 1996: 20).

As the world's leading oil company, Saudi ARAMCO is no doubt instrumental in realising the full value of Saudi Arabia's hydrocarbon resources to build a brighter future for the country. So, as the company approaches the 21st century, it is confident to sustain its leading role in the international oil industry and global energy market. This is very realistic knowing that the company possesses the largest oil reserves in the world (*Saudi Gazette*, 23 September 1997: II).

2.3.7 Saudi ARAMCO and the Saudi Master Gas System

Saudi Arabia has good reserves of natural gas. As of end-1995, the country's gas reserves amounted to 5.3 trillion cubic metres. Associated gas, which comes to the surface when oil is pumped, accounts for about 75 percent of the country's gas reserves (Al-Sa'doun May 1997: 15). At the current production level of 40.3 billion cubic metres per year, Saudi gas supply will last for 133 years.

The Saudi government commissioned Saudi ARAMCO in 1975 to design a master gas system that is capable of collecting, processing and utilising the dissolved gas associated with crude oil production. As a result, the MGS (Master Gas System) was built and started operating in 1980. MGS supplies fuel and feedstock to industrial plants in Yanbu and Al-Jubail (*Saudi Gazette*, 23 September 1997: II). Today, the system has a Sales gas capacity of approximately 3 billion cubic feet per day. By the year 2001/2002, Sales gas capacity shall expand to about 5 billion cubic feet per day.

Saudi ARAMCO distributes its Sales gas either as fuel or feedstock to the petrochemical plants (such as those owned by Saudi Basic Industries Corporation) in Al-Jubail Industrial City, Dammam and Yanbu through a pipeline network. The tremendous growth of basic industries in the Kingdom has been fuelled by the MGS, and subsequently brought about increase in the demand for gas. This has induced Saudi ARAMCO to develop plans and programs to further expand the MGS facilities to ensure adequate gas supplies to meet in-Kingdom requirements (*Saudi Gazette*, 23 September 1997: II).

2.3.8 The Saudi Gas-Based Industries

In the past, gas used to be flared in huge quantities, and thus polluting the environment. In 1969, the Government successfully put in commercial operation Saudi Arabian Fertilizer Company (SAFCO), the first gas-based company and the forerunner of the petrochemical industry in Saudi Arabia. SAFCO has 200,000 metric tonnes per annum (TPA) ammonia capacity and 330,000 TPA urea capacity. By virtue of a Royal Decree, government-owned shares in SAFCO were transferred from the General Petroleum and Mineral Organisation (PETROMIN) to the Ministry of Industry and Electricity. With this new arrangement, Saudi Basic Industries Corporation (SABIC) has taken over since 1983 the government shares in SAFCO. Under SABIC management, SAFCO's urea and ammonia plants have been generally operating over the years at 100 percent or more of designed capacity, hence among the most efficient fertilizer plants anywhere in the world.

In 1983 SABIC's modern world-scale petrochemical companies started coming on-stream. Hadeed (Saudi Iron and Steel Co.), SAMAD (Al-Jubail Fertilizer Company) and AR-RAZI (Saudi Methanol Company) became operational in 1993 (At-Twaijri 1993: 18). In recent years, SABIC has become one of the major global producers and marketers of various gas-based chemical, plastic and fertiliser products.

SABIC's total production of basic chemicals, intermediates, fertilizers, polymers and metals has grown significantly from only 6.8 million tonnes in 1985 to nearly 24 million tonnes in 1997 and to 25.3 million tonnes in 1998 (SABIC Annual Report 1998: 12). On an annual average, SABIC production increased around 11 percent per year during the last 13 years (SABIC Annual Reports, 1985 through 1998). By the turn of the century, SABIC's total output is set to grow to 30 million tonnes, or better. SABIC's products are marketed worldwide and are backed by a high technology R&D and technical service infrastructure.

SABIC is at present one of the most capital-intensive companies in the world, at SR. 5 million per employee. It is the world's leading exporter of MTBE and one of the top fertiliser-exporting countries. SABIC's R & D Complex is the largest industrial research centre in the Middle East. SABIC participates in 9 major joint-venture partnerships with major multinational companies. In these joint ventures, no SABIC partner has ever incurred any loss (SABIC Annual Report 1996: 5). In fact, SABIC has been among the most profitable companies in the world in recent years to the present. The 1995 peak profit of SR. 6.28 billion (US$ 1.67 billion) fell to SR. 4.41 billion (US$ 1.18 billion) in 1996. In 1997 The company's profit improved to $4.6 billion ($1.23 billion) (SABIC News Release, 11 March 1998). SABIC is currently the largest company in the Middle East in terms of sales and profitability, based on a stock market capitalisation of US $ 9.92 billion and a net income in 1995 of SR. 6.28 billion or US$ 1.67 billion (Gulf Business September 1997: 24; SABIC Annual Report 1995).

Today, SABIC has 17 manufacturing affiliates producing yearly over 25 million tonnes of various petrochemical products. Currently, SABIC markets more than half (about 15 million tonnes) of its total output, with the rest being marketed or handled by its joint-venture partners. SABIC will have a total capacity of about 28-30 million tonnes of basic industrial products by the year 2000.

SABIC's gas-based industries reflect the success and determination of the government to pursue industrialisation as a means of diversifying the economy. Appropriate planning and strategy formulation, on national, local and industry levels, are definitely helping in the successful drive towards the impressive growth of Saudi basic industries. Indeed, the existence of SABIC as a major global company is a good case of vertical integration.

2.3.9 Foreign Trade Sector and the Saudi Economy

International trade has been the backbone of the Saudi Arabian economy (El Mallakh 1982: 338-363). During the 1986-1996 period, total exports of all goods rose from U.S. $ 20.2 billion in 1990 to U.S. $ 57.3 billion in 1996. Total imports of all goods rose from U.S. $ 19.1 billion in 1986 to U.S. $ 36.4 billion in 1996 (IMF Direction of Trade Statistics Yearbook 1997: 387-389). Thus, Saudi Arabia has been a surplus exporting nation, particularly being the world's largest supplier of oil. This has been true since 1950s to date, as oil export has been the main source of the Saudi national income. At constant prices, oil still accounts for about 50 percent of the country's gross domestic product, despite the apparent success of the Saudi government's diversification policy.

The impact of oil price changes on the oil revenue underscores the importance of oil trade as a source of national income. In nominal terms, for instance, a change in the oil international price by US $1 per barrel would bring about a change in the Saudi Arabian oil income by $3 billion, given an export volume of 3 billion barrels a year.

The following sections will highlight in brief the Kingdom's composition of trade, the direction of its foreign trade, as well as the balance of payments on its current and capital accounts.

2.3.9.1 Composition of Exports

Saudi Arabia is the world's leading exporter of oil, and this position will remain so in the future, given its unparalleled oil reserves. In the early 1970s, Saudi Arabian exports were mostly crude oil and refined petroleum. Total crude exports rose from 1.2 billion barrels in 1970 to 2.8 billion barrels in 1978 (El Mallakh 1982: 345). In recent years, crude oil exports hovered to around 3.0 billion barrels a year. However, diversification thrusts to non-oil sectors have also paid off, as evident in the rising exports of petrochemical, agricultural and other products.

Figure 2.20 shows the Saudi exports of oil and non-oil products for the twenty-year period 1974-1994, expressed in billion Saudi Riyals. Table 2.4 shows the dollar equivalent values of these Saudi exports. After the 1973 OPEC price hike, the oil sector as a group generated SR. 126 billion ($35.5 billion) in 1974, and a record SR. 211 billion ($62.9 billion) in 1979. Economic recession in 1980s and energy conservation measures adopted by most of the Western consumer nations effectively cut demand for Saudi oil exports. As such, Saudi oil production stayed below 2.0 million barrels a day for many years through 1989.

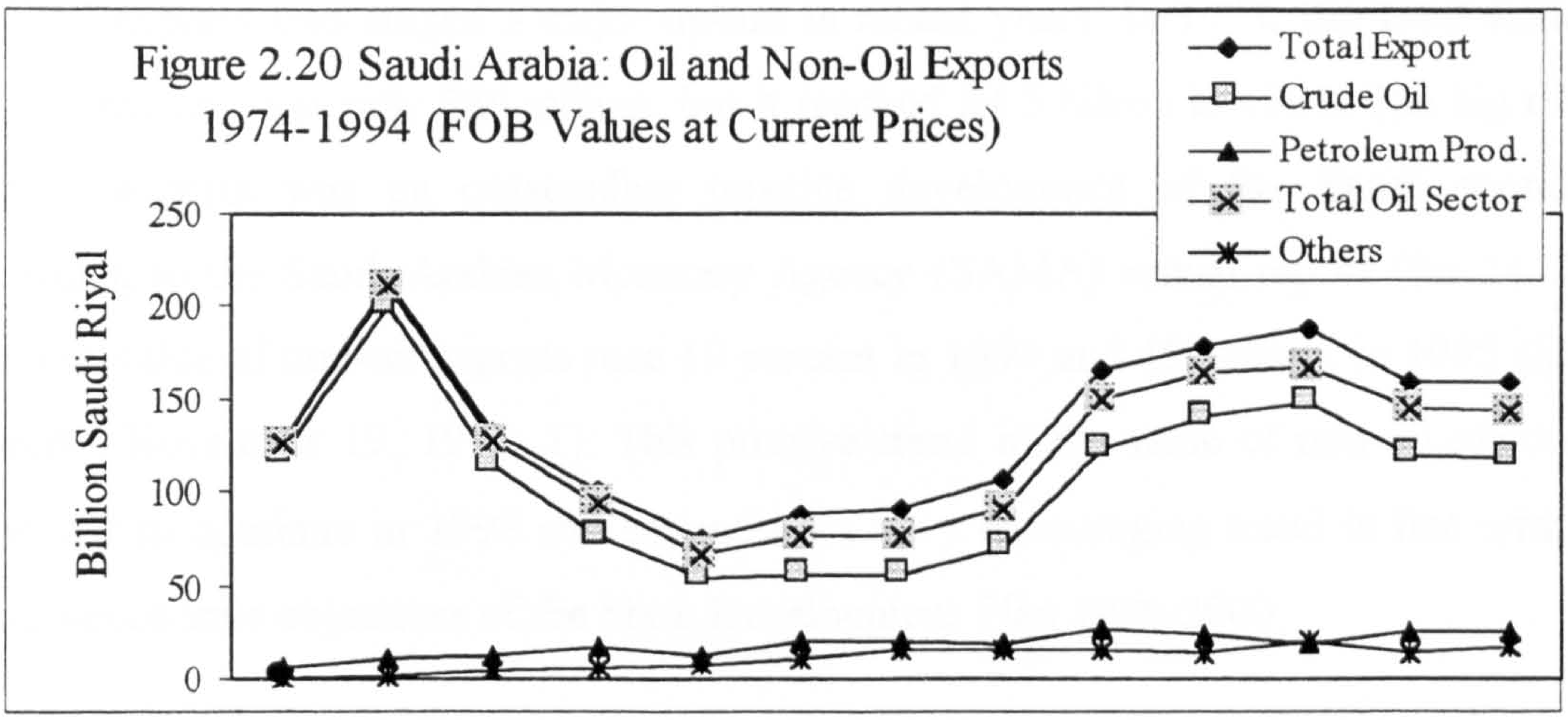


Figure 2.20 Saudi Arabia: Oil and Non-Oil Exports 1974-1994 (FOB Values at Current Prices)

	1974	1979	1984	1985	1986	1987	1988	1989	1990	1991	1992	1993	1994
Total Export	126	213	132	99.5	74.4	86.9	91.3	106	166	179	188	159	160
Crude Oil	119	200	115	75.6	54.3	55.2	55.1	70.6	123	140	148	120	117
Petroleum Prod.	6.91	11	13.3	18.3	12.6	21.3	20.6	19.6	27	23.9	19.3	24.7	25.6
Total Oil Sector	126	211	128	93.9	66.9	76.5	75.7	90.2	150	164	168	145	143
Others	0.28	1.94	4.44	5.59	7.49	10.4	15.6	16.1	16.1	15	20.7	14.1	16.8

Source: Saudi Ministry of Planning. Saudi Arabia: Achievements of the Development Plans 1970-1996

Table 2.4 Saudi Arabian Oil and Non-Oil Exports (in Billion Dollars)
(FOB Values at Current Prices, 1974-1994)

	1974	1979	1984	1985	1986	1987	1988	1989	1990	1991	1992	1993	1994
Total Export	35.6	63.4	37	27.3	19.9	23.2	24.4	28.4	44.4	47.7	50.3	42.4	42.6
Crude Oil	33.5	59.6	32	20.8	14.5	14.7	14.7	18.9	32.9	37.3	39.6	32	31.3
Petroleum Prod.	1.95	3.28	3.72	5.02	3.37	5.7	5.5	5.24	7.21	6.37	5.15	6.6	6.84
Total Oil Sector	35.5	62.9	35.8	25.8	17.9	20.4	20.2	24.1	40.1	43.7	44.8	38.6	38.1
Others	0.08	0.58	1.24	1.53	2	2.77	4.17	4.29	4.29	4	5.53	3.77	4.48

Converted into U.S. dollars as per annual conversion rates provided by the: Saudi Ministry of Planning.

Accordingly, the Saudi oil revenues on an FOB basis fell from the peak level recorded in 1979 to SR. 66.9 billion ($17.9 billion) in 1986. The international oil market remained poor in the ensuing two years, thus average annual oil revenues stayed at around SR. 76 billion ($20 billion) in 1987 and 1988. From 1990 through 1994, crude oil production recovered in response to rising world demand for energy resources. So, the oil sector's export revenues increased to SR. 150 billion ($40 billion) in 1990, and to SR. 167 billion ($45 billion) in 1992. However, fluctuations in the international oil prices resulted in the decline of the oil revenues to SR. 145 billion ($38.6 billion) in 1993 and to SR. 143 billion ($38.1 billion) in 1994.

Non-oil exports also staged a major upturn in recent years. In 1974, the total value of non-oil exports was only $80 million, but it reached $4.5 billion in 1994. The big rise in non-oil exports was an outstanding positive development of the Saudi economy, according to the Saudi Arabian Monetary Agency (SAMA) annual report (for 1415-16 H). The value of non-oil exports rose 19 percent in 1994 and 45 percent in 1995 (*Saudi Gazette*, November 19, 1996: 1). This positive trend in the value of non-oil exports is expected to continue in 1998 and beyond — a very encouraging trend in line with the macro-economic objectives of the Sixth Development Plan 1996-2000.

2.3.9.2 Direction and Distribution of Exports

Saudi Arabian exports have been directed virtually to all corners of the world. The industrial countries have historically been the major destinations of Saudi exports (mostly oil and petroleum products) since 1960s until now. The trend, however, is changing with the industrial countries as a whole still taking large but declining share of Saudi exports. Table 2.5 shows that the total value of Saudi exports world-wide reached $20 billion in 1986, of which 71 percent ($14.6 billion) went to industrial countries. The other 29 percent went to developing countries. In 1996 the total value of Saudi exports rose to ($57.3 billion), comprising 53 percent to the industrial countries and 47 percent to the developing countries.

Rising demand in Asia for oil and petroleum products explained the increasing share of the developing countries in the Saudi Arabian export market. Moreover, energy conservation and cost-cutting measures in response to the oil price hike in the 1970s and higher production of North Sea oil and other sources of supply helped in reducing the imports of Saudi oil into the industrial countries particularly West Europe.

The USA and Japan have maintained major shares of the Saudi export market for years. At least during the period 1986 through 1996, they accounted for more than 60 percent of Saudi exports to the industrial countries, on an annual average. It is worth recalling that the United States was not among the leading importers of Saudi goods in the early-to-mid 1970s (El Mallakh 1982: 346).

Table 2.5 Direction of Saudi Arabian Exports (US $ Billion), 1986-1996

Region/Country	1986	1987	1988	1989	1990	1991	1992	1993	1994	1995	1996
Industrial Countries	**14.2**	**14.9**	**15.4**	**18.8**	**28.1**	**29.8**	**31.0**	**25.1**	**25.1**	**27.8**	**30.1**
United States	3.4	4.5	5.3	7.3	10.7	10.9	10.7	7.4	7.9	8.1	8.6
Japan	4.1	5.1	4.1	5.0	8.4	7.6	8.2	7.2	6.8	8.8	9.7
Belgium-Luxembourg	0.6	0.2	0.4	0.2	0.2	0.2	0.0	0.0	0.1	0.1	0.1
France	1.1	0.6	1.2	1.5	2.1	2.2	2.2	1.9	2.3	2.3	2.6
Germany	0.6	0.3	0.6	0.2	0.3	0.3	0.5	0.5	0.5	0.8	0.8
Italy	1.5	0.9	0.8	1.2	1.6	2.0	2.0	2.1	2.2	1.4	1.7
Netherlands	1.0	1.4	1.3	1.3	2.1	2.9	2.7	1.8	2.1	1.8	1.9
Spain	0.5	0.6	0.4	0.5	0.6	1.0	1.1	0.6	0.6	1.2	1.2
United Kingdom	0.5	0.4	0.5	0.4	0.7	0.9	1.0	1.4	0.8	1.0	1.1
Other Industrial Ctys	0.9	1.0	0.9	1.2	1.5	1.8	2.5	2.2	1.9	2.3	2.5
Developing Countries	**5.9**	**7.7**	**8.3**	**9.5**	**16.3**	**17.9**	**19.2**	**17.0**	**17.4**	**23.6**	**27.2**
Africa	0.3	0.3	0.4	0.5	1.1	0.9	1.1	1.0	1.0	1.3	1.4
Asia	2.7	4.3	4.7	5.2	8.5	9.7	11.3	9.9	10.4	16.2	19.0
Europe	0.3	0.2	0.2	0.3	1.1	1.7	1.6	1.4	1.3	1.3	1.5
Middle East	1.8	1.9	2.0	2.8	4.1	4.3	3.7	3.3	3.4	3.7	4.0
Western Hemisphere	0.8	0.9	0.9	0.7	1.5	1.3	1.4	1.3	1.3	1.1	1.3
Others	**0.09**	**0.05**	**0.08**	**0.06**	**0.06**	**0.09**	**0.07**	**0.19**	**0.04**	**0.05**	**0.05**
WORLD	**20.2**	**22.6**	**23.7**	**28.4**	**44.4**	**47.8**	**50.3**	**42.4**	**42.6**	**51.5**	**57.3**

Source: IMF. Direction of Trade Statistics Yearbook. 1993 & 1997.

However, in the 1980s and 1990s the US share of the Saudi export market continued to rise — 17 percent in 1986, 20 percent in 1987 and 22 percent in 1988. The US imports of Saudi goods (notably oil) reached a record 26 percent in 1989, but had continued to decline since then — 24 percent in 1990, 21 percent in 1992 and 15 percent in 1996 (IMF Direction of Trade Statistics Yearbook 1993: 342-343; 1997: 387-389). As for Japan, it accounted for 20 percent of the total Saudi Arabian exports in 1986, 23 percent in 1987 and 19 percent in 1990. From 1991 through 1996, the Japanese share of the Saudi export market fluctuated narrowly in the range of 16-17 percent. The reason for this gradual decline was the increasing shares of other Asian countries in the Saudi exports, particularly to Singapore, Taiwan, India, Korea, China, Pakistan, Thailand, Indonesia and the Philippines. As a whole, Asia (including Japan) absorbs 4 million barrels a day of Saudi oil exports as of 1997 (*Saudi Gazette*, 16 October 1997: 13).

2.3.9.3 Growth and Composition of Imports

The huge revenues generated from oil exports boosted the Saudi Arabian purchasing power to finance its socio-economic development projects. Positive multiplier effects were felt in all sectors of the economy, hence the enormous demand for imported goods and services particularly during the earlier phase of the Saudi 5-year Development Plans. The total CIF value of Saudi Arabian imports had grown markedly at an annual average of 52 percent in 1974-1979 (Ministry of Planning. Achievements of the Development Plans 1970-1996: 249-250). This reflected, on one hand, the Kingdom's massive needs for capital goods (industrial machinery, mechanical and electrical equipment, base metal and transport equipment) to carry out national developmental projects envisaged in the Second Development Plan. On the other hand, higher oil revenues made possible the implementation of all planned socio-economic projects, with very positive impact on all needed support and service industries. All these mean a healthy employment condition in all sectors of the economy during the period, hence greater disposable personal income for the Saudi Arabian populace (including expatriates). Thus, demand for imported foodstuff and other consumer products had also grown tremendously in the period 1974-1979. El Mallakh (1982: 348) attributed the large portion of the increase in the total value of goods imported into Saudi Arabia to the fulfilment of development requirements for the First and Second Development Plans, as well as to an increase in the marginal propensity to import in the private sector. Some portion of the increase in the CIF value of imports could be attributed to inflationary factors. For instance, the average growth rate of the Saudi cost of living index was 14.6 percent for the period 1974-79, compared with only 4.3 percent for 1970-95 (Ministry of Planning. Achievements of the Development Plans 1970-1996: 263).

Imports continued to grow but at a much slower annual average of 7.8 percent during the 1979-1984 period. Average annual growth rates of imports declined significantly to –28 percent in 1985 and –17 percent in 1986. This happened as a result of much lower oil revenues in 1985 and 1986, as well as the gradual realisation of the Saudi government's industrialisation and import substitution policies. Overall, the annual growth rate of

Saudi imports (based on CIF values) averaged 13 percent during the period 1970-1995 (Ministry of Planning. Achievements of the Development Plans 1970-1996: 250).

Tables 2.6 and 2.7 show respectively the composition and percentage distribution of Saudi Arabian imports during the period 1974-1995. The fact that foreign trade is the backbone of the economy of Saudi Arabia can be seen in the composition of its imports over the past two decades. The products and materials imported into Saudi Arabia are numerous, covering all needed varieties of consumer and capital goods. These include foodstuff, mineral and chemical products, hides and skins, wood articles, cardboard, paper products, garments, ceramics, glassware, precious metals, gems and pearls, optical and medical supplies, industrial machinery, mechanical and electrical equipment, base metal, transport equipment and other miscellaneous manufactured products.

Table 2.6 Composition of Saudi Arabian Imports (CIF Value in SR Billion) 1974-1995

	'74	'79	'84	'85	'86	'87	'88	'89	'90	'91	'92	'93	'94	'95
Foodstuffs, etc.	2	10	19	13	12	13	13	13	13	14	13	11	11	17
Minerals, chemicals, plastics, rubber, etc.	1	7	12	8	9	10	10	9	12	13	13	13	11	14
Hides & skins, wood, paper, cardboard, etc.	0.4	4	4	4	2	3	3	3	3	4	4	5	4	5
Textile garments, footwear, etc.	1	5	10	8	8	9	10	9	9	10	11	9	7	9
Ceramic products, glassware, stone, palster, etc.	0.2	3	4	3	2	2	2	2	2	2	2	2	2	2
Precious metals, gems, pearls & articles	0.1	1	4	3	2	2	2	4	6	6	6	3	3	4
Base metals and articles, etc.	1	13	14	10	7	6	8	6	8	10	11	11	8	11
Machinery, mech. & electrical equipment, applicances, etc.	2	23	28	18	15	14	16	15	15	21	26	22	18	23
Transport equipment	2	10	16	12	9	10	12	15	18	23	30	22	18	15
Optical, precision and surgical instruments, watches, sound recorders, etc.	0.4	3	5	3	3	3	3	3	3	3	3	3	3	3
Miscellaneous manufactured articles, etc.	0.2	3	4	3	2	2	2	2	2	3	4	3	2	3
TOTAL (SR Billion)	10	82	119	86	71	75	82	79	90	109	125	106	87	105
(Equivalent US $ Billion)	3	24	33	23	19	20	22	21	24	29	33	28	23	28

Source: Ministry of Planning. Achievements of the Development Plans 1970-1996.

The largest import category consisted of machinery, mechanical equipment, electrical equipment and appliances. This accounted for a yearly average of 21 percent of the Saudi import market during the 14-year period 1974-1995. The second largest import category was transport equipment, accounting for an average 17 percent in the same period; followed by the foodstuffs, around 15 percent; mineral products, chemical products, plastic materials and rubber, 11 percent; and textile garments, 10 percent. The other categories as shown in Table 2.6 accounted for the remaining 16 percent of the total Saudi import market from 1974 through 1995. Ceramic products, glass and glassware, plaster, and articles of stone commanded the smallest share of total Saudi imports during this period.

Table 2.7 Percentage Distribution of Saudi Arabian Imports, 1974-1995

	'74	'79	'84	'85	'86	'87	'88	'89	'90	'91	'92	'93	'94	'95
Foodstuffs, etc.	20	13	16	15	17	17	16	16	14	13	11	11	13	16
Minerals, chemicals, plastics, rubber, etc.	10	8	10	9	12	13	13	11	13	12	11	13	13	13
Hides & skins, wood, paper, cardboard, etc.	4	4	4	5	3	4	4	4	4	4	4	4	5	5
Textile garments, footwear, etc.	10	7	8	10	11	13	12	11	10	10	9	9	8	9
Ceramic products, glassware, stone, palster, etc.	2	3	3	3	3	3	2	2	2	2	2	2	2	2
Precious metals, gems, pearls & articles	1	2	3	4	3	3	2	5	7	5	5	3	3	4
Base metals and articles, etc.	11	16	12	12	9	8	10	8	9	9	9	10	9	10
Machinery, mech. & electrical equipment, applicances, etc.	20	28	24	21	21	19	19	18	16	19	21	21	21	22
Transport equipment	17	13	13	14	13	14	15	18	20	21	24	21	21	14
Optical, precision and surgical instruments, watches, sound recorders, etc.	4	4	4	4	4	4	4	4	3	3	3	3	3	3
Miscellaneous manufactured articles, etc.	2	4	3	3	3	3	3	3	2	3	3	3	3	3
TOTAL (Percent - %)	100	100	100	100	100	100	100	100	100	100	100	100	100	100

Source: Ministry of Planning. Achievements of the Development Plans 1970-1996.

2.3.9.4 Sources of Imports

The industrial countries as a group shared 75 percent of the Saudi Arabian import market for the 11-year period 1986-1996, on an annual average. They supplied to Saudi Arabia around $27 billion worth of goods, compared with $14.5 billion in 1986. The major sources of Saudi Arabian imports during this period were the USA, Japan and Western Europe, including the United Kingdom (see Table 2.8).

The single largest nation-supplier to Saudi Arabia has been the United States, followed by Japan and the United Kingdom. During the period 1986-1996, the USA accounted for a yearly average of 19 percent of the Saudi import market; followed by Japan, 13 percent and United Kingdom, 10 percent. In 1995 and 1996, however, the United Kingdom outpaced Japan as the second largest exporter to Saudi Arabia.

Table 2.8 Sources of Saudi Arabian Imports (US $ Billion), 1986-1996

Region/Country	1986	1987	1988	1989	1990	1991	1992	1993	1994	1995	1996
Industrial Countries	**14.5**	**15.0**	**15.8**	**15.7**	**18.6**	**22.6**	**26.3**	**21.1**	**17.5**	**19.8**	**26.9**
United States	3.3	3.1	3.5	3.8	4.0	5.9	7.5	5.8	5.0	5.9	8.0
Japan	3.0	3.5	3.5	3.0	3.7	4.0	4.7	3.6	2.7	2.1	3.3
Belgium-Luxembourg	0.3	0.3	0.4	0.3	0.4	0.6	0.6	0.5	0.5	0.5	0.5
France	1.1	1.1	1.1	0.9	1.0	1.2	1.6	1.2	1.0	1.3	1.5
Germany	1.6	1.6	1.6	1.3	1.8	2.3	2.5	2.0	1.9	2.2	2.8
Italy	1.4	1.4	1.4	1.2	1.1	1.3	1.7	1.4	1.1	1.2	2.0
Netherlands	0.5	0.4	0.5	0.4	0.5	0.6	0.5	0.5	0.4	0.5	0.7
Spain	0.3	0.3	0.3	0.3	0.3	0.4	0.4	0.3	0.4	0.4	0.5
United Kingdom	1.4	1.6	1.6	2.2	2.7	3.3	3.6	3.1	2.0	2.4	4.3
Other Industrial Ctys	1.6	1.8	1.9	2.3	3.0	3.2	3.3	2.7	2.5	3.3	3.1
Of which Oceania	0.4	0.3	0.3	0.2	0.4	0.4	0.3	0.3	0.3	0.3	0.5
Developing Countries	**4.5**	**5.0**	**5.8**	**5.3**	**5.4**	**6.3**	**6.8**	**7.0**	**5.7**	**7.5**	**9.4**
Africa	0.2	0.2	0.3	0.2	0.4	0.4	0.4	0.4	0.4	0.6	0.6
Asia	2.8	3.3	3.6	3.1	3.2	3.8	4.1	3.8	3.0	4.0	5.8
Europe	0.5	0.5	0.6	0.6	0.6	0.7	0.6	0.8	0.6	0.9	0.8
Middle East	0.7	0.7	0.9	1.0	0.9	1.0	1.2	1.3	1.3	1.4	1.5
Western Hemisphere	0.3	0.3	0.4	0.3	0.4	0.6	0.5	0.7	0.4	0.7	0.7
Others	**0.13**	**0.13**	**0.16**	**0.15**	**0.07**	**0.10**	**0.12**	**0.15**	**0.13**	**0.14**	**0.14**
WORLD	**19.1**	**20.1**	**21.8**	**21.1**	**24.1**	**29.1**	**33.3**	**28.2**	**23.3**	**27.4**	**36.4**

Source: IMF. Direction of Trade Statistics Yearbook 1993 & 1997.

On a regional basis, Western Europe is still the largest supplying region to Saudi Arabia since 1970s. Its share of the Saudi import market dramatically increased from 36 per cent in 1970 to 45 per cent in 1978 (El Mallakh 1982: 353). Aside from the United Kingdom, Germany and Italy are the other important West European suppliers to Saudi Arabia. The developing world and the other countries outside the developed market economies accounted for 26 percent of total Saudi imports in 1996, compared with 23 percent in 1986 (See Table 2.9). As of 1996, the major Asian trading partners of Saudi Arabia by order ranking of CIF imports values were Korea, then China, India, Hong Kong, Taiwan, Thailand, Singapore, Indonesia and Malaysia.

Table 2.9 Sources of Saudi Arabian Imports (Percentage Share), 1986-1996

Region/Country	1986	1987	1988	1989	1990	1991	1992	1993	1994	1995	1996
Industrial Countries	76.0	74.4	72.7	74.4	77.1	77.8	79.2	74.8	74.9	72.1	73.8
United States	17.5	15.3	16.2	18.2	16.7	20.2	22.5	20.6	21.3	21.4	22.0
Japan	15.7	17.3	16.0	14.3	15.3	13.7	14.1	12.6	11.7	7.7	9.1
Belgium-Luxembourg	1.8	1.7	1.9	1.5	1.8	1.9	1.9	1.9	1.9	1.9	1.4
France	5.6	5.3	5.2	4.3	4.0	4.0	4.8	4.1	4.4	4.9	4.2
Germany	8.1	7.7	7.2	6.3	7.5	7.8	7.4	7.0	8.3	7.8	7.7
Italy	7.3	6.8	6.5	5.7	4.6	4.6	5.0	5.1	4.7	4.5	5.6
Netherlands	2.4	2.2	2.2	2.1	2.3	1.9	1.6	1.7	1.7	1.9	1.9
Spain	1.7	1.5	1.5	1.3	1.1	1.3	1.2	1.2	1.5	1.5	1.5
United Kingdom	7.3	7.8	7.3	10.2	11.3	11.3	10.8	11.0	8.5	8.7	11.9
Other Industrial Ctys	8.6	8.9	8.6	10.7	12.7	11.1	9.9	9.6	10.8	11.9	8.5
Of which Oceania	1.9	1.6	1.4	1.2	1.6	1.3	1.0	1.0	1.1	1.1	1.4
Total West Europe	40.9	40.3	39.0	40.8	43.6	42.7	41.5	40.5	40.6	42.0	41.3
Developing Countries	23.3	25.0	26.6	24.9	22.6	21.8	20.5	24.7	24.6	27.4	25.8
Africa	1.1	1.0	1.3	0.9	1.6	1.3	1.1	1.3	1.7	2.1	1.8
Asia	14.6	16.4	16.3	14.9	13.1	13.0	12.3	13.4	12.9	14.6	15.9
Europe	2.6	2.5	3.0	3.0	2.5	2.3	1.9	2.9	2.7	3.1	2.1
Middle East	3.5	3.5	4.1	4.6	3.8	3.3	3.5	4.7	5.5	5.2	4.2
Western Hemisphere	1.5	1.5	2.0	1.6	1.6	2.0	1.6	2.4	1.7	2.4	1.8
Others	0.7	0.6	0.7	0.7	0.3	0.3	0.4	0.5	0.6	0.5	0.4
WORLD	100	100	100	100	100	100	100	100	100	100	100

Source: IMF. Direction of Trade Statistics Yearbook. 1993 & 1997.

2.3.9.5 Balance of Payments on Current and Capital Accounts

Table 2.10 shows Saudi Arabia's balance of payments on current and capital accounts. Under the current account, the balance of trade has consistently been positive although fluctuating from one period to another. In 1974 the country earned a huge trade surplus of US$26.6 billion (SR 94.3 billion). The year witnessed very favourable terms of trade emanating from the oil price hike, which started in 1973.

The Saudi trade surplus peaked at $37.1 billion (SR 124.7 billion) in 1979. In 1986, it fell to a record low of $3 billion; recovered to $22.8 billion in 1990; but again fluctuated down to $19 billion in 1993. The balance of trade remained generally in favour of Saudi Arabia from 1974 through 1993 because of the strong demand for oil from major industrial nations, such as the United States, Japan, France, Germany, Italy, Netherlands and the United Kingdom.

Table 2.10 Saudi Arabian Balance of Payments (US $ Billion), 1974-1993

	1974	1979	1984	1985	1986	1987	1988	1989	1990	1991	1992	1993
A. Current Account												
Merchandise Exports	30.1	58.0	36.9	27.2	19.9	23.1	24.3	28.3	44.2	47.6	47.0	44.9
Merchandise Imports	3.6	20.9	28.1	20.2	16.9	18.3	19.8	19.2	21.5	26.0	30.2	25.9
Trade Balance FOB	26.6	37.1	8.7	7.0	3.0	4.9	4.5	9.1	22.8	21.7	16.8	19.0
Other Goods, Services												
& Income: Credit	2.6	9.8	17.3	16.0	13.8	13.1	12.8	13.0	12.4	11.7	10.9	9.7
Other Goods, Services												
& Income: Debit	4.6	29.4	35.5	27.4	20.8	19.5	15.7	20.9	23.6	40.7	33.7	26.3
Other Goods, Services												
& Income: Net	-2.0	-19.6	-18.1	-11.4	-7.0	-6.4	-2.8	-7.9	-11.2	-29.0	-22.9	-16.6
Balance of Goods,												
Services & Income	24.6	17.5	-9.4	-4.5	-3.9	-1.5	1.7	1.2	11.5	-7.4	-6.1	2.4
Private Unrequited												
Transfers	0.5	3.8	5.2	5.2	4.8	4.9	6.5	8.5	11.2	13.7	13.4	15.7
Official Unrequited												
Transfers	1.0	3.5	3.5	3.2	3.0	3.3	2.5	2.2	4.4	6.5	1.5	0.9
Total Unrequited												
Transfers	1.5	7.3	8.8	8.4	7.7	8.2	9.0	10.7	15.6	20.2	14.9	16.7
Current Account Balance	23.0	10.2	-18.1	-12.9	-11.7	-9.8	-7.3	-9.5	-4.1	-27.6	-21.0	-14.2
B Capital Account												
Direct Investment &												
Other Long Term Capital 1/	(8.8)	(2.3)	18.0	8.8	4.4	5.0	2.7	(2.4)	(1.5)	0.6	(3.7)	8.4
Other Short Term Capital 1/	(3.8)	(7.7)	(1.3)	3.3	(0.2)	7.4	3.1	8.5	0.2	27.0	19.0	7.3
Counterpart Items	0.0	(0.2)	(1.0)	1.0	0.9	1.7	(0.6)	(0.3)	0.3	0.0	(0.1)	0.0
Total Changes in Reserves 2/	(10.4)	(0.1)	2.5	(0.3)	6.6	(4.4)	2.1	(3.8)	(5.1)	0.0	(5.7)	1.5

Source: IMF Financial Statistics. Found in the Ministry of Planning. Achievements of the Development Plans 1970-1996

Note: 1/ Bracket indicates net outflow, 2/ Bracket indicates increase.

In 1996 Saudi Arabia's trade surplus rose to an estimated $29.3 billion, compared to $24.4 billion in 1995 and $21.3 billion in 1994 (Bank of America. Country Data

Forecasts. September 1997: 163-164; *Arab News*, 5 February 1997: 15). Export growth accelerated in the last three years through 1996 due to higher oil and petrochemicals prices. Imports grew moderately in response to restrictive fiscal policies.

The Saudi Arabian current-account receipts, which stood at merely US$2.4 billion (SR 10.7 billion) in 1970, jumped to $32.7 billion (SR 116.2 billion) in 1974 (See Table 2.11).

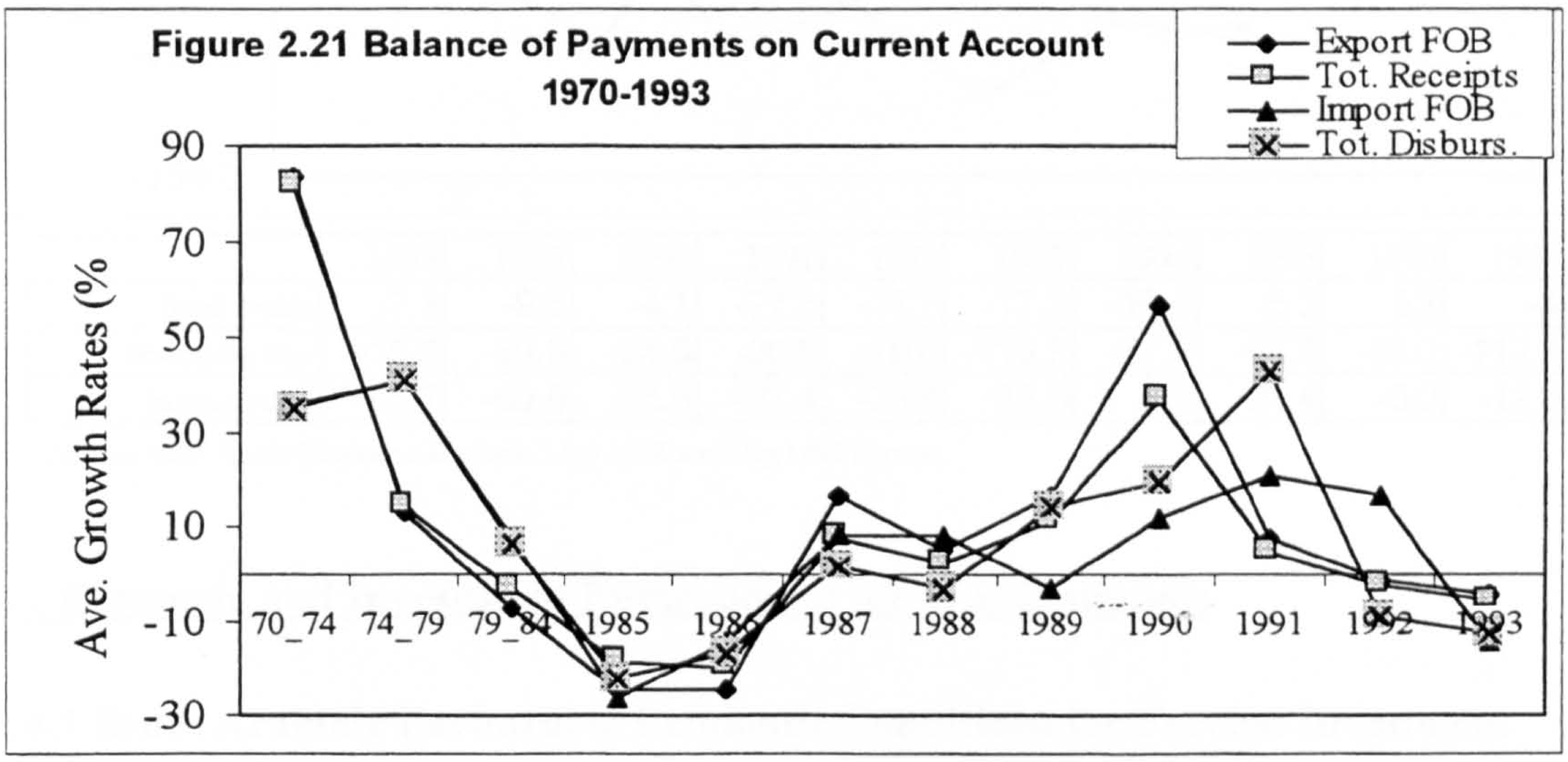
Table 2.11 Saudi Arabian Receipts and Disbursements on Current Account (US$ Billion) 1974-1993

	1974	1979	1984	1985	1986	1987	1988	1989	1990	1991	1992	1993
Receipts												
Merchandise Exports	30.1	58.0	36.9	27.2	19.9	23.1	24.3	28.3	44.2	47.6	47.0	44.9
Other Goods, Services												
& Income: Credit	2.6	9.8	17.3	16.0	13.8	13.1	12.8	13.0	12.4	11.7	10.9	9.7
Total Receipts	**32.7**	**67.8**	**54.2**	**43.2**	**33.7**	**36.3**	**37.1**	**41.3**	**56.6**	**59.4**	**57.9**	**54.6**
Disbursements												
Merchandise Imports	3.6	20.9	28.1	20.2	16.9	18.3	19.8	19.2	21.5	26.0	30.2	25.9
Other Goods, Services												
& Income: Debit	4.6	29.4	36.3	27.4	20.8	19.5	15.7	20.9	23.6	40.7	33.7	26.3
Private Unrequited												
Transfers	0.5	3.8	5.2	5.2	4.8	4.9	6.5	8.5	11.2	13.7	13.4	15.7
Official Unrequited												
Transfers	1.0	3.5	3.5	3.2	3.0	3.3	2.5	2.2	4.4	6.5	1.5	0.9
Total Disbursements	**9.7**	**57.6**	**73.2**	**56.0**	**45.4**	**46.0**	**44.5**	**50.9**	**60.8**	**86.9**	**78.9**	**68.8**
Current Account Balance	**23.0**	**10.2**	**-19.0**	**-12.9**	**-11.7**	**-9.8**	**-7.3**	**-9.5**	**-4.1**	**-27.6**	**-21.0**	**-14.2**

Source: IMF Financial Statistics. Found in the Ministry of Planning. Achievements of the Development Plans 1970-1996
(US Dollar values were converted by the author from the original Saudi Riyal values, as per exchange rates provided by the Ministry of Planning.)

The current-account receipts peaked at US$67.8 billion (SR227.7 billion) in 1979, largely due to the increase in the value of exports over the same period. The payments side of the current account showed an increase from $9.7 billion (SR34.5 billion) in 1970 to $57.6 billion (SR193.4 billion) — i.e. a 99 per cent average increase per annum. This was primarily due to the quantum jump in the value of imports over this period. Increases in the merchandise trade surplus, cutbacks in foreign aid and defence spending, drops in remittance outflows, and lower interest payments on foreign debt narrowed the current-account deficit to $5.3 billion in 1995 and $10.5 billion in 1994 (See Figures 2.21 and 2.22). For the first time in 13 years, Saudi Arabia achieved a positive current account balance of around $200 million in 1996 (Bank of America. Country Data Forecasts. September 1997: 163-164; *Arab News*. 5 February 1997: 15).[6] This is indeed a good accomplishment when compared to the previous current account deficits, which peaked at $27.5 billion in 1991.

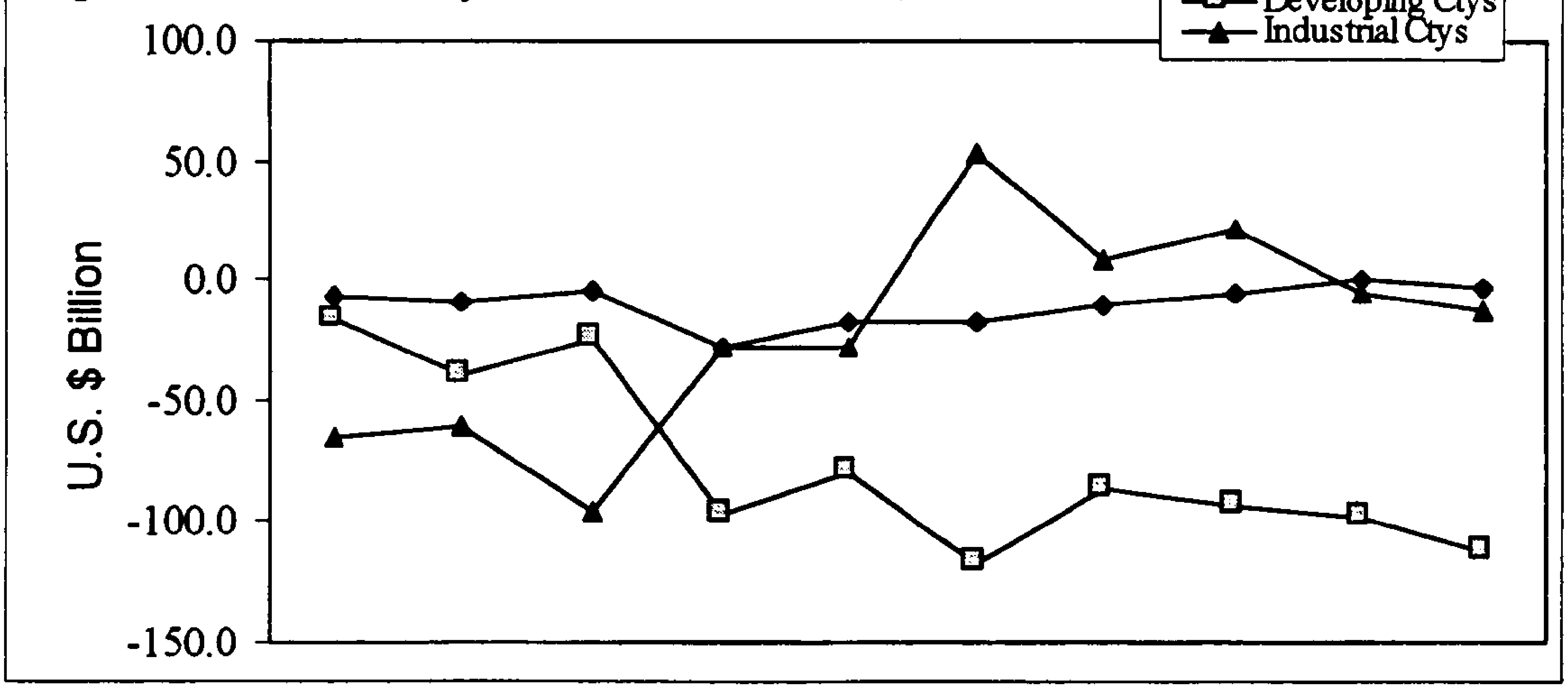
Figure 2.21 Balance of Payments on Current Account 1970-1993



	70_74	74_79	79_84	1985	1986	1987	1988	1989	1990	1991	1992	1993
Export FOB	83.7	12.8	-7.5	-24.8	-24.9	16.3	5.1	16.4	56.3	7.6	-1.2	-4.5
Tot. Receipts	81.6	14.4	-3.2	-18.8	-19.8	7.6	2.4	11.3	37.1	4.8	-2.4	-5.8
Import FOB	35.7	40.9	7.4	-26.7	-14.3	8.3	8.3	-2.9	11.7	20.8	16.5	-14.4
Tot. Disburs.	35.1	41.2	6.2	-22	-16.8	1.5	-3.4	14.4	19.5	43.1	-9.3	-12.7

Source: Saudi Ministry of Planning. Kingdom of Saudi Arabia: Achievements of the Development Plans 1970-199

Figure 2.22 Balance of Payments on Current account, 1988-1997



	1988	1989	1990	1991	1992	1993	1994	1995	1996	1997
Saudi Arabia	-7.3	-9.5	-4.1	-27.5	-17.7	-17.3	-10.5	-5.3	0.2	-3
Developing Ctys	-15.9	-39.9	-24.0	-96.8	-79.0	-116.7	-87.0	-93.3	-98.0	-112.5
Industrial Ctys	-65.7	-60.9	-96.5	-27.4	-28.4	52.5	8.3	21.4	-6.0	-12.5

Sources: IMF. World Economic Outlook. May 1996 and May1997 Reports.

2.4 Economic and Investment Environment for Multinationals

2.4.1 Saudi Arabia's Favourable Economic Conditions for Foreign Investment

Saudi Arabia is strategically located between Africa and Asia, close to the equator. It is endowed with rich natural resources and productive capabilities. It is the world's largest producer-exporter of oil, and possesses more than 25 percent of the world's proven oil reserves.

Since the 1970s oil boom, Saudi Arabia has rapidly developed a modern infrastructure. It has up-to-date seaports, an efficient network of roads, three major international airports and numerous regional ones. Its telecommunications system is advanced. It has two modern industrial cities, Jubail and Yanbu, and industrial estates in several other major cities.[7] The Kingdom is equipped with modern hospitals and numerous universities and vocational training centres. Saudi Arabia follows a policy that will permit it to benefit from modern science and technology (particularly in agriculture and industry) in a way that suits the Saudi citizen and a Muslim society, without affecting the country's social and religious traditions (Ernst & Young International 1992: 6).

Saudi Arabia is a politically stable country with an open economy, where investors are free to select investment opportunities of their choice. The Saudi economy is diversified and offers investment opportunities in each of its sectors, ranging from agriculture, industry, construction, mining, finance and business services (Saudi Consulting House 1995: 13).

Many economic conditions and government policies in Saudi Arabia today favour foreign investment. To integrate the Kingdom fully in the international trading system, the Saudi Government has applied for membership in the World Trade Organisation. In addition, Saudi Arabia acceded to the Universal Copyright Convention in 1994, which extends copyright protection to foreign intellectual property.

According to the US Department of Commerce, the average time needed to build and start operating a plant in Saudi Arabia is shorter than in the United States or Western Europe. Saudi Arabia enjoys relatively low labour costs, partly because expatriates still constitute a substantial part of the workforce, and because labour unions and strikes are illegal. Industrial land is readily available at comparatively low cost to the foreign investor; the Saudi Government extends parcels of lands in industrial cities, such as Al-Jubail and Yanbu, at a nominal annual rent. Land may be owned by a joint venture, but must be put in the name of the Saudi partner. Construction and operational costs are also kept low due to the natural competitive advantages of the Saudi economy, and to Saudi Government assistance. In 1994, electricity for commercial purposes was available at rates of about one cent per kilowatt hour, industrial water costs averaged seven cents per cubic meter, and natural gas fuel costs remained extremely affordable at 50 cents per million BTU for Government-licensed projects (Goldfield and Klusaritz 1995: 68).

2.4.2 Development Planning and Performance Results

Over the past 25 years, Saudi Arabia has pursued a thorough process of five-year development planning, in line with the philosophy of gaining benefits from modern scientific advances that are commensurate with Islamic teachings. In reality, the Saudi Arabian development process is unique, as it has been guided by Islamic values from the very beginning (Ministry of Planning, The Sixth Development Plan 1995-2000: 39). In fact, the Crown Prince Abdullah bin Abdulaziz, Deputy Premier and Commander of the National Guard stressed that "the strength of the Kingdom of Saudi Arabia stems from its adherence to the Holy Qur'an and the Sunnah (the Prophet's teachings)" (*Riyadh Daily*, 26 November 1999: 1).

The First Development Plan (1970-1975) was prepared by the then Central Planning Organisation (CPO), in accordance with the Council of Ministers Resolutions No. 430 and No. 693, which defined the guidelines for the development plan (Central Planning Organisation. Development Plan 1390 A.H. (1970): Covering Letter). The Saudi planners recognised that the rapid growth of the economy was primarily a result of the oil sector, a situation that needed gradual change through diversifying production, exports, and sources of government revenue (Central Planning Organisation. Development Plan 1970: 21).

The First Development Plan generally aimed at maintaining the Kingdom's religious and moral values, and raising the living standards and the welfare of the Saudi people (Central Planning Organisation. Development Plan 1970: 23; El Mallakh. 1982: 145). The Second Development Plan (1975-1980), as approved by the Council of Ministers Resolution No. 565 dated 21 May 1975, provided for further advance toward the social and economic goals while maintaining the religious and moral values of Islam (Ministry of Planning. Second Development Plan 1975-1980: 4). The Second five-year plan was a success, as seen in favourable GDP growth rate, lower inflation, higher absorptive capacity and improved infrastructure (El Mallakh 1982: 197-210).

The Third Development Plan (1980-1985) followed the ideals embodied in the first two five-year plans. It continued giving emphasis on safeguarding Islamic values, enforcing and propagating Shari'ah laws, continuing the balanced development of economic resources, increasing long-term revenue to preserve depleting resources and reducing dependence on the export of oil as the principal source of revenue (Sindi and Alghfaily 1981: 15). During the 1980-1985 period, the industrial sector achieved 14.1% growth rate at constant prices. This remarkable performance was a direct result of the proliferation of construction and development projects (Farsi 1989: 103).

The Fourth Development Plan (1985-1990) continued the ideals of the previous plans and further expanded the goals to reflect needed structural changes in the economy (Ministry of Planning. Fourth Development Plan 1985-1990: 41). Clearly, the plan underscored the development of industry, agriculture and mining as a major goal to decrease dependence on oil in Saudi Arabia.

The fourth plan emphasised the need for the private sector to willingly take on new responsibilities for the economic development of the Kingdom. The Saudi private sector made considerable transformation from the functions of traditional merchants into those of contractors and manufacturers, as well (Ministry of Planning. Fourth Development Plan 1985-1990: 42). Privatisation is still undergoing in the Kingdom, and more activities in this regard may be seen in the next few years.

The Fifth Development Plan (1990-1995) was regarded by the Ministry of Planning as the beginning of the second planning stage. It regarded the first four plans as comprising the first planning stage — covering a twenty-year period. As in the first stage, the second planning stage will continue to be guided by two basic principles — sustained preservation of religious values and the provision of national security. Beyond these two, other relevant goals embodied in the first four plans under the first planning stage will continue to provide the framework for future plans (Ministry of Planning. Fifth Development Plan 1990-1995: 46).

During the Fifth Development Plan period a total of $753 billion was allocated to achieve the Plan objectives. These include developing human resources, reducing dependence on oil, sustaining the restructuring of the national economy, concentrating on the qualitative development of existing utilities and facilities and encouraging further private sector participation in socio-economic development (Ministry of Planning. Sixth Development Plan 1995-2000: 58). However, the first three years of this five-year plan saw an enormous strain on the government finances as a consequence of the Arab Gulf war. The total government expenditure during the period reached around SR. 1.1 trillion, which far exceeded the budget by 44 percent.

Previous plans, particularly the Fifth Plan, emphasised the goal of further encouraging private sector participation in socio-economic development. The goal has been realised to a great extent, as seen in the increase in the investment capabilities of the private sector.

Like the Fifth Plan, the Sixth Development Plan (1995-2000) has 13 objectives, the first of which as in the previous plans is to safeguard Islamic values by duly observing, disseminating and confirming Allah's *Shari'ah* (God's Divine Law). The macroeconomic objectives of the plan include boosting non-oil merchandise exports, raising domestic non-oil revenues, reducing external imbalances and gradually eliminating the budget deficit, with the aim of achieving a balanced budget by the end of the plan period (Ministry of Planning. Sixth Development Plan 1995-2000: 46-117; Azzam March 13, 1996: 8-15; *Saudi Gazette*, Special Edition, 2 November 1996: 7). The current Seventh Development Plan (2000-2005) further underlines the goal of economic diversification, and aims at a steady increase in the share of the non-oil sectors in the GDP from 68.4 percent in 1999 to 71.6 percent in 2005 (SABIC Annual Report 2000: 8).

In general, the achievements of the past development plans were quite remarkable. The economy more than doubled what it was in 1970, and the private sector increased markedly in real terms — in fact, more than quadrupled in size as of 1996. In the manufacturing industries, the total number of factories in operation increased from 199 in 1970 to 2,467 in 1996. Capital investment in these factories increased from SR 2.8 billion in 1970 to SR. 156.3 billion in 1996. (Ministry of Planning. Achievements of the Development Plans 1970-1997: 25). In the industrial sector, various industries achieved quite favourable performances. In the petrochemical and metal industries, SABIC's total production of chemicals, metals, gas, plastics and fertilisers reached nearly 24 million tons in 1997 from less than 20 thousand tons in 1970. SABIC's total production may reach 30 million tons or more by the year 2000, in light of its on-going and future expansion projects. In terms of financial performance, SABIC's annual profit has averaged about US$1.5 billion over the three-year 1994-1996. In 1995, SABIC's profit reached a record high of SR. 6.28 billion ($ 1.67 billion) compared to only SR. 148 million (less than $40 million) in 1985 (SABIC Annual Reports).

In the field of agriculture, the government introduced attractive incentives to encourage more Saudis to join the farming sector. Attractive interest-free farm loans are available through the Saudi Arabian Agricultural Bank (SAAB). For three decades from 1973 through 1995, for instance, the total loans granted by the SAAB to Saudi farmers accumulated to SR. 28.5 billion (SAAB Annual Report 1995: 15, 34). In the last three decades until 1995, the bank had also disbursed about SR. 10.4 billion of agricultural subsidies (SAAB Annual Report 1995: 15, 27, 56). In response to the generous incentives given by the government, major players in the private sector ventured into big farm projects, including commercial crop cultivation, animal production and fisheries, which employ state-of-the-art technology and modern agricultural systems. So in spite of all difficulties inherent in desert farming, Saudi Arabia has managed to successfully develop its agriculture in a short span of time. In 1995 the Kingdom's total cropped area for all winter, summer stood at about 1.7 million hectares of land (Ministry of Agriculture and Water 1996 and 1997; Agricultural Statistics Yearbook 1996: 7).

Likewise, there has been a marked increase in the number of operating private companies in recent years. More specifically, the number operating private companies increased from 1,473 companies with total capital of SR. 7 billion in 1975/76 to 7,643 companies with total capital of SR. 108.7 billion in 1993/94. With this huge business expansion, the private sector's contribution to the gross domestic product increased from 21 percent to 45 percent during the same period (Ministry of Planning. Sixth Development Plan 1995-2000: 148-149).

2.4.3 Investment Opportunities in Saudi Arabia and Guidelines on Foreign Capital Investment

The Saudi business environment has become very attractive for both local and foreign investors in light of the following guiding principles:

1. Encourage and expand manufacturing industries.
2. Consider competition among commercial, industrial and other enterprises as the structural basis of the Saudi economy.
3. Adopt competition as the best means of influencing industry towards beneficial manufacturing and market-oriented projects.

4. Ensure that businessmen have access to the right information they need to identify, implement and operate feasible projects.
5. Make available attractive financial incentives to encourage businessmen to invest in projects of prospective benefit to the national economy.
6. Ensure the granting of license to operate bigger industrial projects that exceed a specified size of invested capital, employment or production capacity, except in cases where the projects are in conflict with supreme national interests.
7. Encourage as much participation as possible from the private sector in large and important industrial projects initiated by the Government.
8. Avoid the imposition of quantitative restrictions or price control on projects that are in line with the Government's industrial policy.
9. Uphold the right of the business community in the industrial field to select, utilise and manage the economic resources.
10. Encourage the entry of foreign capital and foreign expertise and encourage foreign joint ventures with Saudi businessmen.
11. Promote the growth of all economic sectors to make local resources sufficiently available to the producers and to increase consumer purchasing power within an ever-growing national economy. (Saudi Consulting House 1994: 23-24)

The Government of Saudi Arabia offers ample investment opportunities to the international business community, in line with its determination to improve the socio-economic welfare of the populace, without sacrificing their religious and moral values. This is consistent with its role as the largest market in the Middle East and being strategically located mid-way between the East and the West. The country also qualifies to be a gateway to other Middle Eastern and Islamic markets. The country's vast oil reserves and plentiful hydrocarbon resources clearly make it a promising investment opportunity for international business and trade (Goldfield and Klusaritz 1995: 66; see also Saudi Consulting House 1994: 13). Muhammad Ali Al-Musallam, the Director General of the Saudi Consulting House, has this to say on the investment opportunities in Saudi Arabia:

> *Saudi Arabia is a politically stable country with an open economy, where investors are free to select opportunities of their choice. The Saudi economy is diversified and offers investment opportunities in each of its sectors, ranging from agriculture, industry, construction, mining, transportation, finance and business services.* (Saudi Consulting House. *Investing in Saudi Arabian Industry*, 1995: 13)

Since early 1970s the Government realised the need for attracting foreign investment that involves transfer of technology, modern management techniques and the development of the private sector capabilities. In order to fulfil this need, the Government has continued to offer more foreign investment protection guarantees to the industrial countries and to facilitate the institutional and administrative procedures for licensing projects in the Kingdom (Ministry of Planning 1996: 163). The policy of attracting foreign investment into the Kingdom has also been implemented through the Saudi Economic Offset Programme.[8]

The promotion and encouragement of foreign capital investment are covered under the Foreign Capital Investment Law which was promulgated by Royal Decree Number M/4 of 2nd Safar, 1399 Hijrah (1979 Gregorian). Article 2 of this Law states:

> *Without violation to the provisions of other laws in force, Foreign Capital Investment requires a license issued by the Ministry of Industry and Electricity following the recommendation of the Foreign Capital Investment Committee, provided that the following two conditions are fulfilled:*
>
> *(1) The Foreign Capital shall be invested in development projects which, for purposes of the Law, do not include petroleum and mineral extraction projects.*
>
> *(2) The investment shall be accompanied by foreign technical skills and expertise.* (Ministry of Industry & Electricity 1992: 5)

Article 3 states that "Development projects shall be determined by a resolution from the Ministry of Industry and Electricity following the recommendations of the Foreign Capital Investment Committee within the guidelines of the National Development Plan." The Foreign Capital Investment Committee, as stated in Article 5, is mandated to propose projects that will be classified as development projects. It is also tasked to consider foreign investment applications, and examine any complaints or claims submitted by foreign investors or other parties. It has the power to recommend penalties, which in the opinion of the Committee should be imposed on any project violating the provisions of this Law, as well as to consider matters referred to it by the Ministry of Industry and Electricity, concerning the provisions of the Law.

The Government encourages multinational firms to invest in Saudi Arabia, assuring them of no restriction on the entry or repatriation of capital, profits or salaries. Foreign investors are entitled to the following privileges embodied under Article 7 of the Foreign Capital Investment Law:

- Tax holiday. Any local-foreign industrial or agricultural project with at least 25 percent Saudi capital shall enjoy an exemption from corporate tax for a period of 10 years. Other projects shall enjoy a tax holiday for a period of five years only.
- Financing assistance. Low-cost financing through the Saudi Industrial Development Fund (SIDF).
- Industrial facilities. Nominal rent on building sites and low fees for water and electricity.
- Duty exemption. Exemption from customs duties on imported equipment and raw materials.
- Protective tariffs. Tariff protection once the local product achieves a good standard.
- Ownership of any real estate required by foreign investment projects in accordance with the Law of Non-Saudi Ownership of Real Estate.

Joint ventures between local and foreign partners registered under the Foreign Capital Investment Law are allowed to own land for their own use and for staff accommodations. Other than this, land ownership is restricted to the nationals of Saudi Arabia and the Gulf Co-operation Council (GCC).

As regards taxation, the maximum corporate tax rate is 45%. This applies to taxable income over SR. 1 million (Ernst & Young International 1989: 2; see also Ministry of Industry & Electricity 1992: 5).

2.4.4 Implementation and Results of the Foreign Capital Investment Policy

The Saudi Government has ensured the proper implementation of its foreign capital investment policy in order to attract foreign investment and technology to invigorate the Kingdom's industrialisation thrusts.

According to the Ministry of Industry and Electricity (Industrial Statistics Bulletin 1995: 27) the total number of productive factories licensed under the Foreign Capital Investment Law reached 338 by the end of 1414 Hijrah (1993/94 Gregorian). In terms of location, three major regions account for around 95 percent of these joint-venture factories — Riyadh (34.6 percent), Eastern Province (31.4 percent), Makkah Al-Mukarramah (29 percent). The remaining factories are located in the regions of Al-Madinah (3.3 percent), Al-Qaseem (1.2 percent) and Al-Aseer (0.6 percent).

In terms of distribution by industrial sectors or product groups, prefabricated metal products, machinery and equipment industry accounts for 39.3 percent of the total joint venture factories. Chemical and plastic product groups are the next in rank, accounting for around 25.2 percent; followed by the building materials industry (14.2 percent); foodstuffs and drinks industry (8.6 percent); paper, printing and publishing industries (4.7 percent); and wood and furniture products (4.4 percent). Transportation, storage textile and leather industries account for the remaining 3.6 percent (Ministry of Industry and Electricity. Industrial Statistics Bulletin 1995: 26-27).

The number of joint-venture factories (338) recorded in 1993/94 reflects the positive response of both domestic and foreign investors to the Foreign Capital Investment Law. This exceeds the number of joint venture factories in 1980/81 by 121 percent. The current number of joint-venture factories is 350, according to the Industrial Statistics Department of Ministry of Industry and Electricity.

The total capital investment injected into the joint venture factories under the Foreign Capital Investment Law reached SR. 86.4 billion by the end of 1414 *Hijrah* (1993/94 Gregorian). This represents 57.2 percent of the total amount invested to the productive factories licensed under the Protection and Encouragement of National Industries and the Foreign Capital Investment Law combined.

2.4.5 Legal Aspects of Doing Business in Saudi Arabia

Multinationals need to recognise that the legal basis of doing business in the Saudi market is the *Shari'ah* — the basic body of Islamic law set forth in the divine scriptures of the Qur'an, the *Ahadith/Sunnah*, as well as the legislation deduced from these two. When it comes to disputes and litigation, the Arabic translations of documents concerning the case must be the basis of court decision. The *Shari'ah* is a very dynamic and adaptable system of law, which has covered transactions from ancient times through the present. However, that flexibility often makes it rather difficult to apply clearly established rules to a particular situation, or to predict an outcome with the degree of certainty many foreign firms would expect (but not always appropriately) under their own legal system (Xefos 1996: 10).

Among the most important factors that will contribute to the success of multinational companies in the Saudi market include having the right people, familiarity with the Saudi business and legal environment, knowledge of local culture, as well as sensitivity to cultural differences. Another important factor in doing a profitable business in Saudi Arabia is the company's ability to understand the local legal and commerce regulations, including the inherent uncertainties from the legal perspective. The company also needs to analyse the risks in a proper commercial and political context, and then to rely on good common business sense in deciding whether, and in which manner, to proceed (Xefos 1996: 9).

In Saudi Arabia Joint ventures have historically been, and continue to be, the most common route through which multinational companies do business. Joint ventures with foreign firms commonly take the form of locally incorporated limited liability companies. The exceptions to this include the joint venture banks (like Saudi British Bank) and petrochemical projects (like those of Saudi Basic Industries Corporation), which take the form of joint stock companies. Professional partnerships also fall outside the region of locally incorporated limited liability companies.

The formation of a limited liability company falls under the jurisdiction of the Foreign Capital Investment Committee (FCIC) at the Ministry of Industry and Electricity, which has the authority to grant a license authorising the foreign party's equity in the business. In evaluating the application, the FCIC and all concerned Saudi ministries will determine whether the products to be produced support the import-substituting policy of the Government. They will also evaluate whether the business has good export potential; whether it will make good utilisation of natural resources; whether it will involve transfer of desirable foreign technology; and whether it will contribute to the development of the nation's economy and human resources.

A key prerequisite to securing a license authorising the formation of the company is that it must have at least 25-percent Saudi participation. For industrial projects, the approval of the Industrial Licensing Department (ILD) is also required. After securing the FCIC license (and the ILD's if needed), the articles of association must be submitted to the Ministry of Commerce for approval.

A Saudi limited liability company requires a minimum capital of SR 500,000 and a minimum of two and a maximum of 50 shareholders. For industrial projects, the FCIC may require substantially greater capital as a precondition to granting an investment license. All capital must be paid in full. Ten percent of the net profits of the company must be set aside as a statutory reserve until such reserve equals 50 percent of the original capital of the company.

An industrial limited liability company with at least 25 percent Saudi participation is eligible for a 10-year tax holiday, and for secure financing from the Saudi Industrial Development Fund at favourable rates. A contracting limited liability company is eligible for a five-year tax holiday. Products manufactured by a limited liability company could have up to 20 percent duty protection. Land for the development of commercial establishments is often made available in industrial estates for nominal amounts.

In practice, multinational companies enter into joint ventures with Saudis who commit capital, personnel and needed support services. These include knowledge of the local industry, government liaison and distribution channels (Xefos 1996: 11). In this regard, two basic documents are involved — a joint venture agreement, and the articles of association. These may be supplemented by a number of other documents such as technical assistance agreements, trademark license agreements or know-how agreements, and technology transfer license agreements.

While the content of joint venture agreements varies considerably from one transaction to another, most will contain provisions, which are required for all projects. These include a clear acknowledgement by both parties that the company will be treated as a separate and important profit centre, a mechanism for funding capital expenditures and working capital requirements, and the obligations of the parties to provide advances, or guarantees in connection with commercial or other debt. The basic management structure and the mechanism for protecting minority interests are likewise needed to be included in the agreements. They also need to make clear the terms governing transactions between the company and the shareholders or related parties, and in which conditions the shareholders might be allowed to compete with the company. They also need to spell out the relationship between the shareholders, the allocation of expenses up until the time the company is formed, and the bases upon which the company may be dissolved.

For a joint-venture company to be registered it must have its own articles of association. For convenience of the applicants, the Ministry of Commerce has issued standard articles of association, but their use is not mandatory. They may serve a useful guide for judging the completeness and correctness of the articles. The joint venture agreement and the articles of association are an integral package and should therefore be consistent with each other. The articles of association of a joint venture, limited-liability company must be governed by the Saudi Law. More importantly, the Arabic version of the articles would be given precedence in the event of any inconsistency or dispute. In practice, Saudi government agencies especially when they are parties to a joint-venture agreement, will not allow the agreement to be governed by foreign law or that disputes be settled by foreign arbitration (Xefos 1996: 12-13).

To put together a viable management structure, the foreign company may have the right or upper hand to appoint key management and technical staff. However, the Saudi partner retains the right (after consultation) to require the foreign partner to remove someone who may fail to tune into the unique aspects of doing business in the Kingdom.

As regards taxation, a tax holiday applies only to the foreign partner's share of the net profit, which is proportional to its share of the joint-venture company's equity. If the foreign partner in a joint venture company is paid an additional percentage of profit, or receives income under ancillary agreements (such as a technical assistance agreement), the related income will not be covered by the tax holiday, and therefore be subject to income tax. In this regard, the basic rule regarding taxation is that Saudi individuals and entities wholly owned by Saudi individuals pay *Zakah* (religious tax), and foreigners pay income tax.

Foreign companies often insist on majority ownership, even though it may result in the loss of various benefits and the imposition of other obligations. Frequently, the foreign company assumes that it must have majority ownership in order to have control of the joint venture project. However, this is not necessarily the case. Under present policies, the articles of association of a Saudi limited liability company can be drafted so as to give, say, a 49-percent shareholder effective control.

2.5 Overall Business Outlook for the Future

Saudi Arabia has a bright business outlook for the long term on the following grounds:

- The country's dependence on oil has been declining over time, due to the rapid expansion of the agricultural, industrial, manufacturing and service sectors.
- The non-oil industries in the Kingdom, particularly those under SABIC, are expanding tremendously. Some of the new expansion projects are being planned and implemented in partnership with major multinational companies.
- The basic prerequisites of developments (ports, airports, roads, logistics, communication and other facilities) are all readily available in the Kingdom.
- The Government is doing everything possible to support the business community.
- Highly qualified technocrats and officials are manning the ministries and government institutions.
- The country is an attractive base for foreign investment as discussed in Chapter 5.

The government of the Kingdom of Saudi Arabia is now instituting all appropriate measures to further attract foreign investment (*Riyadh Daily*, 26 November 1999: 1). In this regard, the Saudi government approved in April 2000 the new Foreign Investment Law, allowing foreign investors full ownership of projects and giving them freedom to repatriate capital and profits (*Arab News*, 19 August 2001).

Based on the new law, the Saudi Arabian General Investment Authority (SAGIA) has come into being with the authority to issue a license for a foreign capital investment in the Kingdom (Saudi Arabian Monetary Agency (SAMA) Annual Report 2001: 48-50). As of August 2001 the SAGIA had already issued 91 licenses worth around SR. 30.5

billion, of which 93.6 percent is foreign capital belonging to foreign companies (*Arab News*, 7 August 2001).

Concerning the national economy, the Kingdom's real GDP was previously expected to hold at 1.5-2% in 1998 and 2-3% for the period covering year 2000 through 2003 (The Economist Intelligence Unit (EIU) Country Report on Saudi Arabia, 4th Quarter 1996: 7; 3rd Quarter 1998: 8; 2nd Quarter 1999: 8; and Bank of America March 1998: 164; Bank of America July 1998: 6). Real GDP (at constant 1970 prices) reached 1.5% in 1998, but declined to 0.8% in 1999. SAMA estimated a 4.5% real GDP growth for 2000; and projected an average 3.2% annual growth through the year 2004 (Saudi Arabian Monetary Agency (SAMA) Annual Report 2001: 31-42, 187).

In the years to come, opportunities for foreign investors are expected to remain attractive in the oil refineries, gas and other sectors (Al-Mutrif 1999; see also Saudi Consulting House, November 1998; Xefos (1996: 10). As expounded further in Chapter 3 (Section 3.5), the so-called new gas initiative, which gives major oil companies the opportunity to have foreign direct investment in the gas sector, is foreseen to drive Saudi Arabia's industrial expansion over the next five to ten years (CWC Publishing Ltd. *Saudi Review: Economic & Political Analysis*, Issue 10, September 2001: 14). Attractive and innovative financing packages from the Saudi commercial banks and potential privatisation of a number of state-owned enterprises further encourage foreign investment in the Kingdom. The privatisation policy and strategy, which are in line with the process of 'conversion into market mechanisms', have recently gained substantial significance especially with the establishment of the Supreme Economic Council in August 1999 (Saudi Arabian Monetary Agency 2000: 110-111). Transferring state-owned enterprises and corporations into the private sector certainly offer further opportunities to both Saudi and foreign investors.

Notes

[1] Saudi Arabia's population has crossed the 20-million mark in mid-1998. This was the latest estimate made by Saudi Commerce and Economic Review, based on an extrapolation of the official census data conducted in 1992 (*Saudi Commerce and Economic Review* No. 58, September 1998: 14). Bank of America estimated the total population of Saudi Arabia at around 19.7 million people in 1998 (Bank of America World Information Services, March 1998: 164).

[2] With the Government policy to nationalise (Saudise) the workforce, the proportion of expatriates on total population declined to 25 percent in 1998.

[3] The 1992 census report says that the Kingdom's fast population growth indicates the demographic trends of low mortality and high fertility, arising from substantial improvement in public health (*Saudi Commerce and Economic Review* No. 58, ibid.).

[4] The Ministry of Planning recently released the "Achievement of the Development Plans 1970-1998" report. It reveals that Saudi Aramco, as of 1997, was managing 74 oil fields and five gas fields discovered in Saudi Arabia, including the Red Sea, since 1933. In the previous report by the Ministry of Planning "Achievement of the Development Plans 1970-1997", Saudi Aramco was managing 72 oil fields and five gas fields. Excluding the Kingdom's share of the reserves in the Neutral Zone (with Kuwait), Saudi Aramco's recoverable crude oil reserves and total gas reserves in 1996 stood at 259.1 billion barrels and 197.4 trillion standard cubic feet, respectively.

[5] The Sources of data in this regard include the Achievement of the Development Plans 1970-1996; the Achievement of the Development Plans 1970-1997, Achievement of the Development Plans 1970-1998, by the Saudi Ministry of Planning; Petroleum Economist (July 1997); Arab-British Trade, January-February 1999; and Arab-British Companies Directory 1997/1998: 66.

[6] Current account figures for Saudi Arabia were taken partly from Bank of America World Information Services: Country Outlook, July 1997. Other data on Saudi Arabia were taken from Bank of America World Information Services: Country Data Forecasts, March 1997; and from the Saudi Ministry of Planning. Achievements of the Development Plans 1970-1996. The Economist (20th -26th September 1997) also showed some key economic indicators for Saudi Arabia, but the underlying figures were not properly updated.

[7] The two industrial cities of Jubail and Yanbu contain three industrial categories — basic industries, secondary industries, as well as supporting and light industries. (Saudi Ministry of Planning. Achievements of the Development Plans 1970-1997: 30-32).

[8] The Saudi economic offset programme is covered thoroughly in Chapter 6. In Saudi Arabia, Saudi-foreign offset ventures include arms purchases, industrial joint ventures, food imports, construction projects, as well as provision of management services. *Saudi Commerce and Economic Review* (September 1998), *Saudi Gazette* (23 September 1998) and *Saudi Economic Survey* (27 May 1998, 3 June 1998, and 10 June 1998) gave detailed reports on the Saudi economic offset programme.

Chapter 3 - Theories of Multinational Companies: Review and Synthesis

The existence, growth and business activities of firms operating across national boundaries have been studied thoroughly over the past thirty years or so. The theoretical approaches that have been developed vary according to the scholars' respective academic fields of specialisation, perspectives and objectives.

This chapter reviews well-known multinational theories and paradigms, and discusses their relevance to the Middle East setting. Given the limitations of the theories and paradigms found in the literature, this survey includes some known empirical studies, which emphasise the relevance of Islamic values and ethics to the operations of multinational companies doing business in the Middle East.

3.1 Economic Approaches to the Study of Multinational Business Operations

Economists, according to Cantwell (1991a: 17-18), are at the forefront of the research on multinationals, approaching the subject at three levels — microeconomic (dealing with the cross-border operations of individual firms), mesoeconomic (dealing with the cross-border interactions of firms at industry level) and macroeconomic (dealing with the growth and trends of multinational firms at national and international levels). These three have one common research direction, i.e., attempting to explain the phenomenon of international production.[1]

The economic approaches to the study of international business have been historically predominant in the fields of microeconomics, industrial economics and macroeconomics. Those advanced by theorists in these fields have been quite popular in the literature for the past three decades or so. These include the theory of the firm by Coase (1937, 1987), as well as the internalisation theory by Buckley and Casson (1976) and Rugman (1980, 1981 and 1982). Other popular multinational theories include the markets and hierarchies approach by Williamson (1975, 1985), the market power approach or the theory of international operations by Hymer (1960, 1976), and the industrial organisation approaches by Bain (1959), Caves (1971, 1982), Hirsch (1976), Johnson (1970) and Lall (1980a).

Coase (1937) departed from the traditional microeconomic assumption that economic activity is determined freely by the price mechanism and that the economic system "works itself". That is, suppliers respond to demand changes, and buyers respond to supply changes, through the open market system, which is viewed as an automatic, responsive process. In his view against the traditional thinking that the economic system is "being co-ordinated by the price mechanism", Coase argues:

> *This co-ordination of the various factors of production is, however, normally carried out without the intervention of the price mechanism. As is evident, the amount of "vertical" integration, involving as it does the supersession of the price mechanism, varies greatly from industry to industry and from firm to firm. It can, I think, be assumed that the distinguishing mark of the firm is the supersession of the price mechanism.* (Coase 1937 in Williamson and Winter 1991: 20)

Coase (in Williamson and Winter 1991: 30) proposes that "at the margin, the costs of organising within the firm will be equal either to the costs of organising in another firm or to the costs involved in leaving the transaction to be 'organised' by the price mechanism." Although the Coasian theory is confined to the domestic horizon of the firm, this later served as the foundation of what is today called internalisation theory. This latter theory proposes that foreign production and sales of the MNE take place in response to imperfections in the goods and factor market.[2]

The concept of internalisation can be traced back to the theory of industrial organisation. For instance, Bain (1959) advances the proposition that there will be possibilities of integration by the firm (acquiring or combining with supplier firms or customer firms) which, among others, have positive economies or savings in cost. He says that atomistic market structures with unrestricted competition will tend to force or make "automatic" efficiency-increasing integration, and likewise tend to deter inefficient integration. Bain further claims that no particular sort of integration will be fully forced in an oligopolistic situation, but there should be a tendency for oligopolistic firms to integrate if there are other advantages (other than costs) to the integration that will not result in inefficiency.

He asserts that "even inefficient integration is possible if it has offsetting advantages" (Bain 1959: 168).

Hirsch (1976) proposed that the optimal choice between international trade and international production is determined by the firm's specific knowledge advantages (arising from past investments in product or process R & D and/or investments in advertising and other promotional techniques) and other intangible assets (e.g. managerial know-how). Rugman (1981: 45) interprets Hirsch's model as one that "treats knowledge as an intermediate product which is internalised in the structure of the MNE." These ownership advantages impose effective barriers to entry to rival firms. They also render a temporary monopoly power to the firm allowing it to earn a profit above the prevailing industry level. Hirsch (1976) hypothesises that the greater these ownership advantages, the more the economics of production and marketing favour a foreign location and, hence, foreign direct investment.[3] On a macro level, the propensity of a particular country to venture into international production is largely dictated by the ownership advantages enjoyed by its firms (Dunning 1981: 79).

Tolentino (1993: 38) cited Johnson (1970) who likewise found ownership advantages — managerial and technical knowledge — to be the prime determinants of direct investment. Since knowledge creation is a costly process, he is of the view that the resultant product may be charged a monopoly price as an incentive to its producer. Obviously, this may bring about economic inefficiency as expected in a monopoly situation.

Tolentino (1993: 39) also cited Lall (1980a) who claims that the firm's main monopolistic advantages — technology, product differentiation, scale economies and skills — determine the extent of foreign involvement in each industry. Of these advantages, he found the combination of technological and product differentiation factors to have strong influence on all forms of foreign involvement.

Buckley and Casson (1976: 33) introduce a long-run character to the theory of internalisation based on three premises — 1) firms maximise profit in a world of imperfect markets, 2) the imperfect nature of the markets for intermediate products motivates firms to bypass them by creating internal markets and 3) internalisation of markets across national boundaries generates multinational enterprises. Their main thesis is that "attempts to improve the organisation of these markets have led to a radical change in business organisation, one aspect of which is the growth of the MNE." Thus, the multinational firm is viewed as a device for raising efficiency by replacing markets via exploitation of internalisation advantages within the framework of transaction costs and exchange.

Buckley and Casson (1976) assert that an MNE is created whenever markets are internalised across national boundaries, and a market in an intermediate good will be internalised if, and only if, the benefits outweigh the costs.[4] As an illustration, they say that "vertical integration of production will give rise to MNEs because different stages of production require different combinations of factors and are therefore best carried out in different countries, according to factor availability and the law of comparative advantage. Moreover, there is a special reason for believing that internalisation of the knowledge market will generate a high degree of multinationality among firms" (Buckley and Casson 1976: 44- 45).

Rugman (1981: 28) advances the notion that internalisation is the process of making a market within a firm. He proposes that firm creates an internal market to substitute for "the missing regular (or external) market" and overcome the "problems of allocation and distribution by the use of administrative fiat." He further claims that the "internal prices (or transfer prices) of the firm lubricate the organisation as a potential (but unrealised) regular market".

The internalisation theory, as advanced by Rugman, attempts to explain the reasons why a firm ventures into international production across national boundaries.[5] This is what Rugman (1981: 29) has to say in this regard:

> *A firm will wish to locate itself abroad to gain access to foreign markets. It will choose foreign direct investment when exporting and licensing are unreliable, inferior, or more costly options. Internalization is a device for keeping a firm specific advantage over a worldwide scale. The MNE*

> *is an organisation able to monitor the use of its firm specific advantage in knowledge by establishing abroad miniature replicas of the parent firm. These foreign subsidiaries supply each foreign market and permit the MNE to segment national markets and use price discrimination to maximize worldwide profits. Internalization allows the multinational to control its affiliates and to regulate the use of the system specific advantage on a global basis.*

The idea of creating an internal market within firm, as a substitute to the market system where transaction costs are relatively high, is further fine-tuned by Williamson (1975). In his "Markets and Hierarchies" treatise, Williamson proposes that the economics of transaction costs — and, in general, new institutional economics — explains why firms choose hierarchical expansion instead of conducting economic activity through the market mechanism.[6]

Williamson claims that multinational enterprises opt for vertical integration or hierarchy for various considerations. Hierarchy vis-à-vis the market system of exchange extends the bounds on rationality by permitting the specialisation of decision-making and economising on communication expense.[7] It also allows extra incentives and control measures to curb opportunism.[8] It further permits interdependent units to adapt to unforeseen events and cope with uncertainties.[9] Hierarchy likewise permits small-numbers bargaining indeterminacies to be resolved by administrative fiat.[10] It also extends the constitutional powers to perform effective monitoring and auditing jobs, which will narrow down the information gap that occurs between autonomous agents.[11] Finally, hierarchy provides a less calculative exchange atmosphere or environment (Williamson 1975: 258).[12] Some scholars like Kay (1991) and Lee (1994) noted Williamson's emphasis on asset specificity as a key environmental factor, coupled with uncertainty, leading to hierarchy or vertical integration.

Asset specificity (specialisation of assets with respect to use or user) arises when one or both parties to the transaction invest in equipment specially designed to carry out the transaction, and which has lower value in other uses.[13] According to Williamson (1985), spot markets are likely to fail under the condition of asset specificity. This is so, because a "party making transaction-specific investments, and for whom the costs of switching partners are consequently high, will fear that the more flexible party will opportunistically renegotiate the terms of trade". Asset specificity as a determinant of vertical integration is critical in conjunction with the given conditions of bounded rationality, opportunism, and uncertainty. Asset specificity is "the big locomotive to which transaction cost economics owes much of its predictive content". Its neglect is largely responsible for the monopoly preoccupation of earlier contract traditions (Williamson 1985: 54-56).

Lee (1994) empirically investigated the relevance of the transaction cost approach to vertical integration and technological innovation. He proposed that knowledge complementary effect and the relevant transaction costs are the opposite sides of the same coin. Integration produces the knowledge complementary effect, which is an externality effect. But using an external market for this effect will incur transaction costs (Lee 1994:38). He hypothesised that "the more vertically integrated a firm is, the more efficient the firm's R & D activity is (through the knowledge complementary effect); and the more a firm expects future innovation to be significant, the more the firm vertically integrates today (because using external market incurs huge transaction costs). Why then do not all firms vertically integrate for their efficient R & D? The main reasons, according to Lee, are the internalisation costs, especially bureaucratic costs which are huge because more human capital is involved in the internally R & D-intensive firm (Lee 1994:38).

Caves (1971, 1982) supposed that the establishment of a subsidiary by a multinational enterprise amounts to entry into one national market by a going enterprise based on another geographic market. One type of entry is *horizontal* expansion, whereby a subsidiary produces the same product (or product line) as the parent. Another is *vertical* expansion or integration across national boundaries either backward to produce raw materials or intermediate products used in its 'home' operations or forward to provide a distribution channel for its exports (Caves 1974a: 117). Caves also supposed that foreign direct investment occurs mainly in industries characterised by certain market structures in both the "lending" (or home) and "borrowing" (or host) countries. Differentiated oligopoly normally prevails where firms make cross-border horizontal expansion. Oligopoly, not necessarily differentiated, in the home market is typical in industries which undertake vertical expansion across national boundaries. "Direct investment tends to involve market conduct that extends the recognition of mutual market dependence — the essence of oligopoly — beyond national boundaries" (Caves 1971:1).

Caves (1971) similarly identified and explained the nature of ownership advantages and indicated that the fundamental element of DFI is a particular trait of market structures in both lending (home) and borrowing (host) countries. The precise nature of ownership advantages varies according to the three forms of firm expansion in a new, geographically segregated production facility. These forms are horizontal extension (producing the same goods elsewhere); vertical extension (adding a stage in the production process that comes earlier or later than the firm's principal processing activity); and conglomerate diversification. Oligopoly with product differentiation predominates where MNEs engage in horizontal direct investment. Oligopoly without necessary differentiation predominates where MNEs engage in vertical direct investment (Tolentino 1993: 37).

Caves (1982a) identified and elaborated three types of multiplant firms potentially relevant to explaining the presence of MNEs — horizontally integrated firm, one that produces essentially the same line of goods from its plants in each geographic market; vertically integrated, one that produces outputs in some of its plants that serve as inputs to other of its plants; and a diversified company (MNE) whose plants' outputs are neither vertically nor horizontally related to one another (Caves 1982a: 2).

Hymer (1960; 1976), in his theory of international operations, highlighted two major causes of international operations — exploitation of oligopolistic advantages and removal of conflict between firms to strengthen market power by means of collusion.[14] He remarks:

> *It frequently happens that enterprises in different countries compete with each other because they sell in the same market or because some of the firms sell to other firms. If the markets are imperfect, that is, if there is horizontal or bilateral monopoly or oligopoly, some form of collusion will be profitable." One form of collusion is to have the various enterprises owned and controlled by one firm. This is one motivation for firms to control enterprises in foreign countries.* (Hymer 1976: 25)

Hymer further claims that DFI could not be explained as if it were portfolio investment — that is, inter-country movements of capital responding to differential rates of return on capital (interest rates). He said that "If this direct investment is motivated by a desire to earn higher interest rates abroad, this practice of borrowing substantially abroad seems strange" (Hymer 1976: 13).

Hymer stressed that 'international operations' type of direct investment does not depend on the interest rate. The direct investor is motivated not by the higher interest rate abroad but by the profits that are derived from controlling the foreign enterprise (Hymer 1976: 26-30). He proposed that "direct investments are the capital movements associated with the international operations of firms." DFI is based on the desire of the investor to control the enterprise abroad he invested in. The underlying motivation for controlling the foreign enterprise is to remove competition between that foreign enterprise and enterprises in other countries, and form a profitable collusion between them. Or the control is desired in order to appropriate fully the returns on certain skills and abilities. The other main motivation stems from the fact that a firm with advantages over other firms in the production of a particular product may find it profitable to undertake the production of this product in a foreign country as well (Hymer 1976: 25-26).

Hymer's second and even more fundamental contribution was to argue for the association between market failure and DFI (Yamin 1991: 65). Hymer pioneered an oligopolistic theory of the growth of production networks across national boundaries, through collusion and exploitation of ownership advantages in a market power context, instead of a location theory context. The market power school hypothesises that internationalisation lowers the extent of competition and increases collusion amongst firms, in general (Cantwell 1991a: 30).

Traditional neo-classical economics assumes that the economically developed countries, owing to their relative abundance of capital but scarcity of labour, have low rates of profit or interest but high wage rates prior to international operations. Thus, capital-intensive goods flow from the economically developed countries to less developed labour-abundant countries. There may also be a tendency for the capital-rich countries to export capital directly through foreign direct investment (FDI) in developing countries. By the same token, Marxist economics advocates the idea that there is a tendency for the rate of profit to decline in capital-rich countries, because of the intensity of competition. So, foreign investment in less developed or underdeveloped countries serves as an outlet for surplus capital (Cantwell in Pitelis and Sugden 1991: 20).

Recent historical facts, however, reveal a trend that challenges the predictions of the traditional neo-classical and Marxist theories. Before 1939, imperialistic and colonial circumstances dictated the flow of international trade and investment between the hegemonic countries and the developing world. The same trade and investment patterns prevailed in 1950s, but the trend started to change gear in the past few decades. In 1950, around three-fifths of manufacturing exports from Europe, North America or Japan were directed to the developing countries across the world, but by 1971 only just over a third (Armstrong et al., 1984: 215). Dunning (1983b: 88) noted that two-thirds of the world's stock of FDI was located in developing countries in 1938. However, this had fallen to just over a quarter by the 1970s (Cited by Cantwell in Pitelis Sugden 1991: 20). During the periods 1980s and 1990s, significant capital mobility among developed countries overshadowed foreign direct investment in the developing countries. Mergers and acquisitions marked the multinational production activities across the industrialised world during these periods. On the other hand, FDIs in the developing world were characterised by joint ventures, privatisation deals, as well as pioneering projects in the infrastructure and manufacturing sectors (World Economic Forum 1997: 28). In 1990s, economically developed countries, as a group, remained the largest destinations of FDIs. However, the period has witnessed a marked surge in the capital flows to the emerging markets, especially in Asia where foreign investment incentives are comparatively attractive.[15] China alone received in 1996 $42.3 billion of foreign capital, accounting for 38 percent of total FDI flows to the emerging markets in that year. In the same year (1996) the other emerging markets in Asia, such as Malaysia ($6.2 billion), Indonesia ($5.8 billion) and Thailand ($2.9 billion), became increasingly important recipients of foreign direct investment (World Economic Forum 1997: 28-30). Comparatively, the FDI flows to Saudi Arabia have been small — $1.4 billion in 1993 and only $100 million in 1996 (Azzam September/October 1997: 1-10). Although the industrial and non-industrial projects in Saudi Arabia have accumulated for years with huge foreign capital, the Kingdom's potentials as a major destination of foreign direct investment remain huge. The Saudi government has, in fact, already initiated several measures to attract foreign investment. Some of these measures like allowing foreigners to invest in real estate and in company stocks have already been announced recently in late 1999 (*Saudi Gazette*, 5 November 1999).

On a macroeconomic level, various approaches have been advanced to explain cross-border operations of multinational firms. These include the product cycle model of Vernon (1966), trade and direct foreign investment model of Kojima (1978) , locational theories of the division of labour as analysed by Buckley and Casson (1976), Casson (1979, 1986), Casson et al. (1986) and Buckley (1988), investment-development cycle advanced by Dunning (1982), stages of development approach by Cantwell and Tolentino (1987) and the eclectic paradigm by Dunning (1977, 1981, 1988, 1993a, 1995a, 1995b).

Vernon's product cycle model (1966) is a combination of a three-stage theory of innovation, growth, and maturing of a new product with the R & D (research and development) factor theory (Kojima 1978: 61). The latter theory predicts where a new product (or innovative technology) is most likely to be created. In the new-phase stage, the design of the product is often changed. Hence its production is technologically unstable and the market is not yet familiar with the product. Its sales will not grow rapidly and demand for the product will remain price-inelastic. At this stage research and development activities of scientists and technicians have decisive importance for the introduction of inventions and the changes in design thereafter. Theoretically, the introduction of the R & D factor in the product cycle theory means the addition of a factor of production to the conventional two-commodity, two-factor model. But if this approach is accepted, it follows that one may add new factors of production one by one in a similar fashion.

At the growth stage, after the new-phase stage, sales of the product increase. Mass production and bulk sales methods are introduced. At the same time, entries in the industry increase and competition intensifies among producers. Demand becomes priceelastic so the sales of each firm become more responsive to price. Under these circumstances, the realisation of economies of scale and the managerial ability of the firm play important roles (Kojima 1978: 62).

Finally, when the mature stage is reached, the product becomes standardised and its production technologically stable. Instead of the decisive role that is played by research and development activities or managerial skills at the new phase and growth stage, unskilled and semi-skilled labour become important. Accordingly through foreign investment the production location moves to low-wage, developing countries. The costs of marketing or exporting the product from these countries may be low compared with other commodities, since the commodity is standardised.

Kojima raised several comments on Vernon's product cycle theory. First, the theory is not based upon the principle of comparative costs. Vernon himself explains that his theory deals with one promising line of generalisation and synthesis, which seems to have been neglected by the main stream of trade theory. It puts less emphasis upon comparative cost doctrine and more upon the timing of innovation, the effects of scale economies, and the roles of ignorance and uncertainty in influencing trade patterns. Secondly, the theory attempts to explain the location of production of one commodity by a firm growing through monopolistic or oligopolistic behaviour (Kojima 1978: 63).

Kojima (1978) proposed the so-called trade and direct foreign investment theory as an alternative approach to the study of multinationals. He also proposed that foreign direct investment should complement comparative advantage patterns in different countries. Such investment must therefore originate from the comparatively disadvantaged (or marginal) industry of the source country, which leads to lower-cost and expanded volume of exports from the host country.

An important criticism of Kojima's theory is the way in which import-substituting investments are referred to as anti-trade oriented. While import-substituting investments may be considered anti-trade oriented at the microeconomic level, they are not anti-trade oriented at the macroeconomic level. In fact, an increasing level of exports often accompanies the growth of DFI from the USA, Germany and Japan. There is also evidence to suggest that export-oriented investments may play a less significant role in industrial adjustment or in increasing the welfare of the host country since these investments are likely to be an enclave kind (Dunning and Cantwell 1990 as cited in Tolentino 1993: 51).

Kojima's Japanese model of DFI is viewed by Tolentino (1993) as one which is trade biased, i.e., one in which DFI in resources, or other sectors where Japan has a comparative disadvantage, acts as a complement to trade. He used a modified Heckscher-Ohlin model in which management skills and knowledge appear as factor inputs.

According to Rugman (1981: 47), the main problem with Kojima's analysis is that it is set in the static framework of trade theory. His model needs perfect markets and the assumptions of a Heckscher-Ohlin world. Clearly it is a mistake to regard technology as a homogeneous product over time and to ignore the dynamic nature of the technology cycle. It is probable that the United States has a comparative advantage, not in technology itself but in the generation of new knowledge. Therefore it is feasible for US DFI in technology to take place to secure new markets on a continuous basis, as successive stages of the technology cycle are exploited, first in domestic markets and then in foreign ones.

Dunning (1982, 1986) advanced the investment-development cycle model based on the proposition that the level of inward and outward investment of different countries, and the balance between the two, is a function of their stage of development as measured by gross national product (GNP) per capita. Past some threshold stage of development, outward investment increases for countries at yet higher levels of development. The balance between inward and outward investment in developed countries results in the return of their net outward investment (NOI) to zero. The continued growth of their outward investment at a later stage results in a positive net outward investment.

Empirical evidence provided by Tolentino (1993) for the period since the mid-1970s suggests the existence of a structural change in the relationship between NOI and the country's relative stage of development as a result of the general rise in the internationalisation of firms from countries at lower stages of development. The growth of newer multinationals from Japan, Germany and smaller developed countries, as well as some of the richer developing countries, suggests their firms' capacity to follow the earlier outward multinational expansion of the traditional source countries, the USA and the UK, at a much earlier stage of their national development. The increased significance of outward investments from these newer source countries provides first-hand evidence of the general trend towards internationalisation so that the national stage of development no longer becomes a good predictor of a country's overall net outward investment position.[16]

Cantwell and Tolentino (1987) proposed the stages of development approach to the study of multinationals. They hypothesised that the character and composition of outward direct investment change as development proceeds. They remark:

> *Countries' outward direct investment generally follows a developmental or evolutionary course over time which is initially predominant in resource-based or simple forms of manufacturing production which embody limited technological requirements in the earlier stages of development and then evolve towards more technologically sophisticated forms of manufacturing investments. The developmental course of the most recent outward investors from the Third World has been faster and has a distinctive technological nature compared to the more mature multinationals from Europe, the USA and Japan, owing to the different stages of their national development.*

The eclectic paradigm of Dunning (1977, 1981, 1988, 1993a, 1995a, 1995b) draws upon and integrates three strands of economic theory to explain the ability and willingness of firms to serve markets across national borders. It attempts to explain why they choose to exploit any available advantages through foreign production rather than by domestic production, exports or portfolio resource flows. He hypothesised that a firm will undertake international production or engage in foreign direct investment if it possesses net ownership advantages (largely in the form of intangible assets) vis-a-vis firms of other nationalities in serving particular markets. According to him, these ownership advantages, coupled with internalisation and location considerations, will make it beneficial to the firm to use or "internalise" a particular foreign market itself rather than to sell, rent or lease them to foreign firms. Here, location considerations means locating the multinational firm's production activity in a foreign country that possesses competitive advantages in terms of factor endowments. If these three conditions (ownership, location, and internalisation) are not present, the firm may instead serve its local market through domestic production and expand it to serve foreign markets through international trade. The greater the ownership advantages of multinational firms, the more the incentive they have to exploit these themselves. The more the economics of production and marketing favour a foreign location, the more they are likely to engage in foreign direct investment. The propensity of a particular country to engage in international production is then dependent on the extent to which its enterprises possess these advantages and the locational attractions of its endowments compared with those offered by other countries (Dunning 1981: 79).[17]

Dunning claims that the "eclectic paradigm is, perhaps, the dominant paradigm of international production." It assumes ownership-specific advantages (apart from those arising from internalisation of cross-border market) as endogenous variables, i.e., to be a determinant of foreign production. This means that the paradigm is not just concerned with answering the question of why firms engage in DFI, in preference to other modes of cross-border transactions. It is also concerned with why these firms possess unique resources and competencies — relative to their competitors of other nationalities — and why they choose to use at least some of these advantages jointly with a portfolio of foreign-based immobile assets. This makes it different from the internalisation model, which regards ownership advantages as exogenous variables (Dunning 1993a: 252).

Being all-embracing, the eclectic paradigm is envisaged by Dunning to capture all the approaches to the study of international production. Thus, according to him, the model is a good starting point to come up with a global explanation of MNE's existence and growth, as it synthesises the explanations of the existence and nature of international production. Dunning claims that his eclectic paradigm can provide an adequate analytical framework for understanding all kinds of foreign production in services. Emphasising the interdependence between the services and goods industries, he asserts that "it makes no sense to try to develop a new paradigm to explain the transnationality of the service sector" (Dunning 1993a: 248-284).

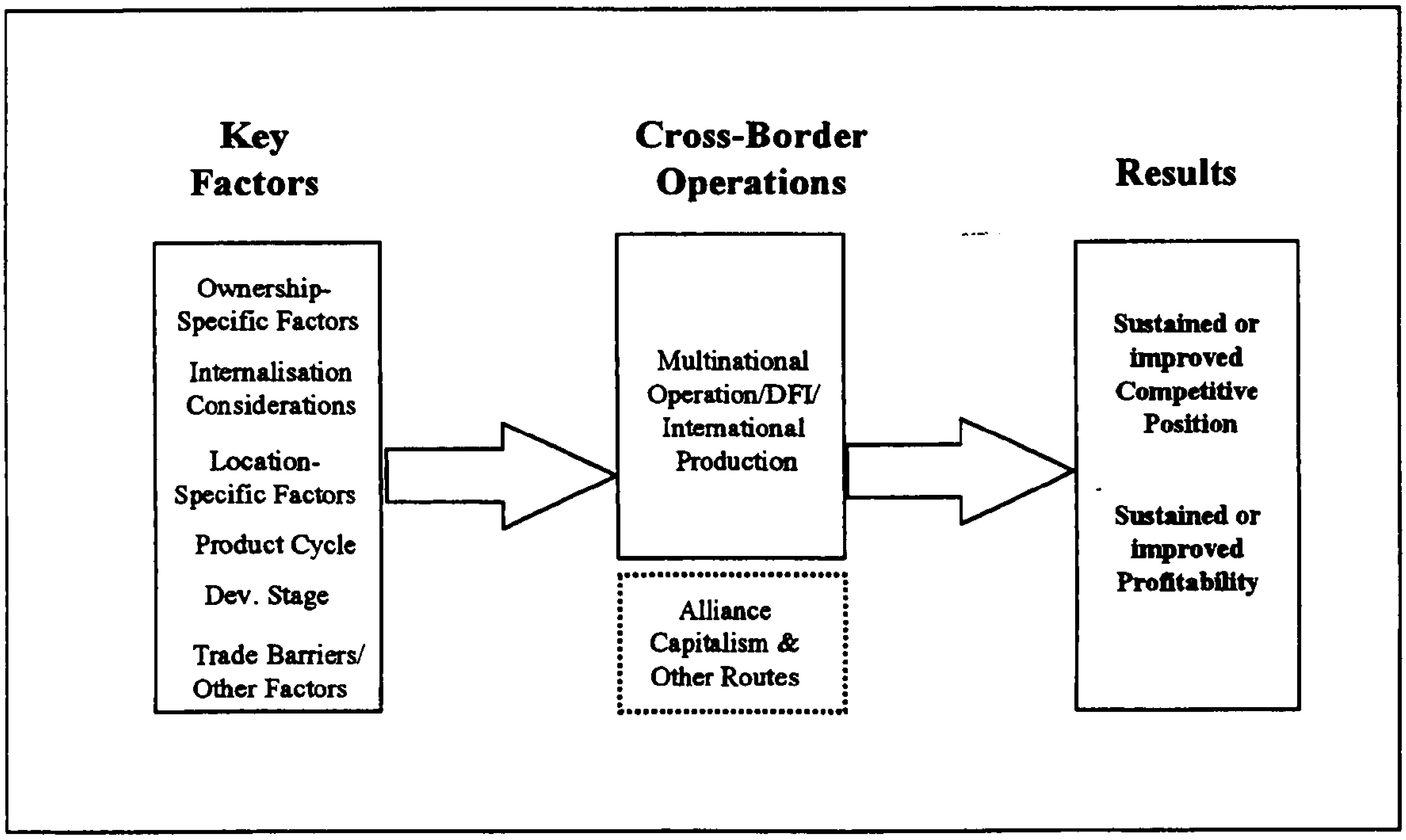
Dunning has been persistent in his scholarly attempts to capture all possible explanations of the existence of multinational enterprise in his eclectic paradigm. Over the years, he has tried to enhance the eclectic paradigm of international production by attempting to accommodate possible additional explanations to multinational production activity that come to his knowledge. Recently, for instance, he argues that the advent of collaborative alliances among multinational firms does not entail the development of a new multinational theory. So, he has incorporated alliance capitalism in his eclectic model.[18] In his re-appraisal of eclectic paradigm in light of alliance capitalism, Dunning (1995a) contends that inter-firm alliances (with clear reference to American multinational firms) in innovation-led production systems are emerging as a dominant form of market-based capitalism, and are overtaking the global influence of hierarchical capitalism. By so doing, he has concentrated on the narrow view of the value-adding activity of innovation-led capitalism, and has considered other joint venture alliances as not significant. However, all sorts of viable joint ventures, not wholly owned production operations, dominate the multinational enterprise involvement in less-developed countries (Vaupel and Curhan 1973, quoted by Al-Aali 1987:1).

Both in theory and practice, internalising a foreign market (if advantages prevail over disadvantages) and entering into joint venture alliance with a foreign partner are just two of the possible strategic options that a multinational firm may have to consider in its international business operations. In other words, alliance as a strategy can be a dependent variable, just like international production, that needs to be explained. The explanations to joint ventures overseas could also include ownership, location, and internalisation (dis-internalisation) considerations. Thus, the border lines between the three levels of economic analysis — microeconomic, mesoeconomic and macroeconomic — need to be set aside in order to synthesise the various economic approaches to the study of multinationals.

The contemporary economic explanations to cross-border production activities of multinational firms are largely reflected in the configuration of ownership, internalisation and location advantages. As discussed above, Dunning has integrated these three strands under his eclectic paradigm, but his primary interest in doing so is still to find eclectic explanations to the phenomenon of international production.

Despite the differences in academic specialisms, perspectives and objectives of the economists who made distinguished contributions to the study of multinational firms, they have one thing in common. They all aimed at explaining the phenomenon of international production activity across national boundaries. Figure 3.1 shows a synopsis of the various economic approaches to the study of international business.

Figure 3.1 Economists' Approaches to Explaining Multinational Business Operations



3.2 Strategic Management Approaches to the Study of Multinational Business Operations

From the perspective of a strategic management analyst, expanding business operation beyond national boundaries involves strategic decision-making and strategic planning process. A number of consulting firms like the Boston Consulting Group and Arthur D. Litttle, along with many scholars of strategic management, have over the years popularised this approach. During the 1970s and early 1980s, they had developed the concept of portfolio matrices to help managers identify and choose from a set of strategic options, as well as develop priorities for resource allocation (Hax and Majluf 1991: 182-193). The strategic management approach involves analysing the industry structural attractiveness, industry's competitive intensity, as well as the company's overall competitive position in terms of its internal strengths, weaknesses, external threats and opportunities. Based on the analytical results, the management will have to come up with a strategic decision, in product or service terms, whether to pursue horizontal integration or vertical/hierarchical integration, in the light of the company's ownership advantages relative to other firms. Given the firm's mission and strategic thrust across national boundaries, it may opt for backward or forward integration of production facility in a foreign country if such strategy will strengthen its business performance or competitive position (Hax and Majluf 1991: 123-145). The integration option ostensibly entails scanning and deciding on the locational advantages abroad vis-à-vis national conditions, as well as internalisation considerations. It also requires scanning the underlying risks, uncertainties and constraints relative to time factor. The 'how' component requires deciding on the type of business arrangement or institutional route to be carried out — production branch, joint venture, licensing, etc.

Cross-border operations of multinational firms may follow the geographical growth pattern of national business to a great extent. A national company may first appoint agents or representatives or it may establish marketing offices within the area or metropolis it is located. The decision will depend very much on its mission, strategic thrust and priorities, in the light of its ability to overcome its weaknesses and enjoy its strengths, as well as its ability to handle the opportunities and threats facing it within its immediate environment. Over time, the company survives and grows, and its growth is seen in the emergence of diverse product lines, increased sales turnover, higher profits and other performance criteria.

The company's growing performance will encourage it to expand marketing and production activities. This may involve appointing agents or representatives or establishing marketing offices in other areas nation-wide, or even putting up a production facility elsewhere in the country. Again, the company mission, strategic thrust and priorities will influence its overall decision to branch out to other locations within the country, in the light of such variables as strengths, weaknesses, opportunities and threats (SWOT), product differentiation needs, market responsiveness, diversification or globalisation thrusts and the like. By the same token, the strengths, weaknesses, opportunities and threats facing the company in the home country may influence it to expand across national boundaries, using its own global scanning capability. Naturally, the company may first resort to direct exporting activities, by relying on its marketing staff or may employ the agency system, by appointing representatives or traders to market its products and services. Then, the company may resort to a foreign direct investment in sales branches followed by a foreign direct investment in production. Its international production activity may occur in form of an alliance or joint venture with a local partner in the host country. Or, it may have a full control or ownership of such international production activity, if the situation allows. In other words, production branching across national borders is not the sole decision of the company. The host country has its own role to play. Thus, the strengths, weaknesses, opportunities and threats facing the company concerned will have to be fully considered in making such a decision. Ownership-specific advantages, location-specific advantages, internalisation and strategy considerations may wholly or partially influence such a decision, either at the same time or at various points in time.

Porter (1986: 23) stressed that a company that competes internationally must decide how to strategically spread the business activities in the value chain. The location of downstream value-adding functions is usually tied to where the customer is located. According to Porter, the firm must locate the capability to perform downstream activities in each of the countries in which it operates.

In his recent work, Porter (1990:10) emphasised that competing internationally may involve exports and/or locating some company activities abroad. To achieve competitive success, firms from the nation must possess a competitive advantage in the form of either lower costs or differentiated products that command premium prices. To sustain advantage, firms must achieve more sophisticated competitive advantages over time, through providing higher-quality products and services or producing more efficiently.

On a macro perspective, Porter spoke of the 'diamond' of national advantage in a particular industry as having four determinants: factor conditions, demand conditions, related and supporting industries and firm strategy, structure, rivalry. He remarks:

> *Firms gain competitive advantage where their home base allows and supports the most rapid accumulation of specialized assets and skills, sometimes due solely to greater commitment. Firms gain competitive advantage in industries when their home base affords better ongoing information and insight into product and process needs. Firms gain competitive advantage when the goals of owners, managers, and employees support intense commitment and sustained investment. Ultimately, nations succeed in particular industries because their home environment is the most dynamic and the most challenging, and stimulates and prods firms to upgrade and widen their advantages over time.* (Porter 1990: 71)

Dunning (1993a) treated multinational business activities (MBA) as additional exogenous variables affecting the Diamond of National Advantage. Dunning concluded that MBA — foreign inward and outward direct investment — is likely to affect the diamond of competitive advantage. Multinationality does confer its own unique characteristics and bring about a distinctive impact on resource allocation and usage (Dunning 1993a:127). Including MBAs as exogenous factors, along with chance and government factors, affecting the diamond of competitive advantage makes the Porter paradigm even more realistic. In the case of Saudi Arabia, the competitiveness of its basic industries has been influenced jointly by the combination of all the major attributes of national advantage specified by Porter. MBAs of major MNEs who are in alliance with Saudi producers, particularly in the petrochemical sector, have certainly propped up the Kingdom's competitiveness both on the local and international fronts. Such competitiveness stems from the employment of world-class foreign technology and foreign technical know-how, availability of abundant factor endowments and excellent support industries, as well as sound strategy, planning and decision-making.

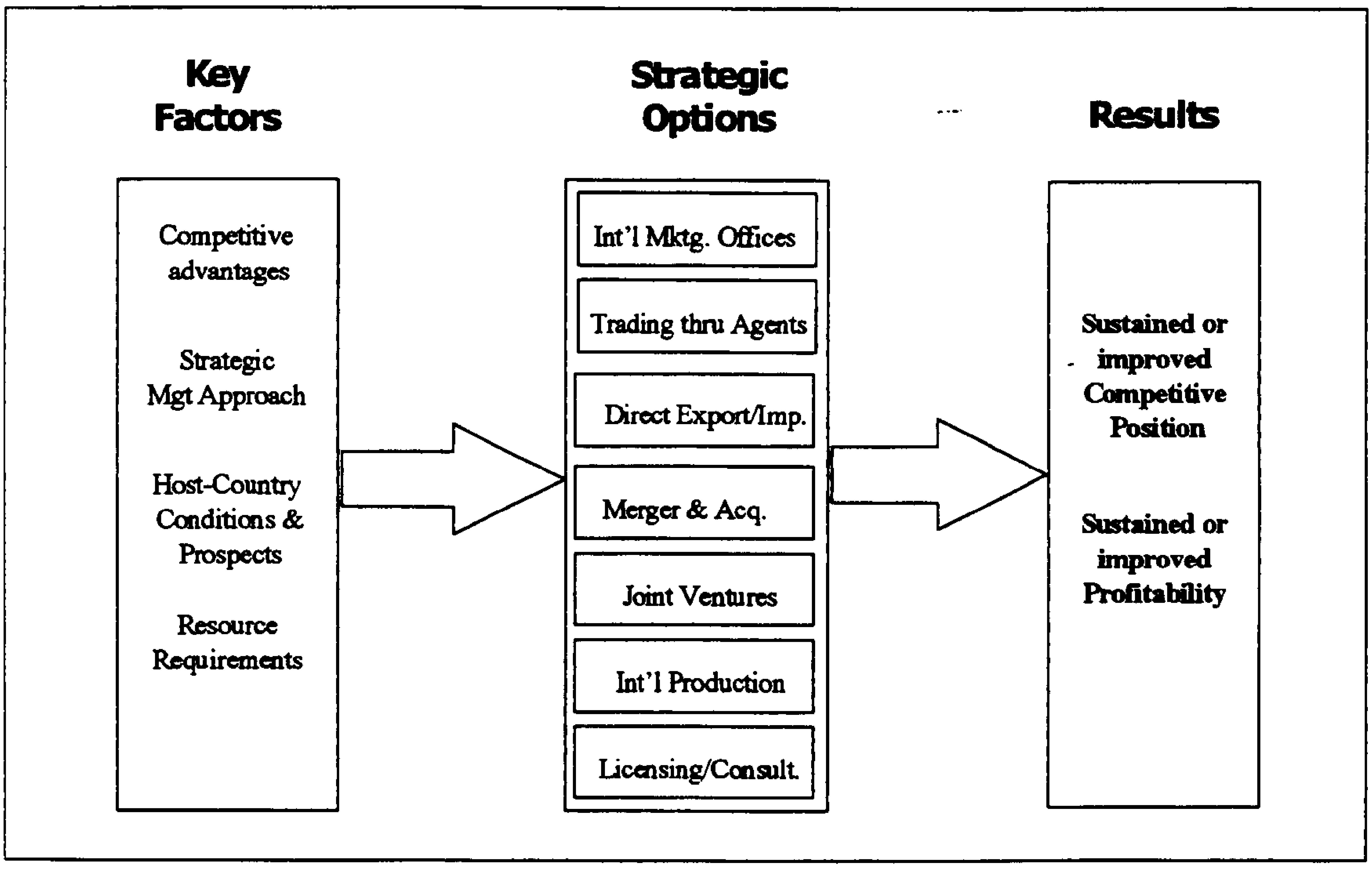
Yip (1992:17) points out that in a multi-local activity strategy all or most of the value chain is reproduced in every country. In another type of international strategy — exporting — most of the value chain is kept in one country. In a global activity strategy, the value chain is broken up, and each activity may be conducted in a different country. The major benefits lie in cost reduction. One type of value-chain strategy is partial concentration and partial duplication. The key feature of a global position on this strategy dimension is the systematic placement of the value chain around the globe.

It is noteworthy that the advent of globalisation has led international firms to enhance their cross-border operations through strategic co-ordination and integration of activities. This is essential for achieving synergy in the areas of production, marketing and purchasing. The need for global co-ordination and integration also emanates from the rising dependence of the business on customers across national boundaries, increasing number of multinational competitors, the need for and intensity of overseas investment expansion and the growing intensity of technology spread and development. They also emanate from the growing pressure for cost reduction, the presence of universal needs and location-specific access to raw materials and energy (Prahalad and Doz 1987:18-21).

On the other hand, multinational companies that recognise the pressures for local responsiveness will have greater competitive advantages over those who do not. These pressures include differences in customer needs, availability of substitutes, structure of the market (especially in the presence of strong local competitors) across national borders, and host government demands. Successful companies focus on their core competence by divesting losing businesses, by improving production and technology efficiencies, and by spreading out investment risks. Diversification of investment projects and reliance on joint ventures across borders are increasingly adopted by companies who have the vision to survive and grow in the global marketplace. This is in line with the "branching (variation) and pruning (selection)" idea of Collins and Porras (1994: 146).

Many companies resort to diversification of their businesses across national boundaries without necessarily sacrificing the "stick to the knitting" principle advanced by Peter and Waterman (1982: 15; 293-294). They elaborate the "stick to the knitting" idea by saying that "While there were a few exceptions, the odds for excellent performance seem strongly to favour those companies that stay reasonably close to businesses they know." Collins and Porras (1994: 226) remark that visionary companies stick to the knitting if "Knitting" represents the core ideology. This is so as they advocate the concept of preserving the core values and stimulating evolutionary progress. This involves both variation and selection. A visionary company selects a business if it works and if it fits to the given core ideology (Collins and Porras 1994: 167). Some multinational companies are resorting to diversification and other strategic options across borders not only to maintain their market shares in their own matured, traditional markets but also to penetrate new ones, which are dynamic and still growing.

Figure 3.2 Management Analysts' Approaches to Explaining Multinational Operations



In summary, the need to expand multinational operation is a strategic issue that transcends the scope of international production activity (See Figure 3.2). All options are open and in the Middle East setting, specifically Saudi Arabia, international production does not appear to be a better alternative to pursue. As the chart indicates, a multinational firm may engage in the value-adding activities of marketing, trading through agents, direct exporting/importing, mergers and acquisitions, joint ventures, international production, and licensing/consulting.

The strategically relevant boundaries by which a strategic business unit (SBU) competes in any given industry may include most, if not all, of the following: level of vertical (backward/forward) integration, level of horizontal integration (support/related industries), product/service scope, customer/application scope, distribution channel and geographic scope. Thus, vertical integration is considered a given phenomenon. The more a firm is vertically integrated across national boundaries, the more its ability to compete locally and internationally, assuming that it has the advantages due to integration. Likewise, the more intense the competitive environment will be, the lower will be the industry structural attractiveness (i.e., lower profitability) and the reverse case holds true. Thus, a strategic planner or analyst is concerned with determining which segment of the industry is more attractive than the other, how competitive a given SBU (considering its strengths and weaknesses in a given value chain) when compared to its key competitors, and what strategies are there to be adopted. The strategic options may include vertical integration, strategic alliances, horizontal world-scale expansion and many more. In contrast, an international business or a transaction cost economist views vertical integration as the manifestation of the existence of multinational firms across national borders. In other words, it is a phenomenon that needs to be explained. Thus, the two seemingly separate analytical approaches — that of the strategic analyst vis-a-vis that of the transaction cost economist or international business analyst — do not actually supplant each other. Although each group is confined to its domain, the two can be synthesised to reflect business realities in a Middle East setting, particularly Saudi Arabia.

3.3 Rationale for Interdisciplinary and Cultural Approaches to the Study of Multinationals

A number of contemporary scholars have recognised the importance of integrating culture into the study of international business. Dunning (1993a: 38), for example, predicts that culture "is likely to become centre-stage in much of [international business] IB research over the next decade or more." According to him, multinational firms which are best able to identify and reconcile cultural differences, and utilise them to their gain, are likely to acquire a noticeable cultural competitive advantage in the global marketplace (Dunning 1993a: 41). Thus, there is an increasing need for better information on what different cultural environments suggest for organisational structures and styles of decision making (Heuer, Cummings and Hutabarat Third Quarter 1999: 600).

Daniels and Radebaugh (1995: 48) assert that understanding the cultures and physical characteristics of groups of people is useful because business employs, sells to, buys from, is regulated by, and is owned by people. Inter-cultural understanding is also increasingly becoming an important subject because social relationships are capable of influencing business performance, in line with the notion of social capital. According to Putnam (1995: 66), social capital refers to features of social organization such as trust, social networks and social norms that facilitate coordination and cooperation. Social norms — developed through cultural mechanisms — can be based on religious or justice values.

Paldam and Svendsen (2000a: 339) define social capital as the density of trust existing within a group that emanates from its ability to cooperate for mutual benefit. Hjollund, Paldam and Svendsen (2001: 2) further define it as either "people's ability to work together", "trust among people", or "networks". They argue that these three definitions are closely related in that people who trust one another form networks and can work together (Hjollund, Paldam and Svendsen 2001: 2). Thus, social capital is created when people associate together in groups and organisations for common purposes, based on commonly shared norms. At present, an easy-to-use proxy for measuring social capital is Putnam's instrument — the density of voluntary organizations (Paldam and Svendsen 2000a: 352).

Paldam (2000: 4) identified three major reasons for people to cooperate when successful cooperation is an advantage. First, people or individuals voluntarily cooperate because they trust that everyone else will do his part; they follow an abstract sense of duty; and they behave well for moral and religious reasons. In this regard, moral and religious factors may alter social capital. Second, group members cooperate due to pressures within the group. Members of the group, bound by a decision structure and a leader, have voluntarily chosen to join, and can leave. In the first and second reasons for people to cooperate, voluntary cooperation is self-enforced within the group — not enforced by third parties outside the group. Third, as also emphasised by Paldam (2000: 4-5), group members cooperate due to third-party enforcement, such as interference by the State. Paldam and Svendsen (2000b) have also highlighted the harm that totalitarian regimes do to social capital when they expand their scope of area of control. Using the transition in Eastern Europe as a case in point, they argue that all dictators know that when people cooperate outside the control of the regime they may also cooperate against it. As a rule, therefore, dictators are opposed to the uncontrolled cooperation of their subjects (Paldam and Svendsen 2000b: 3-5). Hjollund, Paldam and Svendsen (2001: 4-6) in their comparative study of social capital in Russia and Denmark further asserted that totalitarian system or dictatorship destroys social capital. They argue that totalitarian systems are dictatorships that attempt to control everything by bringing all organisations into the system, and allowing no organization outside its control. Obviously, when a third party (a State) enforces control and cooperation to an organisation (a civic group), the latter mistrusts the former. Untrustworthy and corrupt governments spread distrust throughout the society. Thus, Paldam (2000: 4) excludes from his definitions of social capital the kind of cooperation enforced by a third party. However, he opines that the State and its institutions can affect social capital passively by establishing a friendly legal and political environment (Paldam 2000: 5).

Social capital encompasses social relationships, which are capable of changing economic and political performance, for better or worse — for better if mutual trust prevails and for worse if there is mistrust among the parties involved. At the household and firm level, more social capital leads to greater welfare and better performance through networking and trust building (Barr and Toye 2000; see also Knack and Keefer 1997: 1250-1286).

Economists describe social capital as a 'positive externality' — a benefit that arises over and above the direct benefits that the group activity was devised to produce. For instance, a credit union will bring its members direct benefits by increasing the supply of credit to them, but it may additionally benefit the community by building trust (Barr and Toye 2000). Knack and Keefer (1997) assert that trust and civic cooperation are associated with stronger economic performance. High-trust societies have stronger incentives to innovate and to accumulate physical capital, as they spend less time to protecting themselves from being exploited in economic transactions. Low-trust societies have lesser incentives to innovate, as they must devote more time to monitoring possible malfeasance (misconduct) by partners, employees, and suppliers (Knack and Keefer 1997: 1252-1253). Woolcock (1998) remarks that the risks of malfeasance and transaction costs can be lower in societies with high levels of social capital. This will have positive impact on entrepreneurship as group members will have access to privileged resources and psychological support. On the other hand, the impact can be negative in that high particularistic demands on group members, arising from high levels of social capital, can restrict individual expression and advancement (Woolcock 1998: 165).

Some economists, like Paldam and Svendsen (2000a), consider social capital not as a capital in a stock-flow context, but as an exogenous variable (like climate) in a production function. In this regard, production changes in proportion to the change in social capital. Some consider it as a factor affecting transaction costs. Others, view it as a monitoring cost factor. That is, the more social capital (trust) group members have, the less monitoring is necessary, and the lower will be the monitoring costs. According to Paldam and Svendsen (2000a: 348), "it is too early to conclude which of the three theoretical approaches is the superior one — as of now all three seem promising. Moreover, we do not have actual numbers available — without numbers, hunches and theories remain smoke." They feel that "There is (too) much 'smoke' smelling of something like social capital. The promise of social capital is that there is at least some 'fire' behind the smoke." (Paldam and Svendsen 2000a: 340)

Paldam (2000: 19-20) further pointed out that there is far more theory and speculation than measurement in social capital, being a new field suffering from a great lack of good, reliable data. Cross-country, as well as time series, evidence is missing. While social capital is a promising concept, a lot is still vague. Thus, it will take some time, and still a lot of work has to be done, before it is known if social capital can deliver its promising potential, which is an empirical matter (Paldam 2000: 20; see also Paldam and Svendsen 2000a: 340).

Hofstede (1995: 140-141) emphasised that a key issue for organisation science is the influence of national cultures on management. The national and regional differences are not disappearing and they may become one of the most crucial problems for management of multinational, multicultural organisations, whether public or private. Hofstede (1995: 145) identified four dimensions of national culture, namely: individualism versus collectivism, large or small power distance, strong or weak uncertainty avoidance, masculinity versus femininity.

On individualism versus collectivism, for instance, Hofstede (1995: 145-146) argues that at one end of the scale we find societies in which the ties between individuals are very loose (very individualistic). At the other end of the scale we find societies in which the ties between individuals are very tight (very collective). Both the Individualist and the Collectivist society are integrated wholes, but the individualist society is loosely integrated, and the Collectivist society tightly integrated. Hofstede (1995: 147) made a survey on individualism versus collectivism where each country was given an Individualism index score. The score is such that 100 represents a strong Individualist society, and 0 a strong Collectivist society. All 50 countries studied were somewhere between the extremes of a strong individualist and a strong collectivist society. On the basis of the answers obtained on the questionnaire for the multinational companies, Hofstede (1995: 147) found the United States, Great Britain, the Netherlands as very individualist countries; Colombia, Pakistan, and Taiwan (as well as Arab countries) as very Collectivist countries; and Japan, India, Austria, and Spain as somewhere in the middle.

Gullestrup (1996: 9) developed a general cultural model that is made up of three dimensions – the horizontal culture dimension, the vertical culture dimension, and the time factor culture dimension. The horizontal culture dimension comprises eight culture segments, namely: 1) How nature is processed – technology; 2) How the output is distributed - economic institutions; 3) How the individuals live together - social institutions; 4) Who controls whom - political institutions; 5) How knowledge, ideas and values are disseminated among individuals and groups - language and communication in the widest sense; 6) How the individuals and the unity are integrated, kept up and developed - reproduction, socialisation; 7) How a common identity is created and preserved – ideology; 8) How the view of the relationship between life and death is manifested - religious institutions. These eight dimensions make up the visible characteristics of a given culture, but they are not the most important. Thus, Gullestrup (1995: 1-3; 1996: 9-14) introduced the notion of vertical culture dimension that comprises six hierarchical levels of culture with varying importance for cultural understanding. The first three levels -- the immediately observable symptoms, the structures that are difficult to observe, and the governing morals and norms -- belong to the culture's most visible part, the so-called manifest culture. The second three levels -- the partially legitimating values, the generally accepted highest values, and the fundamental philosophy of life -- make up the fundamental core of the culture. By means of the horizontal and the vertical culture dimensions, the management will be able to obtain a static picture of a given culture at a given time. Thus, a sound cultural analysis entails appropriate information and data on the segments and levels of the culture dimensions that will be covered, bearing in mind the resources that are available, and obviously of the culture in question, which is a relative concept. For some purposes, it makes sense to distinguish between Protestant culture, Catholic culture and Islamic culture. Or, it may be more appropriate to distinguish between Danish, Swedish and Norwegian culture. In some other analyses, it may be "meaningful to distinguish between the cultures in certain organisations or in different industries or professions (Gullestrup 1996: 13).

Gullestrup (1996) emphasises that culture is dynamic in nature, being constantly subjected to "initiating" factors of change – both internal and external factors that may well push and press for changes in the culture. These factors only initiate the change, and they do not determine whether or not a change will actually take place in the culture observed. What determines whether a change will happen, and will actually lead to a change in the culture observed is the 'determining factors of change', such as the degree of integration, the degree of homogeneity and, to some extent, the power structure within the culture. For instance, modern industrial cultures are very integrated around liberalistic, economic and individual freedom values (Gullestrup 1996: 15-17).

Gullestrup's cultural model has vital implications on the importance of cross-border cultural understanding as one of the principal requirements to the "good international management" of the future. He stresses that "the management will have to understand the importance of other countries' cultures for their own organisation or company and in particular its competitiveness in the longer term..."(Gullestrup 1996: 8). Harris and Moran (1987:183-203) say that cultural understanding may minimise the impact of culture shock, and maximise intercultural experiences.

Ricks (1983: 7) observed that cultural differences are the most significant and troublesome variables for the multinational company. The failure of managers to comprehend fully these disparities has led to most international business blunders. To be effective in a foreign environment, it is usually necessary to understand and adapt to the local culture. Recently Pornpitakpan (Second Quarter 1999: 329) empirically found that, in general, "the more Americans adapt to Thai and Japanese cultures, the more favorable the responses." Knowing what to do is as important as knowing what not to do (Ricks 1983: 9).

Punnet and Ricks (1992: 167-168) emphasise that the dominant religion influences many day-to-day activities, such as opening and closing times, days off, holidays, ceremonies, and foods. A company's operations and activities should be organised relative to those specific religious practices that affect management. They observed that a lack of religious understanding has been the demise of many an international business endeavour.

Religion is closely associated with the development of cultural values, and it has an impact on many day-to-day activities in a society. International companies need, therefore, to understand the role of religion in the societies in which they operate (Punnett and Ricks 1982: 167). Along this line, one religion that has many specific implications for international marketers is Islam. Based on the compilation made by Jeannet and Hennessey (1995: 76-77), some of these implications are shown below:

A. Prohibition of usury: Banks in some Islamic countries take equity in financing ventures, as an option to interest-bearing investment.

B. Worship timing and frequency (Five times a day; timing of prayers varies.): Need to take into account the variability and shift in prayer timings in planning sales calls, work schedules, business hours, customer traffic, and so forth.

C. Prohibition of the production, distribution and consumption of alcohol and pork, as well as other forbidden things in Islam: Opportunities for developing non-alcoholic drinks and use of non-pork shortening and ingredients. Use state-of-the-art technologies to produce goods and services, which are permissible in Islam.

3.4 Empirical Studies Relevant to the Middle East Setting

This section reviews some empirical studies (mostly Ph.D. theses), which have important implications to the multinational companies operating in Saudi Arabia. Al-Salamah (1994) in his Ph.D. thesis investigated the perceptions of work environment and job satisfaction among the employees of the multinational companies, which make up the Saudi Basic Industries Corporation (SABIC). The main objective was to examine SABIC's and its foreign partners' attitudes towards attracting and keeping local labour. The thesis studied the impact of multinational companies (MNCs) on human resource development in Saudi Arabia in general, and examined whether local employees are satisfied on various matters such as training, salaries, promotion opportunities and participation in decision-making. The thesis also looked at Saudi Arabian culture and work values.

Using available literature, questionnaires directed to SABIC employees, interviews with SABIC officials, and appropriate statistical techniques, Al-Salamah found interesting employee perceptions in multinational companies. He found that work values and cultural values are strongly related to each other (Al-Salamah 1994: 223-224). In a religious society like Saudi Arabia, religion affects the relation between managers and subordinates. He found that Islamic teaching and guidance play an important role in decision-making, and also have an impact on job satisfaction. Saudi nationals believe in the importance of the consultative style, which also reflects the teaching of the *Qur'an* (Al-Salamah 1994: 231).

Al-Salamah further found that transfer pricing has no place in SABIC due to the nature of the products and the world market prices, which are internationally determined and highly visible. There are no local taxes to be paid, or import quotas to be avoided. Despite the fact that technology transfers cost more for Saudi Arabia, the benefit from using capital intensive and sophisticated technology is very clear in reducing the requirement for labour, which strengthens SABIC's competitive position. SABIC's foreign partners seem to have a negative attitude towards R & D, in that they do not create or help to create facilities for this; neither do they participate nor adapt the technology transfer to more appropriate SABIC activities. He believed that SABIC has to take responsibility for ensuring that this attitude would not prevail in the future.

Al-Salamah argued that the joint ventures between MNCs and SABIC benefit the local economy in terms of creating work opportunities and familiarising the local employees with the latest technology. In addition, they create a superior management and managerial environment, and they have a positive impact on the balance of payments without harming economic sovereignty (Al-Salamah 1994: 234).

Muna (1980:15), in his book *The Arab Executive*, highlights the increasing prominence currently being given in various parts of the Arab world to Islamic principles and ideology. He stresses that an increasing number of Arab leaders now feel that there is no need for the Arabs to choose between 'alien' ideologies, such as capitalism and socialism, conservatism and liberalism, democracy and authoritarianism. They feel that these choices are unnecessary if only the teachings of the Islamic Shari'ah are implemented as the guiding principles of economic, governmental and community life. Muna observed that "the desire to maintain both the Arabic and Islamic identity has gained prominence not only in political circles, but also among Arab academics and businessmen." For example, Mr Abd al-Rahman Al-Atiqi, the Kuwaiti Minister of Finance, stressed the need to re-examine certain economic precepts imported wholesale from the West in the light of the Shari'ah provisions:

> *I would like to point to a system which we have perhaps unnecessarily ignored while being dazzled by the West's achievements, our Islamic economic system . . . Islam is not a faith that stands in the way of economic growth. We do not need to abandon our values and traditions at every obstacle we meet. Instead we are called upon to transform it into a creative power and a source of strength.* (Muna 1980: 16)

Kurashi (1984) studied in a Ph.D. thesis the social responsibility of MNCs operating in Saudi Arabia and their social impact on Saudi society. He compared the perception of MNCs' non-Saudi managers with Saudis regarding MNCs' concerns for profit versus public good and other related issues, by means of survey research using both primary and secondary data. Primary data were obtained basically from questionnaires directed to Saudi officials, Saudi elite and non-Saudi managers. Kurashi (1984: 9) also conducted unstructured interviews "not for statistical analysis but to clarify or to cover aspects which were not in, or obtained from, the questionnaires." He examined the nature of MNCs operating in Saudi society, the current role they are playing in the economic development or Saudi society, and MNCs' commitments to government regulations.

Kurashi's study revealed that MNCs seem to be attracted to Saudi Arabia, that their number is greater than government records indicate, and that a large number of MNCs have Saudi nationality (Kurashi 1984: 4). The majority of MNCs belong to developed countries and their major activities are doing their defined economic ones. The empirical study revealed that Saudis are in more agreement than non-Saudis that MNCs should be more concerned for social responsibility, and for supporting programs not related directly to social problems (e.g., family ties). Saudis have mixed perceptions of MNCs' impacts on various social issues (e.g., positive, negative or no effect, depending on the issue).

Kurashi concludes that MNCs' social responsibility, with the exception of performing their defined activities and serving their shareholders' interest, is almost neglected. Thus, there is need for MNCs to be more concerned about their social responsibility toward Saudi society. However, the responsibility of making MNCs more socially responsive lies not only on MNCs' managers but also on Saudis. The author recommended that various groups of Saudis, in addition to MNC managers, have a responsibility for motivating MNCs and other business firms to be more concerned about their social responsibility toward Saudi society.

Fatani (1994) in his Ph.D. thesis studied the degree of success of joint venture management teams between British multinationals and Saudi local companies in the field of the construction industry in relation to cross-cultural barriers in general, and specifically to projects and teams in these specific projects. He specified three variables — Trust, Culture and Decision-making — which he considered to influence the success or failure of joint ventures between British and Saudi companies. Based on a literature search, questionnaires and interviews with expert managers in the construction industry, Fatani empirically investigated the effect of culture on degree of success, and developed a quantitative model to determine degree of success. His research methodology involved the extensive collaboration of experienced managers in many of Britain's multinational firms in the construction industry with past or present involvement in joint-venture projects internationally and specifically between Saudi and British companies.

Fatani (1994:263) found that there is "100% agreement by the expert managers on the importance of cultural factors" in international joint venture success. The expert managers generally expressed the view that trust is crucial for the start up of the joint-venture project, and cultural values are also vital for the successful continuance of the project (Fatani 1994: 263-270).

Fatani's findings showed many over failures of British joint-venture managers in the specified cultural variables (Trust, Culture and Decision-making). Expert managers he interviewed emphasised the difficulties faced by British multinationals in dealing with their Saudi partners on a cultural basis. Some British companies "had to bring in American staff to cope with the problems of managing the cross-cultural context of the joint venture in Saudi Arabia (Fatani 1994: 3). As part of his recommendations, he proposed the use of psychometric testing in selecting senior British managers to work in the international joint ventures with Saudi partners, and giving the successful candidates special cultural training in relation to trust, culture and decision making styles. According to him, this "would greatly enhance the degree of success in the aspect of culture, and have an effect on the overall success of the international joint ventures"

(Fatani 1994: 270). Fatani's findings conform to the notion of social capital as discussed earlier in this chapter.

Al-Kheraiji (1992) analysed historically and empirically the Saudi viewers' cultural responses to television advertising in Saudi Arabia. The study hypothesised that the cultural content of television advertising in Saudi Arabia is mostly made up of Western and other alien elements. Although Saudi respondents may like some elements of television advertising, they might have negative perceptions about other elements of television advertising (Al-Kheraiji 1992: 11). The research methods used in undertaking the study were content analysis and survey. The content of Saudi television advertising and Saudi viewers' attitudes to and perceptions of them were used as the subject of analysis. A questionnaire was designed to examine viewers' exposure and responses to advertising, together with their attitudes, perceptions and opinions of Saudi television advertising.

Al-Kheraiji (1992: 307) found that advertisements presented on Saudi television feature in great part a universal and regional culture — a mixture of Western, Egyptian, Syrian, etc. — and that this minimises the participation of the receiver culture (Saudi). The advertisers' emphasis on Western and Arabian (Egyptian, Syrian, etc.) slogans and images has affected Saudi perceptions about this new culture. Al-Kheraiji (1992: 308) concludes that the viewers' response would seem to be in conflict with the advertisers presentations and this may result in an increase in the gap between sender and receiver. This conclusion is in line with Al-Kheraiji's emphasis on the broadness and looseness of use of the cultural concept of "values". He stresses that the context of use of these values and who articulates them might define their acceptance or rejection by another person or group. The Western society, for example, reinforces the idea of "beauty value" as a public domain. In contrast, the Saudi society considers beauty as a private matter, so much so that women are expected to hide their beauty from everyone except their husband and family (Al-Kheraiji 1992: 15).

Viola (1982), in her published book entitled *The Development of Human Resources: A Case Study of United States-Saudi Arabian Cooperation*, investigated the role of American companies in the area of human development in Saudi society. This was the first case study under the auspices of the Center for International Higher Education Documentation (CIHED) of the Boston-based Northeastern University. The study sought to ascertain the attitudes and policies of multinationals toward the education of foreign nationals, and simultaneously sought to determine the attitudes of foreign nationals toward the MNCs (Viola 1982: ii). Questionnaires were mailed in 1979 to American companies having operations in Saudi Arabia, as registered with the U.S. Department of Commerce. Another survey was conducted in 1980 to establish a body of knowledge concerning Saudi students enrolled in United States' colleges and universities. The corporate survey and the Saudi student survey were jointly analysed to identify 'gaps' between the needs of the corporations and the skills and preferences of the students (Viola1982: 38).

Viola (1982: 42-45) found that majority of the U.S. corporate respondents anticipated an increased need for skilled technicians, administrators and managers. Regarding training programs, 67 percent of the corporate respondents indicated that their firms offer some form of training whether it be formal, structured programs or informal, on-the-job instruction. However, majority of the Saudi respondents (61.5 percent) did not feel that MNCs were spending considerable funds in training the Saudi labour force. The study also dealt with the issue of women in the work force in Saudi Arabia. More than two-thirds (67.7 percent) of the Saudi students' respondents felt it was acceptable to employ Saudi women to offset the need for foreign labourers. Most of the respondents (71.9 percent) said they would hire Saudi women if they were managers in Saudi Arabia, and if the law allows it (Viola 1982: 64-65).

Viola (1982: 60) also found that 47.2 percent of her Saudi respondents felt that American multinational corporations in Saudi Arabia had undesirable effects on the country's social system (also cited by Kurashi 1984: 3). Viola also found that 30.1 percent of her Saudi respondents perceived that American corporations doing business in Saudi Arabia has negative effect on the Kingdom's religious institution. On the economic front, only 32 percent of the Saudi respondents felt that MNCs are actively contributing to Saudi Arabian economic development, while 41 percent felt that such was not the case (Viola 1982: 60).

Prior to Viola's study, Akhdar (1974: 1-9) investigated the impact of the Arabian-American Oil Company "ARAMCO" on the development of the Saudi Arabian economy. The work was a Ph.D. thesis confined to a particular case of the relationship between a multinational company (ARAMCO) – which at that time was a subsidiary of Exxon Corporation, TEXACO, Standard Oil of California and MOBIL Oil Company -- and a developing country (Saudi Arabia). In this Ph.D. thesis, Akhdar (1974: 8) argues, among others, that MNCs do not integrate with the national economy of the less developed countries, and subsequently do not play a leading role in the development of the economies of the emerging nations. Using standard economic theory and statistical analysis, Akhdar (1974: 215) empirically proved his hypotheses. He proved, for instance, that ARAMCO was never integrated into the national economy but instead existed as an isolated foreign enterprise (Akhdar 1974: 217). He further concluded that the oil concession granted to ARAMCO was exploitative. Up until 1972 the capital drain from the country by ARAMCO owners was more than eight times than it invested in the country.

Al-Aali (1987) studied the factors that affect the performance of multinational joint ventures (JVs) in Saudi Arabia. The objectives of the study were to test a proposed performance model for joint ventures in developing countries, and to test the model for the manufacturing versus service joint ventures. He hypothesised that need, commitment, and control factors positively affect the joint-venture performance. The analysis was done on 93 responses (34 manufacturing and 59 service) from U.S. corporate executives of the American JV partners (Al-Aali 1987: xiii).

In general, Al-Aali (1987: 8) found that need, commitment, and control factors were related to the success of the joint venture. Higher need, commitment and control by the U.S. partners lead to improved performance (Al-Aali 1987: xiii, 174). Al-Aali's empirical findings further reveal that significant differences exist between manufacturing and service joint ventures. Overall, manufacturing JVs shows higher need and commitment scores, and lower control scores. Based on stepwise regression results, he found that the performance model has better explanation power for manufacturing JVs as opposed to service joint ventures (Al-Aali 1987: xii-xiii).

Shubber (1985) in his Ph.D. thesis entitled "An Assessment of the Determinants of Packaging in Technology Transfer to Developing Countries: A Theoretical and Empirical Study" expounded theoretically and empirically the concept of "packaging" in international technology-transfer transactions. Drawing substantially on published theories and field studies, Shubber (1985: 424) identified various methods for transferring technology, ranging from ultra-packaged to package-free channels. He then grouped these transfer methods under five levels of transfer packaging. In practice, according to Shubber (1985: ibid.), "ultra-packaged and highly packaged transfers encompass certain less packaged methods as basic ingredients in making up the relevant transactions. Also, when transfer methods in the medium, low and package-free channels are utilized, more than one of these is usually involved in order to effect the transfer deal".

Shubber (1985: 424-425) employed regression analysis to examine the relationship between the packaging level (the dependent variable) and the corresponding explanatory variables -- project size, technological sophistication, operational life of technology receiving enterprise, type of industrial sector, and ownership pattern of recipient firms. The empirical results indicate that project size and technological sophistication are strongly correlated with the level of transfer packaging. More specifically, Shubber (1985: 425) found that "project size" stood out as "the all-pervading determinant of the level of packaging".

Al-Ghamdi (1987) investigated the factors (investment resources, labour, material and transfer arrangement) affecting the technology transfer to Saudi Arabia petrochemical industry. He formulated and tested some economic models of transferring technology, using regression analysis. His empirical findings reveal that material advantage is the most significant factor in the Saudi case, followed by transfer arrangement. Labour shortage slows the transfer. Overall, he found that multinational corporations play a major role in the transfer of technology to Saudi Arabia petrochemical industry.

Christides (1988) empirically investigated "The role of cross-cultural communication in the management of American multinational corporations for transferability of technology to Greece and Saudi Arabia". The study focuses on the cultural differences that affect clarity of communication for transferability of American technology to Greece and Saudi Arabia. The research methodology used comprises a review of the literature and the researcher's personal observations in Greece, Saudi Arabia, and the United States over a period of three years (1984-1987), supplemented by informal interviews and discussion of prepared questions. Christides found that there is a need for the American multinational corporation managers to master cross-cultural communication. More specifically, he found interdependence in the following hypotheses: (1) The American culture is unique and has its own identity. (2) Cultural differences hinder cross-cultural communication. (3) A good cross-cultural communication between the nationals (citizens of the country where the multinational corporations have established a subsidiary) and their American multinational managers or supervisors speeds up the process of transferability of technology to Greece and Saudi Arabia.

3.5 Eclectic and Varied Nature of Multinational Operations in a Middle East Setting: A Critical Analysis and Synthesis

The mainstream theories of multinational corporations deal more on understanding the nature and existence of international production than on the global scope of multinational business per se. Economists attempt to explain the existence and growth of international production using various approaches as discussed earlier in this chapter. For example, in their review of internalisation theory Buckley and Casson (1976: 33) assume, among others, that the imperfect nature of the markets for intermediate products motivates firms to bypass them by creating internal markets. These internal markets manifest the existence of multinational enterprises. In line with this view, multinational companies exist in order to create efficient internal markets via exploitation of internalisation advantages and to avoid higher arm's length transaction costs.

As discussed earlier in this chapter (see Section 3.1), Dunning has attempted in an eclectic fashion to identify and evaluate the relevant variables affecting the level and patterns of international production, or changes in international production (Dunning 1993: 83). The eclectic paradigm advances the notion that firms' business operations will be more profitable by utilising their ownership advantages and internalisation incentives in conjunction with at least some factor inputs (including natural resources) outside their respective home countries. Otherwise, foreign markets would be served entirely by exports and domestic markets by domestic production (Dunning 1981: 79). This means that the other value-adding activities of MNC operations are by and large outside the bounds of production-focused multinational theories.

Contemporary multinational theories capture to a great extent the phenomenon of multinational businesses in the developed countries of North America and Europe as studied by Dunning and other scholars. On the other hand, strategic management theorists are interested in those that affect the strategic actions of multinational enterprises to achieve international production.

In general, known contemporary multinational theories, as advanced mainly by economists and management scholars, help explain the varied nature of multinational business operations in the Middle East notably Saudi Arabia. However, those theories or paradigms are not as relevant to Saudi Arabia as they are in the developed countries of North America or Western Europe. As discussed in detail in Chapter 5, the institutional arrangements for most MNCs operating in the Kingdom are commonly in forms of joint ventures, contracting and other commercial modes outside the sphere of purely international production activity. The MNC criteria for choosing among alternative modes of cross-border investment may include ownership, location and internalisation advantages or disadvantages. The current trend is for MNCs to go for higher ownership control where it is viable and more advantages than other business modes, and to enter into joint ventures with partners in the host country, where 100 percent ownership is not possible.

The institutional arrangements for most MNCs operating in Saudi Arabia also cover MNE-Saudi joint ventures under the so-called economic offset programmes, which the Saudi Government has launched since the 1980s to help develop and diversify the national economy. For instance, the Al Yamamah Economic Offset Programme covers joint ventures and other commercial deals between Saudi and British companies (The Economic Bureau. Saudi Economic Survey 27 May 1998: 20). In this programme, British interest and involvement, in terms of management and administration, are under the responsibility of the British Offset Office. It provides specialist advice, support and project financing initiatives to UK companies interested in starting new joint ventures or licensing agreements in Saudi Arabia (Saudi Review: Economic & Political Analysis, Issue 10, September 2001: 39).

The Economic Offset programme aims mainly at diversifying Saudi Arabia's economy through the creation of commercially viable and profitable projects that are not directly related to oil and gas and which introduce new technology into the Kingdom through joint ventures or licensing agreements. Diversification is part of the Kingdom's strategic thrusts to lessen dependence on oil, especially in the long run. As emphasised in Chapter 2, the Saudi government has been fully aware that the rapid growth of the Saudi economy was primarily a result of the oil sector development and that oil is an exhaustible resource and should be used as an incentive to development by diversifying the country's economic base and national income sources (Central Planning Organisation. Development Plan 1970: 21; *Saudi Gazette*, 20 October 1997: 13). In the last two decades, therefore, there was a clear structural shift of the economy in favour of the non-oil sectors, as the government continued its way towards diversification. The current Seventh Development Plan (2000-2005) further underlines the goal of economic diversification, and aims at a steady increase in the share of the non-oil sectors in the GDP from 68.4 percent in 1999 to 71.6 percent in 2005 (SABIC Annual Report 2000: 8). The success of this diversification strategy has been more pronounced in recent years in the phenomenal development of hydrocarbon-based petrochemical industries, as in the case of SABIC joint ventures with a number of major multinational companies like ExxonMobil Corporation, Shell Group and Mitsubishi Corporation.

To promote the diversification strategy in accordance with the high priority given to economic matters in the Kingdom, a royal decree was issued on 28 August 1999 providing for the establishment of the Supreme Economic Council (SEC), chaired by the Crown Prince and First Deputy Premier (Saudi Arabian Monetary Agency (SAMA) Annual Report 2001: 43-46). As a consequence, the Saudi government has recently introduced new measures to further attract foreign investment. On 10 April 2000, for instance, King Fahad bin Abdul Aziz Al-Saud approved more incentives to foreign investors based on the resolution of the Council of Ministers the new Foreign Investment

Act (Saudi Arabian Monetary Agency (SAMA) Annual Report 2001: 48-50). The new law's Article 5 states:

> *Foreign Investments licensed under the provisions of this Act, may be in either of the following forms:*
>
> *1. Facilities owned by a national and a Foreign Investor.*
>
> *2. Facilities wholly owned by a Foreign Investor.*
>
> *The legal form of the Facility shall be determined according to regulations and directives.* (The Supreme Economic Council, Kingdom of Saudi Arabia 2000)

The new law, therefore, clearly allows foreign investors full ownership of projects and gives them freedom to repatriate capital and profits (*Arab News*, 19 August 2001). Likewise, the King approved on 10 April 2000 the creation of the Saudi Arabian General Investment Authority (SAGIA). Among others, SAGIA is responsible for preparing and submitting to the Supreme Economic Council the state's policies in the area of development and boosting foreign investments. It is also empowered to take rapid decisions (within 30 days) on foreign investment applications. It will also provide to all would-be investors all available information, statistics, measures and other services to facilitate and complete all formalities related to foreign investment (*Saudi Arabian Monetary Agency (SAMA) Annual Report* 2001: 48-49).

In line with the Kingdom's strategic path toward diversifying the economy, the Saudi Government has recently invited international oil companies to submit bids that envisage direct investments in the Kingdom's upstream gas resources, as well as refineries, power, water and petrochemical projects. The companies that have so far submitted bids in this regard are: Chevron Corporation, Conoco, ExxonMobil Corporation, Marathon International Petroleum, Phillips Corporation, Texaco and a joint team of Occidental Petroleum Corporation and Enron Corporation, all of the United States; the Royal Dutch/Shell Group: UK-based BP; Eni of Italy; and TotalFinalElf of France (*MEED Saudi Arabia Quarterly Report*, No 38, Fourth Quarter 2000: 27).

The new gas initiative is foreseen to power Saudi Arabia's industrial expansion over the next five to ten years (*Saudi Review: Economic & Political Analysis*, Issue 10, September 2001: 14). As a whole, this project is expected to involve US$25 billion to cover the investment requirements for the first five-to-six years, according to Sadad Al-Husseini, Saudi Aramco executive vice-president of exploration and production (*MEED Saudi Arabia Quarterly Report*, No 42, Fourth Quarter 2001: 22). Noting that the overall development programme is planned to take place over a 25-year period, Al-Husseini hinted that the total investment requirements might reach US$50 billion. The multinational companies mentioned above have been in serious negotiation with concerned Saudi authorities (currently under the leadership of Saudi Aramco), knowing well that this is a chance in a lifetime to establish a presence on the ground in a country sitting on the world's largest oil reserves (*MEED Saudi Arabia Quarterly Report*, No 39, First Quarter 2001: 27). Furthermore, they are expected to be strategically committed to pursue the gas development programme, bearing in mind the Kingdom's competitive advantages, such as plentiful hydrocarbon resources, favourable location and world-class infrastructure. These favourable factor conditions, along with the host-country's strategic thrusts, complement the ownership-specific advantages of the invited international oil companies. Coupled with Saudi Arabia's political stability, Riyal currency stability and excellent utilities, these factors are now making the Kingdom an attractive choice for both foreign and domestic investors (*Arab News*, 7 January 2002).

Prior to the prevalence of MNE-host country joint ventures in Saudi Arabia, well-known American oil companies had enjoyed the opportunity of establishing full ownership and control of ARAMCO (Arabian American Oil Company). This was expounded in detail in the previous chapter (See Chapter 2, Section 2.3.4: The Saudi Oil Industry: Historical Review and Outlook). For forty years from the early 1930s to the early 1970s, ARAMCO remained a consortium of American giant oil companies, including Chevron Corporation, Texaco, and ExxonMobil Corporation.

The Saudi Government acquired a 25-percent equity in ARAMCO in 1973, 60 percent in 1974 and 100-percent ownership in 1980 (Ministry of Planning. Achievements of the Development Plans 1970-1996: 34). The restructuring of ARAMCO began in the late 1980s. On 13 November 1988 the Saudi Government issued Royal Decree No. M/8 creating Saudi ARAMCO (Saudi Arabian Oil Company) as a wholly owned Saudi company in place of the previously styled ARAMCO (Ministry of Planning.

Achievements of the Development Plans 1970-1996: 34; Al-Naimi. Middle East Insight 1995: 23; *Saudi Gazette*, 23 September 1997: II). Although Saudi ARAMCO has become a wholly owned Saudi Arabian company since 1980, it has successfully maintained its multinational character through joint ventures with major MNEs like ExxonMobil Corporation and many more.

In spite of the determination of the Saudi Government to attract foreign investment, the nature of the Saudi market has rendered it less viable for MNCs, in general, to internalise it along the conventional lines of international production activity, despite any ownership and other advantages that they may have. The Kingdom's free market system gives local consumers access to low-tariff imported goods and services. Customs duties in Saudi Arabia for imported goods were recently reduced from 12 percent to 5 percent (Saudi Arabian Monetary Agency Annual Report 2001: 46). As mentioned elsewhere in this study, there are other considerations that will influence the decision by any multinational company doing or planning to do business in Saudi Arabia. Indeed, the decision to internalise the Saudi Arabian market by means of either vertical or horizontal integration is not left to MNC decision-making units alone. The nation's incentives to attract DFI do not necessarily favour MNC's position to opt for hierarchies or international production. MNCs can, however, take advantage of any given incentives only if the project or venture will be undertaken jointly with local partners. Local participation in a foreign capital investment in the Kingdom must be at least 25 percent, for the foreign company to be able to take advantage of such benefits as a 10-year tax holiday and the like.

In a number of cases, European and American multinationals prefer to sell their technology to Arab chemical, plastic and fertiliser producers. West European chemical producers sometimes opt for joint ventures with partners abroad; and, in many instances, they export their technology to the Middle Eastern countries. By the same token, American chemical producers normally opt for joint ventures with Saudi partners. They have strong ownership advantages and Saudi Arabia has good location advantages too. So, why did the Europeans and Americans not opt for autonomous/stand-alone international production facilities in Saudi Arabia and the rest of the Arab Gulf? The reason is that foreign investment in the Middle East particularly Saudi Arabia is encouraged primarily on a partnership basis, as national companies have their own comparative advantages (in terms of resources); and they are bound to protect their own business interests. Foreign investors will not be able to take advantage of the underlying incentives, without having tie-ups with national companies or Saudi individuals. In the fertiliser business, for example, there is not one fertiliser producing company in the Arab Gulf that solely belongs to a foreign multinational company. So, it is naturally happening that multinationals opt for other business routes other than international production.

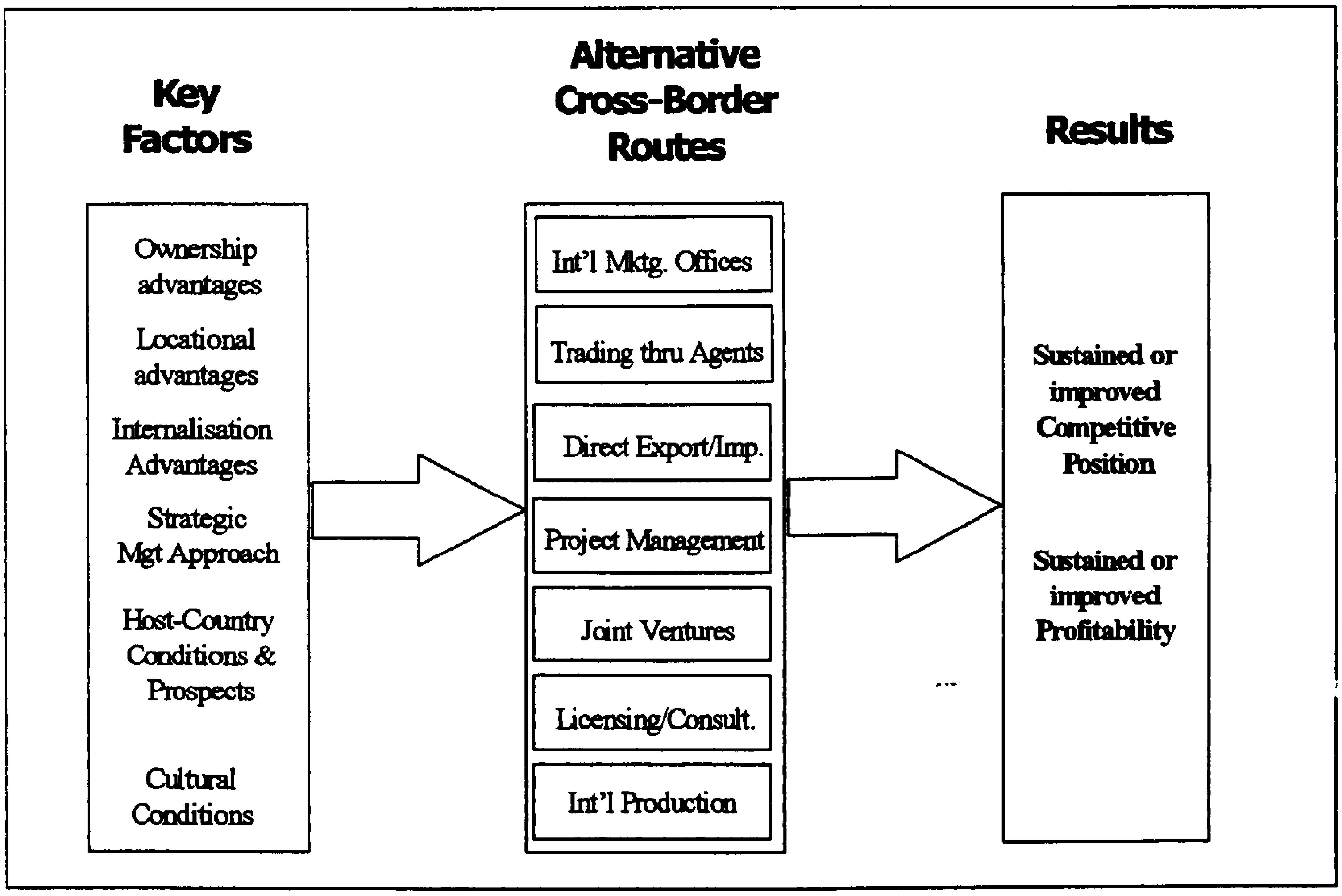
There are also cases where a multinational company has established a production branch, without the motive of internalising the Saudi or other Middle Eastern markets. Norsk Hydro of Norway, for instance, made an alliance with a company in the Arabian Gulf in the 1970s to produce a nitrogen fertiliser using its own technology, although the country has absolutely no demand for the product. The idea was to make use of the country's abundant and low-cost hydrocarbon resources for the manufacture of urea that is geared to the international market. Thus, a typical international joint venture, which is the popular multinational type of business in Saudi Arabia and elsewhere in the Arabian Gulf, does not necessarily emerge because of the co-operating firms' motive to internalise the host-country's domestic market. The same multinational company, Norsk Hydro, has also exported its urea technology to other Arabian Gulf countries (Bahrain and Saudi Arabia, for example), without exploiting its ownership specific advantages. By not resorting to international production, the company does not lose its multinational character. In other words, the notion of international production as manifested in the eclectic paradigm is not the only determinant of multinational enterprise activity across national boundaries.

In practice, multinational firms assess their comparative advantages vis-à-vis those of other firms, and in the light of the constraints (disadvantages) involved, before actually embarking on foreign direct investment. Cross-border investments, including vertical integration and strategic alliances, do not always take place between nations whose products are characterised by oligopolistic market conditions. The situation becomes more complicated particularly when potential cross-border investment may involve at least two transnational parties, who may enjoy different types and degrees of advantages over the other. One party may be a dominant player (not necessarily a monopolist) in an oligopolistic market whose product is available elsewhere but only at an exorbitant price. Another party is dealing with another product also in an oligopolistic market, but this same product is readily available from a few more international suppliers at relatively competitive prices. Both parties may need each other, but they may not necessarily conclude a strategic alliance, let alone the possibility of a vertical integration for some reason. One obvious rationale is that one of the parties may have better options other than international production or joint venture. So, the solution is indeterminate and contemporary theories fail to explain this phenomenon. Where international production through vertical integration across national borders is not viable, international trade will remain the rule of the game. Even the strategic alliance option takes place only where such arrangement appears mutually beneficial to both contracting parties.

In general, therefore, multinational theories found in the literature are not meaningful enough to explain the broad scope of multinational business activities in a Middle East setting. Indeed, multinational business operations in Saudi Arabia embrace all kinds of profitable, value-adding activities outside the bounds of international production. These include setting up international marketing offices, trading agents, direct export/import arrangement, project management, joint ventures, licensing, consulting, franchising and exporting of technology via licensing. A multinational company, operating in its home base or elsewhere, may employ all possible international business routes at the same or different times, depending on market-specific conditions, on the ownership-locational-internalisation (OLI) configuration as well as on non-economic conditions. Implicit in all strands of multinational firms is that branching out across national boundaries actually leads to a more profitable operation. The eclectic and varied nature of multinational operations in a Middle East setting is summarised in Figure 3.3.

As argued elsewhere, the explanations to joint ventures overseas could also include ownership, location, and internalisation (or dis-internalisation) considerations. In other words, there could also be an eclectic paradigm of alliance capitalism. The researcher prefers in this presentation to combine the two — international production and alliance capitalism — with other cross-border business routes, in order to capture the eclectic and varied nature of international business operations.

Figure 3.3 The Eclectic and Varied Nature of Multinational Operations in a Middle East Setting: A Synthesis



The multinational firm's ownership (competitive) advantages, which include everything that Dunning has listed, are important in determining a joint venture deal between it and a foreign national company. Normally, a multinational firm that owns technology and other complementary assets may have a good degree of freedom in choosing various strategic options, including foreign production, licensing, exporting and joint venturing across national borders. However, there is no guarantee that a multinational firm can always opt for its own production branch abroad, despite its own ownership advantages. Location, internalisation and other considerations have to be combined with ownership advantages, in order to determine whether a planned business can viably be set up as a wholly owned production branch abroad. It is very possible that despite the presence of numerous advantages, the international production option will give way to a strategic alliance between a multinational firm and a foreign company, simply because the latter option is favoured by the foreign government. A multinational company can also opt for co-operative vertical integration (some kind of partial market hierarchy) through an alliance with a foreign partner. Two or more companies can set up a joint-venture company that may serve their respective raw material needs. This is some sort of collaborative backward integration. A joint venture may also be set up by two or more partners to produce downstream products. One possibility is that both partnering companies supply the materials or intermediate products needed to produce downstream products in the joint venture project. This is some kind of collaborative forward integration. A multinational firm can also partially internalise a foreign market by venturing into an alliance with a national company there. This means serving the needs of the foreign market, as a reaction to the presence of market failure, through "voice" rather than "exit" strategy. Dunning describes the latter as the firm's response in terms of replacing the market by administrative fiat, and the former as its response in terms of working with the market (buyers of its products or the suppliers of its purchases) to reduce or eliminate market failure (Dunning 1995a: 464-478).

It is well known today in the literature on transaction cost economics, as well as microeconomics, that markets fail due to market power, incomplete information, externalities and the supply of public goods (Pindyck and Rubinfeld 1998: 611-682). For instance, internalisation theory supposes that multinational firms emerge because market failures or imperfections prevent the efficient operation of international trade. However, when a firm goes multinational by, say, having two or more stages of production processes located in two or more countries, it will not mean the disappearance of international trade and other business modalities, even under an extreme case of monopoly. In fact, a monopolist's market power to dictate price profitably is a clear manifestation of structural market imperfection that leads to a market failure. But when such market power persists, others will have an incentive to find a way to break it and pursue their strategic interests based on their advantages. Also, when a firm internalises a market by creating, for example, a wholly owned subsidiary outside its national boundary, transactional imperfections remain albeit to a lower degree than before internalisation. No doubt, external transactional imperfections particularly due to opportunism, information asymmetry and uncertainty remain as long as the internal market has to deal with the external open market system, considering the bounds of its supply chain to the customer ends. In this case, the price mechanism cannot be superseded.[19]

Even within the so-called internal market (i.e., the foreign-based wholly owned subsidiary), transactional imperfections can remain in it, in terms of asymmetric information, among others. For instance, operations managers and key departmental managers of this subsidiary may have better information in their own respective areas of responsibility (e.g., marketing, operating costs, logistics and product handling) than the parent company's central management. Asymmetric information also persists with regard to monitoring the subsidiary personnel. So, the efficient operation of this subsidiary vis-à-vis other modalities is not necessarily warranted.[20]

A multinational firm may not be in a position to establish a wholly owned manufacturing subsidiary in a certain country, because the foreign government may not encourage it, as a matter policy. In this case, the multinational company may settle for a joint venture upon thorough strategic study and planning. Like a wholly owned subsidiary, a joint venture is subject to transactional imperfections internally and externally. This is so because, in practice, imperfect competition always prevails on the local and international scenes. The kind of market conflict or imperfection inherent in the local or global marketplace could vary from industry to industry and from country to country. The degree of similarity or difference in the market imperfection matters but imperfect conditions of various sorts influence all business modalities, and not just international production. In other words, all supposed alternatives to multinational enterprise are likewise subject to imperfect or conflicting conditions. Joint venturing, international trading, licensing, consulting and other modalities are, in fact, alternatives to international production — not alternatives to multinational enterprise. Multinational companies, in fact, account for most international forms of business operations. MNCs also handle major portions of international trade. If imperfect conditions prevent the efficient operation of exporting to a certain country, because of prohibitive tariff and other trade barriers, a multinational company may opt for any of available alternative modalities, and decide to choose the one that best serves its strategic considerations and interests. It may establish a wholly owned subsidiary in a foreign country, in line with its strategic choice for 100 percent ownership as a means of obtaining full control, independence and decision-making. If not allowed by the host country, the same multinational company may resort to a joint venture with a local firm. In this joint venture option, ownership and control are obviously shared with the local counterpart in the host country. However, both wholly owned subsidiary and joint venture are part of the cross-border units that form and add value to a multinational conglomerate.

In general, all other available options (licensing, franchising, consulting, contracting, project management and counter-trade) will be normally explored before foreign investment decision is taken. The investment option that is chosen (joint venture, wholly owned subsidiary, etc.) can be assumed to add value to the multinational value chain. With reference to wholly owned subsidiary and joint venture options, they differ primarily in terms of ownership control and, hence, the degree of authority and decision-making.

Notes

[1] Casson highlighted that the current economic theory of the multinational firm "began mainly as an attempt to explain post-war US corporate investment in West European industry". Wholly owned manufacturing subsidiaries across borders were the traditional marks of multinational business operations. So, empirical and theoretical works on multinational firms in the past were mainly concerned with manufacturing industries rather than services (Casson in Hertner and Jones 1986: 43).

[2] Advocates of the internalisation theory like Rugman (1981: 38) suggest that multinational enterprises exist as a response to imperfections in the goods or factor markets. Hood and Young (1979: 44) also assert that "foreign direct investment is a product of imperfections in goods and factor markets throughout the world. In a perfect market situation no advantage could accrue to the prospective multinational company. But normally some advantage is required to enable the MNE to produce and compete successfully in an unfamiliar foreign environment" (Hood and Young 1979: 44). In reality, however, the presence of direct foreign investment across borders does not eliminate international trade (of course, not the pure free trade scenario which does not exist at all), regardless of the magnitude of market imperfections. Neither does it eliminate licensing nor other business modalities. In fact, all kinds of business modalities known to and practised by multinational firms exist under imperfect market conditions. The truth is that the well-known 'perfect market' assumption holds true only as a theoretical exercise, a utopian case that does not exist at all. In real business situations, multinational companies themselves are the main agents of international trade and other cross-border business routes outside the fold of DFI. They may internalise foreign markets for some goods, but in the same internal markets of their own, they may be doing other kinds of businesses including licensing, contracting, joint ventures and so on. In other words, international trade and DFI exist hand in hand with other business modalities, all under imperfect market conditions.

[3] Various views have cropped up concerning the role of ownership advantages as an explanation to the existence and growth of multinational companies. The competitive international industry theorists propose that the ownership advantages of the company operating under oligopolistic market conditions are a necessary condition for its survival vis-à-vis its competitors. The greater the firm's ownership advantages relative to its competitors, the greater will be its market share and growth. Internalisation theorists have focused on explaining the efficiency of firms in terms of how the

exchange of intermediate products is organised. In the technological accumulation approach each firm in an industry internally generates a succession of innovations or ownership advantages, which constitute the basis of both their domestic and their international production. Cantwell asserts that, for a particular firm or a particular group of firms, ownership advantages are a necessary condition for establishing and preserving international production. They are also necessary for sustaining business locally or internationally. In other words, ownership advantages, achieved mainly through innovation, are needed for maintaining or enhancing competitive position, for the company to survive and grow. Otherwise, firms that "fail to accumulate technology and related ownership advantages are either driven out of business, or taken over by firms that have the capacity to do so" (Cantwell in Pitelis and Sugden 1991a: 46-49).

[4] Many other scholars emphasise the view that the decision to pursue direct foreign investment hinges on the underlying benefits vis-à-vis costs. Dunning (1995a: 467), for instance, supposes that the choice between a hierarchical and alliance capitalism as a means of lessening arm's-length market failure clearly depends on their respective costs and benefits.

[5] In his version of the internalisation theory, Rugman (1981: 27) advances the notion that a firm considers explicitly the relative costs of servicing foreign markets in one of 3 possible ways — exporting, foreign direct investment or licensing. In practice, however, MNCs are now venturing into all sorts of businesses based on their relative costs and benefits. Some MNCs are now partnering with their customers; others with their competitors. The broad spectra of options available to an international firm include joint venturing, contracting, consulting, project management and so on. Nowadays, the dividing lines between wholly owned multinational subsidiaries and joint ventures abroad are becoming less visible. In fact, it is no longer common to see a multinational company that has no joint venture across national boundaries.

[6] The economics of transaction costs has become an interesting subject in recent years. Rubin (1990) remarks that the principles of transaction cost economics may replace conventional price theory as the foundation of a "new managerial economics."

[7] Bounded rationality refers to human behaviour that is intendedly rational, but only limitedly so. It involves cognitive and language limits on 'individuals' ability to process and act on information. Simon observes in this connection that "it is only because individual human beings are limited in knowledge, foresight, skill, and time that organisations are useful instruments for the achievement of human purpose" (Simon 1957: 199; 1961: xxiv as cited by Williamson 1975: 21).

[8] According to Williamson (1975: 26), opportunism extends the conventional assumption that economic agents are guided by considerations of self-interest to make allowance for strategic behaviour. This involves "self-interest seeking with guile" and has enormous implications for choosing between available contractual options. Opportunistic behaviour involves making "false or empty, that is, self-disbelieved, threats and promises" in the expectation that individual advantage will thereby be realised (Goffman 1969: 105). As the agents of transactions have bounded rationality and a tendency to opportunism, transaction costs — comprising the sum of information, enforcement and bargaining costs — are positive. This is so, as in practice markets are imperfect and never fully efficient (Hennart in Pitelis and Sugden 1991: 83).

[9] Uncertainty leads to endemic market failure. The higher the degree of uncertainty, the greater the chance that contracting parties in a market exchange mode will attempt to exploit each other. Thus, vertical integration or hierarchy will serve as a better alternative in that it allows interdependent units within the operation stages (processes) to cope with uncertainties (Hennart in Pitelis and Sugden 1991: 98-103).

[10] Small-numbers bargaining indeterminacies may exist in situations where each party has a durable and specific investment at stake (Kay in Pitelis and Sugden 1991: 143; Caves 1982a: 30). Small-number conditions result from economies of scale, from high transport costs, and from the presence of physical asset specificity. Asset specificity arises when one or both parties to the transaction invest in equipment specially designed to carry out the transaction, and which has lower value in other uses (Williamson, 1985). When these conditions are present, spot markets are likely to fail, because a party making transaction-specific investments, and for whom the costs of switching partners are consequently high, will fear that the more flexible party will opportunistically renegotiate the terms of trade. One possible way for parties to protect themselves is to write a contract fixing the terms and conditions of the trade over a period of time corresponding to the life of the plant. However this

approach generally fails when the environment is uncertain. Vertical integration will then be desirable, and makes it possible to reduce opportunism by aligning the incentives of both parties (Williamson, 1979).

[11] Williamson (1975: 31) considers information impactedness as a "derivative condition that arises mainly because of uncertainty and opportunism, though bounded rationality is involved as well." It exists when true underlying circumstances relevant to the transaction, or related set of transactions, are known to one or more parties but cannot be costlessly discerned by or displayed for others. According to him, information impactedness condition can be understood if there is clear distinction between buyer, seller, and arbiter to the transaction. Ex-ante information impactedness exists at the time of the original negotiations, as distinguished from ex post information impactedness, which develops during the course of contract execution. The occasion to engage an arbiter appears only in conjunction with the ex-post information impactedness condition. The relation of information impactedness to first-mover conditions ought also to be emphasised. The reason why outsiders are not on a parity with insiders is usually because outsiders lack firm-specific, task-specific, or transaction-specific experience. Such experience is a valuable resource and can be used in strategic ways by those who, by being awarded initial contracts, have acquired it (Williamson 1975: 31).

[12] Williamson (1975: 37) stresses further that atmospheric/environmental interaction effects need to be taken into account in the organisational failures framework. For instance, when technological inseparabilities prevail, failure to allow for such interaction effects, when in fact they exist, will lead to suboptimisation. Williamson also emphasised that technological separability does not imply attitudinal separability. Reference to atmosphere is intended to make allowance for attitudinal interactions and the systems consequences that are associated therewith.

[13] Williamson (1985:54) distinguishes at least four different types of asset specificity, namely: site specificity; physical asset specificity; human asset specificity; and dedicated assets. Kay noted Williamson's view that vertical integration is more likely when assets are specific, as it will presumably circumvent the underlying opportunistic problems. (See Kay in Pitelis and Sugden 1991: 145-147)

[14] Hymer (1976) suggests that the existence of multinational firm reflects the tendency of various enterprises to collude. However, MNC is only one of the possible forms of collusion as a means of removing conflict or overcoming market imperfections. Multinational firms can co-operate to minimise losses and optimise returns from opportunities across national borders through some kind of cartel. Even if no formal cartel exists among them, they may resort to some kind of co-ordination to impose some restraints on supply, so as to influence the market price.

[15] Many Asian countries, including China, Malaysia, Singapore, Thailand and South Korea, allow multinational companies to set up locally wholly owned subsidiaries at good preferential rates. China, for instance, has preferential incentive policies for foreign-invested enterprises (The Economist Intelligence Unit (EIU) Country Reference on China. Investing, Licensing and Trading Conditions Abroad, February 1997: 28). Malaysia is another country that offers an attractive range of investment incentives, including pioneer status, tax breaks and loans from government agencies. Pioneer status limits tax liability to just 30 percent of statutory income, resulting in an effective tax rate of 10 percent, for a period of five years.(EIU May 1997a: 14-19). In Vietnam, a corporate profit tax range of 10-25 percent applies to all foreign invested enterprises (EIU April 1997: 33-34). In the Philippines, new investment projects receive income tax holidays of up to four years, and up to six years from commercial start-up if qualified under designated pioneer firms. Those enterprises that export 70 percent of output will receive exemption from taxes and duties on imported parts (EIU March 1997: 20-21). In the case of Singapore, refer to EIU (May 1997b). Comparatively, Saudi Arabia's 10-year tax holiday for joint ventures between Saudi and foreign companies is far more attractive than what Malaysia, Vietnam and other Asian emerging economies offer to foreign firms that go for the joint-venture option. The Saudi government is furthering initiating reforms to further attract foreign investment, including new investment laws, greater openness to foreign business and allowing foreign investors access to local mutual funds (The EIU Country Report on Saudi Arabia, 1st Quarter 2000: 9, 18). The seriousness of the Saudi government's new initiative to attract foreign investment has been demonstrated by the invitation given to a number of multinational companies asking them to submit proposals for further developing the Kingdom's energy sector. In this sector, the government is projecting to generate $100 billion worth of new foreign investment, which will generate about a million jobs for the Saudis (The EIU Country Report on Saudi Arabia, May 2000: 17-19, 25). In response to the invitation, a number of multinational giants – Royal Dutch/Shell,

TotalFina, Chevron, Mobil, Texaco, Exxon, Conoco, Marathon and Phillips Petroleum – submitted their own investment proposals (The EIU Country Report on Saudi Arabia, 1st Quarter 2000:25).

16 Duran and Ubeda (2001) proposed an alternative method of assessing the relationship between FDI and the level of economic development. They claim that their proposed method allows an enhanced knowledge of the nature of the investment development path, as well as a more in-depth analysis of the different stages. Using factor analysis, they found, among others, that inward and outward foreign direct investment has a structural nature that is interrelated with the level of economic development. See Duran and Ubeda. (2001) "The investment development path: a new empirical approach and some theoretical issues." In United Nations Conference on Trade and Development (UNCTAD). *Transnational Corporations,* Vol. 10, No. 2, August 2001: 1-34.

17 Dunning empirically found that the UK-based subsidiaries of American firms were not as productive as their US-based parent companies, but were more productive than their local competitors. He, therefore, concludes that the productivity differences between British and American firms, when measured at a country level, were partly due to location and partly due to ownership-specific effects or characteristics (Dunning in Pitelis and Sugden 1991: 121). Recognising the changing dynamics of international production, Dunning (1993a: 52-101) incorporated in his eclectic paradigm the strategic response of the firm to its ownership (O), locational (L) and internalisation (I) advantages. Assuming some time lag (t-1) is needed for implementing the strategy, he proposed that the firm's foreign production (FP) depends on its strategic response (f) to the OLI advantages, i.e., $FP= (f)\ OLI_{t-1}$. He also incorporated in his model "strategy" per se, and considers sourcing, marketing and distribution, among others, as strategy related variables. Realising the difficulty of quantifying these variables, he remarks that "economists, *de facto,* regard the strategic response to a particular OLI configuration as a residual variable in explaining foreign production" (Dunning 1993a: 95-97). Previous attempts were also made to treat "multinational enterprise" per se as part of the strategic choices facing the firm in terms of a natural lexical ordering of strategies in the direction: specialization → diversification → multinationalism → joint ventures. For details, see Kay in Pitelis and Sugden 1991: 142-153.

18 Dunning (1995a: 470) notes that, in alliance capitalism, decisions are more likely to rest on a consensus of agreement between the participating parties, and there is rarely any formal structure of authority. His view may hold true for intra-region alliances, as in the case of some European firms forming some sorts of informal groupings for certain products to influence price directions through artificial restraints on supply. However, in the case of joint-venture alliances, formal structure of authority is a must.

19 Coase (1937) assumes that "the distinguishing mark of the firm is the supersession of the price mechanism." This may hold true, for example, in the case of vertical integration or hierarchy, whereby the foreign subsidiary's function is to supply whatever it produces to the parent company. Where the same subsidiary has some surplus product that has to be sold in the external market, the price mechanism cannot be avoided. In any case, the price system cannot be superseded when the final product has to be supplied either by the parent company or the subsidiary to the external market. By the same token, if the parent company's foreign subsidiaries across national boundaries are themselves profit centres, as in the case of horizontal integration, they will attempt to work for their respective business goals. This means that transfer pricing and product flows within the firm's internal market(s) across national borders cannot be detached from the working of the open market system. In both internal and external markets, the underlying players will strive to be treated fairly and act rationally to achieve their goals. As a matter of strategic positioning, a player may avoid the spot market and resort to a long-term contractual arrangement with internal and external parties, but any long-term pricing formula that needs to be set fairly has to have some reference to the open price mechanism.

20 Pindyck and Rubenfeld (1998: 296-325; 638-643) address the issue of overcoming inefficiency in the light of market failure, as well as other externalities or market imperfections. Likewise, several books on transaction cost economics or the so-called "new institutional economics" have given deeper insights into the issues of information asymmetry, opportunism, bounded rationality and asset specificity. These are the major transactional market imperfections that favour vertical integration of firms locally and internationally. See for example Rubin (1990), Williamson (1975 and 1985) and Putterman and Kroszner (1996).

Chapter 4 - Conceptual Framework and Research Methodology

4.1 Proposed Multinational Role Paradigm: A Conceptual Framework

Various theoretical approaches to the study of multinational business operations reviewed in the previous chapter have attempted to explain the existence and growth of international production. Accordingly, firms choose to pursue direct foreign investment (or more specifically international production) in light of their ownership-specific, location-specific advantages, as well as internalisation incentives.

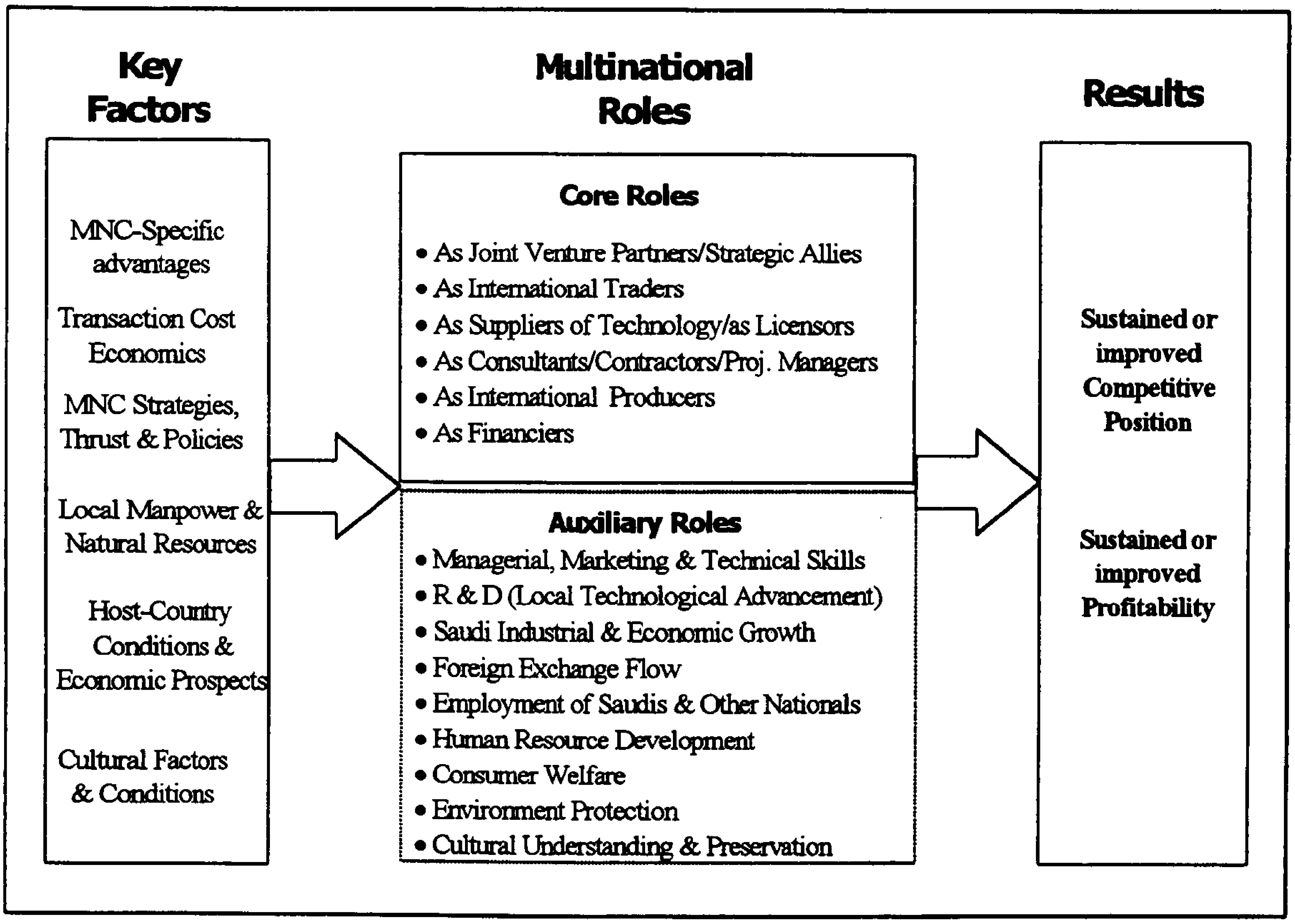
The multinational enterprise — by virtue of internalisation incentives and other considerations — can emerge in response to imperfections or externalities in the goods or factor markets.[1] Market imperfections (such as tariff and other import barriers) prevent the efficient operation of international trade (Rugman1981: 40-41). The market power approach, internalisation theory, transaction cost approach and the eclectic paradigm of international production all emphasise imperfections or externalities in the goods or factor markets as partial explanations to the emergence of multinational companies. However, when firm resorts to internalisation or direct foreign investment, the internal markets of MNCs are not necessarily free from conflicts, imperfections and transaction costs. Within the internal market of the firm, transaction costs would be lower than in the external arm's length markets. Albeit much lower than without internalisation, transaction costs of co-ordination, monitoring and so on will still be present between the internal market and its home market (parent company), or between the internal market and its customers or suppliers. In other words, some kinds of transaction costs along with other forms of externalities will remain to be present as long as the multinational firm and its interdependent units have to operate internally between and among them, as well as externally in a dynamic business environment, which is always imperfect.

It is also worth noting that interdependent entities, affiliates or subsidiaries of a multinational group of companies may have some conflict of interests, with each trying to give priority to its own function, area of responsibility or strategic intent. Certain externalities or imperfect market conditions may compel them to do so.[2] Outside the bounds of the internal market, some of the internally produced intermediates or finished goods would have to find their way to the external markets where all sorts of imperfections could be present. This means that transactions between one internal market and another will remain under the pressure of imperfect market conditions of various sorts. The imperfect conditions of bounded rationality, opportunism, information asymmetry, uncertainty and asset specificity will, in one way or another, prevail in the dynamic international business environment. Thus, common international business modalities (be it direct foreign investment, international trade, licensing, joint venture and so on) are affected directly or indirectly by these market impurities. The underlying magnitude of effects and the forms of imperfections could vary from firm to firm, from product to product, from industry to industry and from location to location. In reality, both the market conditions and business modalities are imperfect, making it meaningless to attribute the existence and growth of multinational production or direct foreign investment to the impurities, imperfections or conflicts in the market. After all, a perfect business environment is nowhere to be found in the global market place (including the so-called internal markets of multinational firms).

As shown with supporting data and factual information in the next chapter, activities of multinational companies at least in a Middle East setting are not confined to international production. That is, a multinational company, operating in the region or in its home base, may employ all possible international business routes at the same or different times, depending on market-specific conditions, ownership-specific advantages, location-specific advantages, internalisation incentives and other strategic considerations. These conditions and considerations boil down to the need of the firm to expand business operations across national boundaries in order to maintain, sustain or enhance its profitability and competitive position.

This study proposes two broad roles of multinationals — core and auxiliary. The core roles of multinationals proposed in this study are the value-adding activities of marketing, trading, international production, joint venture, consulting, contracting, project management, licensing and financing (See Figure 4.1).

Figure 4.1 Multinational Role Paradigm: Multinational Roles in Saudi Arabia



The cross-border profitability and competitive position of multinational firms are a function of the advantages that they enjoy across national boundaries. Operating internationally must be more advantageous, in terms of profitability or competitive position, than operating only domestically. Otherwise, there will be no motivation to pursue business operations across national boundaries.

The auxiliary roles of multinationals refer to their contributions to the host country and to their parent companies (See Figure 4.1). These include managerial, marketing and technical skills, research and development activities (for the host-country's technological advancement), contribution to the industrial and economic growth of the host country (including infrastructure development), foreign exchange flows, consumer welfare, employment, human resource development, environment protection, as well as cultural understanding and preservation. In particular, multinational firms with better understanding of Islam are expected to acquire a noticeable competitive advantage in the Saudi marketplace.

In pursuing their roles (both core and auxiliary), multinational companies are expected to face constraints or threats to their business operations in light of existing and potential imperfect market conditions. These constraints include but not limited to the competitive threats from other multinationals, fast development of local industries, strong local subsidy/support to the local industries, gradual Saudization/nationalisation of work force, scarcity of qualified local manpower, language barrier/communication problem, local resistance to change and cultural barriers. In the broader sense, they also include those arising from the imperfect conditions of opportunism, information asymmetry, uncertainties and so on. The more constraints are there, the less will be the foreign firm's ability to sustain or enhance profitability and/or competitive position, and the reverse case holds true.[3]

Despite any ownership-specific advantages that multinational firms may possess relative to national firms, the opportunity for them to undertake their wholly owned foreign subsidiaries in Saudi Arabia may not necessarily be attractive. National firms may also have advantages, which are peculiar to them. These advantages may not be readily accessible to international firms. Moreover, foreign firms do not have the sole discretion to dictate what they want to do in a foreign land, and despite all the potential advantages that they may possess, host country's national interests and comparative advantages have roles to play in the decision. In the Middle East setting, notably Saudi Arabia, the option of foreign direct investment is less preferred when compared to strategic alliances and other cross-border business routes.[4]

4.2 Research Problems and Issues

This study attempts to adopt an appropriate model for understanding the nature, existence, and role of multinational companies in the Middle East, with Saudi Arabia as the case in point.

The subsections below highlight the major research problems and issues:

4.2.1 Cultural Issues

Cognisant of the limitations of existing economic, strategic management and international business theories in explaining the activities of multinational companies, the survey of related literature includes some available studies that point to the importance of cultural factors in the success of multinational companies doing business in the Middle East.

This research work addresses, among others, the following cultural issues:

- How important are the Islamic cultural and ethical values that need to be understood by multinational companies doing business or planning to invest in Saudi Arabia?
- Do MNC non-Muslim managers know the Kingdom's cultural, religious and ethical values?
- Are multinational companies responsive to the cultural needs and values of the local populace?
- What is the impact on the local society of the western values brought in as a result of the presence of multinational companies?
- Do Saudi populace, in general, resist changes in their own culture arising from the influence of multinational companies; and is it risky for the multinational business to have the Islamic culture replaced by western values arising from the influence of multinational companies and their activities?
- How do MNC managers view the importance of Arabic language in the operations and activities of the multinationals doing business in Saudi Arabia?
- How important are the local commercial regulations, Islamic cultural and ethical values to MNCs' planning, strategy formulation and decision-making process?

The respondents were asked concerning their perceptions of the elements of culture (economic, social, religious/spiritual values) that affect the MNC operation in the Middle East particularly Saudi Arabia. Key multinational managers and other respondents, classified by religion and other categories, were asked how good is their knowledge of selected Islamic cultural and ethical values. The study addresses the differences between the perceptions of Muslim respondents and non-Muslim respondents. The perceptions of MNC respondents were compared to the other group of respondents to determine whether differences or similarities in perceptions are due to the differences in cultural or religious affiliations.

4.2.2 Competitiveness of Multinational Companies

On the issue of multinational competitiveness, the following questions were raised: What are the primary sources of MNCs' competitiveness in the Middle East? How do respondents rank the various technologies, products and services offered by the MNCs? Which of the MNCs operating in the Middle East are more globally oriented and which ones are more locally responsive? What influences the global scanning capability of MNCs? Do they consider important in their scanning activities in Saudi Arabia the local cultural and ethical values? Are the components or parts of the MNCs' products marketed locally produced in the home country or in Saudi Arabia itself? Or are the products produced by the MNCs' affiliates elsewhere, or imported from third countries?

The respondents were also asked which of the MNCs operating in the Middle East are more globally oriented and which ones are more locally responsive. Questions were incorporated in the questionnaire to capture the MNCs' magnitude of global integration and coordination of activities and sensitivity to diverse requirements and wants of various national markets in the Middle East, as perceived by the respondents.

4.2.3 Problems Caused and Constraints Faced by Multinational Companies

The respondents were asked which problems they perceived as caused by multinational companies. They were asked concerning the extent of their agreement or disagreement to the following problems: *environmental pollution, unwanted competition with local industries, greater foreign exchange outflow; exploitation of local resources or factor endowments, profit repatriation; discriminatory employment or favouritism, unfair or undue access to local bank credit facilities, scarcity of needed labour supply, brain* *drain from the local industries in favour of the MNCs, materialism or secularism, neo-colonialism, perpetuation of colonial mentality and distortion of local culture.*

The respondents were also asked which of the following variables they perceive as constraints to a multinational company's operations in Saudi Arabia: *competitive threats from other multinationals, fast development of local industries, local subsidy to the local industries, expropriation of MNC assets, nationalisation of work force, scarcity of qualified local manpower, local bureaucratic delays/red tape, language barrier/communication problem, local resistance to change and cultural barriers.*

4.2.4 Variables Influencing the Success of MNCs Operating in Saudi Arabia

The study also looked into the variables underlying the success of multinational companies operating in Saudi Arabia. These include the following: *Clarity of corporate mission and objectives, effective strategic analysis, effective marketing planning, adoption of total quality management (TQM), effective financial planning and budgeting, high degree of product diversification, effective price-setting, emphasis on product quality, focus on supply reliability, availability of responsive customer services, customer satisfaction, good public relations, good knowledge of local culture and responsiveness to local cultural needs.* The other variables are shown in the questionnaires (Appendices 1 and 2).

4.2.5 Contributions of Multinational Companies to the Host Country

The relevant issues addressed in this study are the following: Do multinational companies contribute significantly to the host country's socio-economic developments as perceived by the respondents? Is the overall effect of multinational operations on the host country's economy positive? What are the variables that have jointly contributed to the prosperity being enjoyed by Saudi Arabia and its people? Do the perceptions of customers differ from those of multinational managers?

4.3 Hypotheses of the Study

The hypotheses of the study, along with the research problems in hand, are shown in a tabular form in Tables 4.1 through 4.5.

Table 4.1 Cultural Issues

Research Problem	Hypothesis	Location in the Questionnaire
1. How important are the Islamic cultural and ethical values to be understood by multinational companies doing business or planning to invest in Saudi Arabia?	1. Islamic cultural and ethical values are important to be understood by MNCs doing business or planning to invest in Saudi Arabia. The local respondents, however, are more concerned about the importance of these values to be understood by multinational companies than the multinational managers themselves.	1. Code GI01-GI61, both questionnaires.
2. Do MNC non-Muslim managers know the Kingdom's cultural, religious and ethical values?	2. Non- Muslim MNC managers based in Saudi Arabia have limited knowledge of the Kingdom's cultural, religious and ethical values.	2. Code GN01-06, both questionnaires.
3. Are multinational companies responsive to the cultural needs and values of the local populace?	3. MNCs are viewed by the host country's constituents to be not responsive enough to their cultural needs, values and sensitivities. MNC managers are expected to disagree with this view, and may assert that they are responsive enough to the cultural needs, values and sensitivities of the local populace.	3. Code GI62-63 and HS28-30, both questionnaires.
4. How do the local populace react to any change in the local culture arising from the influence of multinational companies and their activities?	4. The impact on the local society of the western values brought in as a result of the presence of multinational companies is generally perceived as negative. The perceptions of non-Muslim multinational respondents, however, differ to some extent from those of Muslim respondents.	4. Code GI67, both questionnaires.
5. Is it risky for the MNCs to have the Islamic culture replaced by western values arising from their influences?	5. It is risky for the MNCs to have the Islamic culture replaced by western values arising from their influences.	5. Code GI68-69, both questionnaires.
6. How do MNC managers view the importance of Arabic language in the operations and activities of the multinationals doing business in Saudi Arabia? Do MNCs employ adequate number of Arab personnel or Arabic speaking staff?	6. Arabic language is generally viewed as important to the operations and activities of the multinationals doing business in Saudi Arabia.	6. Code GI64-66, both questionnaires.
7. How important are the local commercial regulations, Islamic cultural and ethical values to MNCs' planning, strategy formulation and decision-making process?	7. Local commercial regulations, along with cultural and ethical considerations, are perceived to be important to the planning, strategy formulation and decision-making process of MNC in Saudi Arabia.	7. Code GM01-04, both questionnaires.

Table 4.2 Competitiveness of MNCs

Research Problem	Hypothesis	Location in the Questionnaire
1. What are the primary sources of MNCs' competitiveness in Saudi Arabia? How do respondents rank the various technologies, products and services offered by the MNCs?	1. MNCs operating in Saudi Arabia are competitive by virtue of their advantages in management, finance, marketing and technology.	1. Code BD01-26, Appendix 1.
2. Are MNCs operating in the Middle East more globally oriented or more locally responsive?	2. Some MNCs operating in Saudi Arabia are globally oriented, while others are locally oriented.	2. Code DP01-25 & Code DS01-05, Appendix 1

Table 4.3 Problems Attributed to MNCs and Problems Facing Them

Research Problem	Hypothesis	Location in the Questionnaire
1. Which economic and non-economic problems are generally viewed by the respondents as caused by multinational companies?	1. The presence and operations of MNCs in the Kingdom are perceived by the host country's constituents to be bringing about a number of problems.	1. Code EP01-14, both questionnaires.
2. Do MNCs in the Kingdom consider some economic, political and culture related concerns as constraints to their local operations?	2. MNCs in the Kingdom view some economic, political and culture related concerns as constraints to their local operations.	2. Code FC01-10, both questionnaires.

Table 4.4 Contributions of MNCs

Research Problem	Hypothesis	Location in the Questionnaire
1. Do multinational companies have significant and positive contributions to the host country's socio-economic developments and overall economic growth? Do the perceptions of local respondents differ to some extent from those of multinational managers?	1. The multinationals have significant and positive contributions to the host country's socio-economic developments and overall economic growth. The perceptions of local respondents, however, differ to some extent from those of multinational managers.	1. Code IR01-14 & Code JE01, both questionnaires.
2. Which variables have jointly contributed to or resulted in the prosperity enjoyed by Saudi Arabia and its people?	2. A number of variables can be identified as having jointly contributed to the prosperity enjoyed by S. Arabia and its people.	2. Code KP01-11, both questionnaires.

Table 4.5 Success of MNCs

Research Problem	Hypothesis	Location in the Questionnaire
1. Which variables are perceived to influence the success of multinational companies operating in Saudi Arabia?	1. A number of variables can be identified as having jointly contributed to or resulted in the success of multinationals doing business in Saudi Arabia.	1. Code HS01-30, both questionnaires & DS06, Appendix 1.
2. How is the MNCs success related to their local cultural awareness and responsiveness?	2. The success of MNCs is positively related to their local cultural awareness and responsiveness.	2. GI62 & GM02-03 vis-à-vis success data, Appendix 6b.

4.4 Research and Statistical Methods

The researcher investigated empirically the research problems in question through the use of a structured questionnaire directed to key multinational managers (See Appendix 1). The questions were designed on a seven-point Likert-type scale, as done in several studies (Mallak, Bringelson and Lyth 1997; Michel and Ambler 1998; Waller, Cusick, Matheson and Miller 1999). The Likert scale involves a series of statements or questions related to the perception or attitude in question whereby the respondent is required to indicate degree of agreement or disagreement with each of the statements (Kinnear and Taylor 1991).

A sample of 100 was drawn randomly from a population of 335 multinational companies (see Appendix 10 for the sample frame) compiled and verified from the following directories:

1. American Businessmen's Group of Riyadh. *Directory of American Businesses Resident in Saudi Arabia 1995/96*. Riyadh: The Commercial Section, American Embassy.

2. Bricault, Gicelle C. (ed.) (1995) *Major Companies of the Arab World 1995/96* (Section on the Major Companies of Saudi Arabia, pp. 501-707). London: Graham & Whiteside Ltd.

3. German Saudi Arabian Liaison Office for Economic Affairs. (1996) *German Companies in Saudi Arabia*. Riyadh: German Saudi Arabian Liaison Office for Economic Affairs.

4. IIT Services Company *Top 1000 Saudi Companies Directory 1991/92 and 1995/96* Editions.

5. The British Embassy. *Directory of British Companies with Resident Representatives in Saudi Arabia 1993/94*. Riyadh: The Commercial Section, The British Embassy.

The random selection was done in line with simple random sampling procedures.[5] The sample frame includes the MNC affiliates or subsidiaries whose parent companies are based abroad, joint-venture companies partly owned by Saudis and Saudi companies whose management is dominated by multinational executives. The questionnaires were then sent to the addresses of the key multinational managers taken from the directories mentioned above.

Two of the questionnaires were returned "unopened" to the researcher either because the addressees were no longer in their companies or due to some other reasons. One of the addressees directly sent an e-mail message to the researcher's supervisor explaining his regret for not being able to fill up the questionnaire. Although the questionnaire carries a covering letter from the supervisor assuring confidentiality of the survey results, some of the managers refused to answer, saying that their companies consider "confidential" many of the issues in question. For instance, a key manager in a well-known British company returned the questionnaire without completing it claiming that his company's agreement with the Saudi government does not allow the release of the required information. His letter to the researcher is quoted below:

> *We have just received the questionnaire accompanying Mr Michael Hodd's letter from the University of Westminster dated 24 June.*
>
> *Unfortunately, the nature of our contract under the terms of a government-to-government Memorandum of Understanding does not permit us to reveal answers to the type of questions raised in the said questionnaire and we therefore regret we are unable to assist you in this matter.*
>
> *We wish you well with your programme leading to a PhD.*
>
> *Yours sincerely,*
>
> *(Name withheld)*

Where some of the questions were not properly answered or left blank, the researcher ensured that they were properly completed by calling the concerned respondents or by sending them a fax message. Out of the total 100 mailed to key multinational managers, 45 properly completed questionnaires were returned to the researcher. The researcher made every effort to increase the questionnaire return by personal follow-ups, mails and telephone calls, but many simply refused to co-operate or participate in the survey as explained above. By comparison, the 45 percent response rate achieved in this study is much higher than the overall 15 percent response rate (45 completed questionnaires) obtained by Viola (1982: 39) in her research work *The Development of Human*

Resources: A Case Study of United States-Saudi Arabian Cooperation. She conducted this institutional case study while serving as Director of the Northeastern University Center for International Higher Education Documentation (CIHED), established in 1976 as an outgrowth of The International Encyclopedia of Higher Education, which houses the largest collection in the United States of international materials on higher education (Viola 1982: ii). In spite of all her extensive efforts and consultation with American corporate executives, she noted that obtaining responses from multinational firms operating in Saudi Arabia proved to be a difficult task, with some returning a blank questionnaire while many failed to respond due to confidentiality or out of a seemingly apathy regarding the subject (Viola 1982: 38-39).

In this study, the random sampling approach employed for the multinational managers gave all the sample units an equal chance of representing the population. This is in line with the well-known central limit theorem, which entails the use of random samples — a *sine qua non* for the validity of the 'normal distribution' assumption (Aczel 1999: 206-208; Green, et. al. 1997: 168).[6]

Although random sampling is used in the multinational manager survey, some points of caution need to be borne in mind. Despite the efforts made to maximise questionnaire return, the possibility of non-response bias may exist as a result of the differences in the characteristics or attributes of those who responded and those who did not. One solace that may minimise, if not rule out, non-response bias is when the sample units are virtually the same on position level and occupation, among other socio-economic characteristics, as reported by Wallace (1954 in Jain, Pinson and Ratchford 1982: 112). In this thesis, the companies covered in the survey have a common attribute in that the sample units are all key multinational managers (both respondents and non-respondents) occupying higher managerial positions. By the same token, joint venture is the dominant form of international business in Saudi Arabia, as expounded in Chapter 5. In fact, most of the sample units (both respondents and non-respondents) are MNE-host country joint ventures, and none of them is a wholly owned subsidiary of a foreign company. Likewise, regardless of the country of origin and other characteristics of the MNEs operating in Saudi Arabia, the same rules and regulations under the Foreign Capital

Investment Law apply to them across the board. Respondent and non-respondent differences with regard to such characteristics as growth of sales and return on assets cannot be ascertained for all the companies, due to the lack of complete data. This is part of the data constraints highlighted in Chapter 1, Note 6.

It is acknowledged that the need to minimise, if not eliminate, non-response bias is a vital issue in statistics and applied research, and great care must be exercised to avoid this source of error (Richmond 1964: 328-329). Unit non-response error arises due to the failure of some or many of the sample units to return the questionnaire. Researchers tend to minimise non-response error by maximizing questionnaire return (Jain, Pinson and Ratchford 1982: 91-145). Another approach to the non-response problem is to estimate the magnitude of bias. However, measuring the potential bias is an extremely difficult and subjective task (Research Triangle Institute 1998: A-15). Non-response errors may still exist, even if the characteristics of the non-respondents (e.g. demographic) are determined, on the basis of which the results for the respondents with the same characteristics may be given more weight proportionately (Silver 1992: 8).

A pilot study was also done for selected customers of multinational products or services, using a questionnaire with a seven-point response scale. The customers surveyed could be described as 'elites' in their own right, most of whom having obtained college degrees and holding key positions — managers, engineers, architects, medical doctors, advisers or consultants, accountants, professors, instructors and administrative officers. 28 percent of the customer respondents have doctoral and master's degrees. The total number of questionnaire for multinational customers was 280, of which 189 was returned properly completed. This represents a good response rate of 67.5 percent. The questionnaire for selected multinational customers is shown in Appendix 2.

The multinational customer survey was done on a 'convenience sampling' basis.[7] That is, the researcher, by means of his contacts, selected a 'convenient' set of customer respondents from the major Saudi Arabian cities of Riyadh, Dammam, Al-Khobar/Dhahran, Al-Jubail, Jeddah, Madinah and Makkah. The selection gave overriding priority to the respondent's ability to understand and answer the questionnaire. Although no claims are made for its representativeness, it is hoped that the results of the survey will help guide researchers who will be interested to pursue research on the subject of this thesis in the future. For future research, however, the non-response issue needs to be borne in mind, and great care must be exercised to avoid this source of error as discussed above.

Information on Islamic culture is based on the Qur'an and authentic Ahadith/Sunnah. Literature on multinational theories and secondary data on Saudi Arabia and multinational business in the country were gathered from university libraries and public institutions in Saudi Arabia, United Kingdom and Denmark. In addition, relevant references were also gathered through the Internet and Compuserve Information System.

SPSS was used for the statistical analysis of the study. Appropriate estimation and analytical methods were used to analyse and empirically test the given hypotheses.

Notes

[1] Hymer's market power approach emphasises the removal of conflict and the internalisation of structural market imperfections (rather than transactional market imperfections) as explanations to the existence of multinational firms. This approach also hypothesises that firms pursue international operations (or direct foreign investment) by virtue of their oligopolistic or ownership-specific advantages (Pitelis in Pitelis and Sugden 1991: 195). The internalisation school, on the other hand, proposes that firms internalise markets across national boundaries in response to endemic, cognitive or natural market imperfections, such as those arising out of excessive market transaction costs. As popularised by Williamson, the hierarchy approach to the study of transaction cost economics claims that bounded rationality, opportunism and asset specificity give rise to high market transaction costs, such as the costs of searching, contracting, negotiating and policing agreements. According to Pitelis, these costs can often be reduced if the market is superseded by a hierarchical structure, such as the multinational firm. The existence of MNCs can thus result in decreased transaction costs (Pitelis in Pitelis and Sugden 1991: 196).

[2] Hymer's market power approach emphasises the removal of conflict and the internalisation of structural market imperfections (rather than transactional market imperfections) as explanations to the existence of multinational firms. This approach also hypothesises that firms pursue international operations (or direct foreign investment) by virtue of their oligopolistic or ownership-specific advantages (Pitelis in Pitelis and Sugden 1991: 195). The internalisation school, on the other hand, proposes that firms internalise markets across national boundaries in response to endemic, cognitive or natural market imperfections, such as those arising out of excessive market transaction costs. As popularised by Williamson, the hierarchy approach to the study of transaction cost economics claims that bounded rationality, opportunism and asset specificity give rise to high market transaction costs, such as the costs of searching, contracting, negotiating and policing agreements. According to Pitelis, these costs can often be reduced if the market is superseded by a hierarchical structure, such as the multinational firm. The existence of MNCs can thus result in decreased transaction costs (Pitelis in Pitelis and Sugden 1991: 196).

[3] Many empirical studies on cross-border investment support profit maximisation as the objective function of the multinational firm. Other studies (in line with competing, non-profit maximisation theories) suggest that multinational executives tend to sacrifice profits to achieve greater firm size and growth, and hence enhance competitiveness across national borders. See Stevens, Guy V.G. "The Determinants of Investment" In Dunning, John H. (ed.) (1974) *Economic Analysis and the Multinational Firm*. London: George Allen & Unwin Ltd. It is worth noting that this study does not cover an empirical testing of the correlation between constraints and profitability or competitive position of multinational companies doing business in Saudi Arabia, due to lack of relevant data and the underlying complexities.

[4] Long and adequate international experiences of a multinational firm tend to go hand in hand with a preference for wholly owned subsidiaries across national borders. However, some countries regard local ownership as an important national objective. Others realise that wholly owned local companies will have some shortfalls or ownership-specific limitations and other disadvantages, which a multinational firm can fill. Cognisant of this reality, joint venture arrangement will become an appropriate alternative. In some countries, local partners will be needed as they are in a position to provide local capital and location-specific services more readily than in others (Vernon and Wells, Jr. 1976: 26-27).

[5] Each item on the Sample Frame (see Appendix 10) was serially numbered. The numbers were put on 335 separate slips of paper. The numbered slips where then put on a box and thoroughly shuffled. A sample of 100 slips was drawn blindly from the box.

[6] By convention in statistics, and in line with the well-known Central Limit Theorem, the response rate of 45 percent obtained in the multinational manager survey is acceptable as it exceeds 30 random cases. The Central Limit Theorem states that the distribution of the sample mean tends to a normal distribution as the sample size becomes large, regardless of the distribution of the population from which the random sample is drawn. A general but somewhat arbitrary rule is that "a sample of 30 or more elements is considered large enough for the central limit theorem to take effect" (Aczel 1999: 206-208). In most circumstances, a sample size of 30 should be sufficient to yield fairly accurate results. Naiman, Rosenfeld and Zirkel (1977: 142-143), in fact, highlighted that, in many

applications, statisticians consider a size bigger than 30 as constituting a "large" sample. Given a moderate or larger sample size, the 'normal distribution' assumption underlying standard statistical tests "may be violated, and the test will still yield fairly accurate results" (Green, et. al. 1997: 168). In this research work, the researcher employed distribution-free or non-parametric tests. Statistical procedures such as the one-sample t test and chi-square test used in this work do not require the 'normal distribution' assumption to produce relatively valid results. Useful references in this regard, especially for SPSS users, include Norusis (1993: 377-408), SPSS Base 7.5 Applications Guide (1997: 199-210), Green, et. al. (1997: 168; 383-455), and SPSS Base 7.5 for Windows User's Guide (1997: 277-303). See also Bryman and Cramer (1997: 102-104).

[7] Bryman and Cramer (1997) remarked that "although social scientists are well aware of the advantages of probability sampling procedures, a great deal of research does not derive from probability samples." One finding, based on a review of 126 correlational research articles in the field of organisation studies, reveals that only 21 were based on probability samples. All the rest are based on "convenience samples, that is, samples which are either 'chosen' by the investigator or which choose themselves (e.g. volunteers)." The difference between research based on random samples and convenience samples in terms of their comparative representativeness is not always significant as is sometimes implied, keeping in mind that response rates to sample surveys are often quite low. Likewise, even when random sample procedures are followed, factors like non-response rate may adversely affect the random qualities of the obtained samples (Bryman and Cramer 1997: 104). According to Green, et. al. (1997: 168), given a moderate or larger sample size, the 'normal distribution' assumption underlying standard statistical tests "may be violated, and the test will still yield fairly accurate results." They remarked that if the population distribution is substantially non-normal, larger sample sizes are required to produce relatively valid results. They also assert that, in most circumstances, a sample size of 30 should be sufficient to yield fairly accurate results (Ibid.). As this research work was based on a convenience sampling method, the researcher employed distribution-free or non-parametric tests. Statistical procedures, such as the one-sample t test and chi-square test used in this work, do not require the 'normal distribution' assumption to produce relatively valid results. Useful references in this regard, especially for SPSS users, include Norusis (1993: 377-408), SPSS Base 7.5 Applications Guide (1997: 199-210), Green, et. al. (1997: 168; 383-455), and SPSS Base 7.5 for Windows User's Guide (1997: 277-303).

Chapter 5 - International Business in Saudi Arabia

This chapter reviews and analyses the nature and role of international business in Saudi Arabia. In Chapters 3 and 4, the author has shown respectively the theoretical backgrounds and synthesis of the nature and existence of firms operating across national borders. Many scholars have equated the theory of multinational enterprise to the theory of international production. In reality, however, "joint ventures (JVs), not wholly-owned operations, dominate the multinational enterprise (MNE) involvement in less-developed countries" (Al-Aali 1987:1). This holds true very clearly in Saudi Arabia, based on the available data and information presented in the following sections.

5.1 Joint Ventures: The Dominant Form of International Business in Saudi Arabia

Joint ventures are the dominant form of international business in Saudi Arabia.[1] The Minister of Industry and Electricity, Dr. Hashim A. Yamani, recently underscored the importance of joint venture as a form of business in Saudi Arabia. According to him, joint venturing has been a key factor in Saudi Arabia's industrialisation process because "it gave us access to state-of-the-art technology and offered a wider scope for the development of our human resources." He further asserts:

> *Saudi Arabia offers the ideal opportunity for foreign investors in a world fraught with political and economic uncertainties. I am certain that those who have participated in Saudi industrial ventures can vouch for our track record, our respect for history, tradition, and international law.* (Middle East Insight 1995: 27)

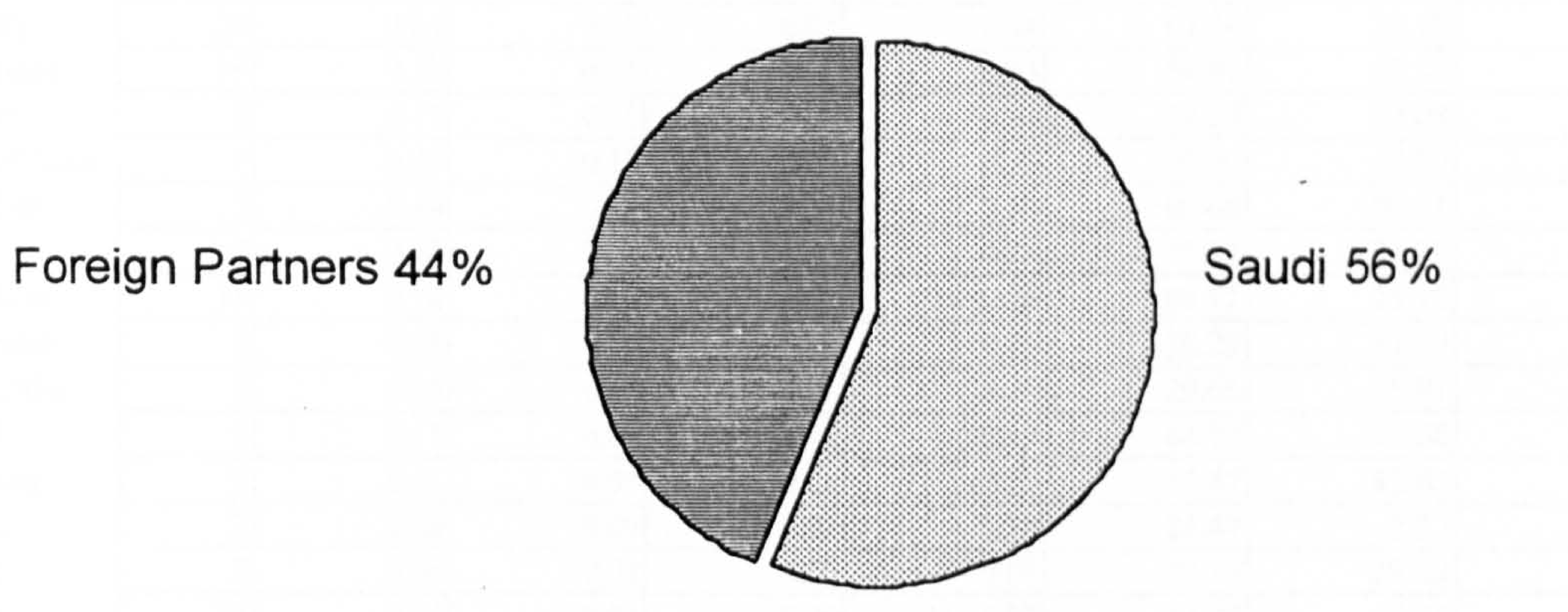
Foreign investors' likely access to the Kingdom's plentiful hydrocarbon resources may have been the driving force for industrial joint ventures in Saudi Arabia about 20 years ago. According to Minister Yamani, the Kingdom today is an ideal base for joint ventures between Saudis and foreign investors for many other reasons, aside from the availability of abundant hydrocarbon resources. These include:

- The presence of free market conditions
- The increasing role of the private sector in the Saudi economy
- The government's promotional role in supporting new joint ventures

- The prospective entry of Saudi Arabia into the World Trade Organisation (WTO)
- The quality and cost advantages of land and infrastructure facilities in the modern industrial cities of the Kingdom
- Very competitive user fees for industrial water and sewerage facilities. They are charged according to block rates, the lowest rate being approximately $4.05 for 100 cubic meters
- Very competitive user fees for electricity. Industrial electricity users pay a preferred rate of $1.35 per 100 KW hours.

Figure 5.1 summarises the joint industrial and non-industrial projects between Saudis and their foreign partners, based on the most recently available statistics from the Ministry of Industry and Electricity. As of year-end 1996, there were more than 1300 licensed joint projects recorded by the said Ministry. These projects combined had a total licensed capital of more than SR 140 billion (around US $38 billion), 56 percent of which belonged to Saudis and 44 percent to foreign partners (See Figure 5.1).

Figure 5.1 Joint Projects Between Saudis & Their Foreign Partners as of 1996



Source: Table 5.1a

Tables 5.1a to 5.1e show a detailed summary of the joint industrial and non-industrial projects between Saudi and foreign partners, based on available statistics from the Ministry of Industry and Electricity.

Table 5.1a Joint Projects Between Saudi Arabia and Foreign Partners

As of 30/06/1417 H (Year-End 1996)

Country	No. of Proj.	Licensed Capital in SR. Billion				Percentage of Share (%)		
		Saudi	Partner	Others	Total	Saudi	Partner	Others
USA	241	28.86	25.19	0.48	54.54	52.93	46.20	0.88
Japan	29	6.42	5.80	0.07	12.30	52.24	47.17	0.59
Panama	22	4.57	4.34	0.00	8.91	51.27	48.70	0.04
Bermuda	8	4.39	4.39	0.00	8.77	49.98	50.02	0.00
Kuwait	52	3.59	1.63	1.14	6.36	56.42	25.69	17.88
Italy	39	3.80	0.76	0.98	5.54	68.59	13.71	17.70
Ireland	2	2.00	2.00	0.00	4.00	50.00	50.00	0.00
UK	112	2.37	1.03	0.21	3.61	65.60	28.50	5.90
Bahrain	11	2.80	0.33	0.23	3.36	83.28	9.92	6.80
Cayman	27	1.72	1.63	0.00	3.35	51.26	48.74	0.00
Pakistan	18	2.35	0.26	0.70	3.31	71.08	7.82	21.10
France	56	1.92	0.89	0.03	2.85	67.46	31.33	1.21
Taiwan	5	1.41	1.41	0.00	2.82	50.08	49.92	0.00
Holland	42	1.37	1.18	0.00	2.55	53.52	46.40	0.08
S. Korea	30	1.76	0.49	0.03	2.28	77.18	21.45	1.37
Switz.	43	1.14	0.97	0.01	2.11	53.77	45.84	0.39
Jordan	81	1.09	0.76	0.04	1.89	57.54	40.43	2.03
Germany	69	1.16	0.47	0.03	1.66	69.79	28.28	1.93
Egypt	21	1.12	0.35	0.00	1.47	76.13	23.53	0.34
Lebanon	106	0.84	0.54	0.07	1.45	57.90	37.08	5.02
UAE	20	0.67	0.34	0.08	1.10	60.98	31.26	7.75
Canada	25	0.35	0.29	0.02	0.67	53.23	43.60	3.17
Qatar	4	0.30	0.09	0.24	0.63	46.83	14.37	38.80
Austria	6	0.25	0.08	0.23	0.56	44.82	14.16	41.02
Luxemb.	4	0.27	0.24	0.00	0.52	52.49	46.76	0.75
Syria	47	0.21	0.25	0.01	0.48	44.50	52.70	2.80
Liberia	2	0.29	0.10	0.00	0.39	74.00	26.00	0.00
Turkey	26	0.24	0.12	0.02	0.38	63.34	30.77	5.89
Palestine	56	0.12	0.21	0.01	0.33	34.91	62.36	2.73
Yemen	8	0.17	0.11	0.05	0.33	52.26	32.08	15.66
Isle of Man	1	0.20	0.13	0.00	0.33	60.00	40.00	0.00
Sweden	13	0.19	0.12	0.00	0.32	60.68	39.21	0.11
Iraq	2	0.20	0.06	0.01	0.26	75.21	21.78	3.01
Belgium	11	0.18	0.06	0.01	0.26	69.71	25.16	5.13
Denmark	8	0.09	0.10	0.05	0.25	38.29	41.99	19.72
Australia	8	0.06	0.13	0.01	0.20	29.66	65.97	4.38
Spain	5	0.11	0.04	0.02	0.17	64.77	23.36	11.87
Norway	7	0.06	0.05	0.01	0.12	47.47	42.65	9.88
Tunis	2	0.08	0.00	0.01	0.10	84.47	2.27	13.26
Jersy	8	0.06	0.02	0.00	0.08	70.78	29.22	0.00
India	13	0.04	0.03	0.00	0.07	57.97	40.36	1.67
Cyprus	4	0.04	0.03	0.00	0.07	55.41	44.59	0.00
N Zealand	1	0.03	0.03	0.00	0.06	51.00	48.01	1.00
Liechtens.	6	0.02	0.02	0.00	0.04	50.74	49.26	0.00
Phil.	6	0.04	0.01	0.00	0.04	87.79	12.21	0.00
Hongkong	1	0.02	0.02	0.00	0.04	50.00	50.00	0.00
Algeria	2	0.02	0.01	0.00	0.04	66.12	33.88	0.00
Greece	3	0.02	0.01	0.00	0.03	50.23	39.62	10.15
Portugal	1	0.00	0.00	0.00	0.01	50.00	50.00	0.00
Somalia	1	0.00	0.00	0.00	0.00	51.03	48.97	0.00
Channel I.	1	0.00	0.00	0.00	0.00	60.00	40.00	0.00
Morocco	1	0.00	0.00	0.00	0.00	51.38	48.62	0.00
Malaysia	1	0.0007	0.0003	0.0000	0.001	70.00	30.00	0.00
TOTAL	**1318**	**79.00**	**57.15**	**4.85**	**141.00**	**56.03**	**40.53**	**3.44**

Source: Compiled by the author from numerous statistical tables prepared by the Ministry of Industry and Electricity.

Table 5.1b Joint Projects Between Saudi Arabia and Foreign Partners

As of 30/06/1417 H (Year-End 1996)

Country	Activity	No. of Proj.	Licensed Capital in SR. Billion				Percentage of Share (%)		
			Saudi	Partner	Others	Total	Saudi	Partner	Others
USA	Industrial	81	26.28	24.12	0.44	50.84	51.70	47.44	0.86
	Non-Ind.	160	2.58	1.07	0.04	3.70	69.86	29.02	1.12
	Total	241	28.86	25.19	0.48	54.54	52.93	46.20	0.88
Japan	Industrial	5	5.75	5.72	0.00	11.48	50.12	49.88	0.00
	Non-Ind.	24	0.67	0.08	0.07	0.82	81.84	9.31	8.85
	Total	29	6.42	5.80	0.07	12.30	52.24	47.17	0.59
Panama	Industrial	4	4.54	4.31	0.00	8.85	51.31	48.69	0.00
	Non-Ind.	18	0.03	0.03	0.00	0.06	45.26	48.94	5.80
	Total	22	4.57	4.34	0.00	8.91	51.27	48.70	0.04
Bermuda	Industrial	6	4.38	4.39	0.00	8.77	49.99	50.01	0.00
	Non-Ind.	2	0.00	0.00	0.00	0.01	37.60	58.40	4.00
	Total	8	4.39	4.39	0.00	8.77	49.98	50.02	0.00
Italy	Industrial	12	3.80	0.71	0.98	5.49	69.19	12.98	17.83
	Non-Ind.	27	0.01	0.05	0.00	0.06	9.30	85.49	5.21
	Total	39	3.80	0.76	0.98	5.54	68.59	13.71	17.70
UK	Industrial	33	1.59	0.84	0.13	2.56	62.07	32.68	5.25
	Non-Ind.	79	0.77	0.19	0.08	1.04	74.28	18.22	7.50
	Total	112	2.37	1.03	0.21	3.61	65.60	28.50	5.90
Cayman	Industrial	9	1.70	1.62	0.00	3.31	51.26	48.74	0.00
	Non-Ind.	18	0.02	0.02	0.00	0.04	50.92	49.08	0.00
	Total	27	1.72	1.63	0.00	3.35	51.26	48.74	0.00
Pakistan	Industrial	8	0.98	0.08	0.60	1.66	59.01	4.96	36.03
	Non-Ind.	10	1.37	0.18	0.10	1.65	83.24	10.70	6.06
	Total	18	2.35	0.26	0.70	3.31	71.08	7.82	21.10
France	Industrial	14	0.62	0.26	0.03	0.92	67.54	28.73	3.73
	Non-Ind.	42	1.30	0.63	0.00	1.92	67.42	32.58	0.00
	Total	56	1.92	0.89	0.03	2.85	67.46	31.33	1.21
Taiwan	Industrial	2	1.41	1.40	0.00	2.81	50.06	49.94	0.00
	Non-Ind.	3	0.00	0.00	0.00	0.01	58.50	41.50	0.00
	Total	5	1.41	1.41	0.00	2.82	50.08	49.92	0.00
Holland	Industrial	14	0.30	0.26	0.00	0.56	53.91	46.09	0.00
	Non-Ind.	28	1.06	0.93	0.00	1.99	53.41	46.49	0.10
	Total	42	1.37	1.18	0.00	2.55	53.52	46.40	0.08
S. Korea	Industrial	9	1.71	0.40	0.03	2.14	79.85	18.68	1.46
	Non-Ind.	21	0.05	0.09	0.00	0.14	35.24	64.76	0.00
	Total	30	1.76	0.49	0.03	2.28	77.18	21.45	1.37
Switz.	Industrial	24	1.09	0.93	0.01	2.02	53.80	45.92	0.28
	Non-Ind.	19	0.05	0.04	0.00	0.09	53.01	44.27	2.72
	Total	43	1.14	0.97	0.01	2.11	53.77	45.84	0.39
Germany	Industrial	26	1.09	0.35	0.03	1.47	74.23	23.67	2.10
	Non-Ind.	43	0.07	0.12	0.00	0.19	35.58	63.79	0.63
	Total	69	1.16	0.47	0.03	1.66	69.79	28.28	1.93
Canada	Industrial	14	0.35	0.28	0.02	0.65	53.45	43.29	3.25
	Non-Ind.	11	0.01	0.01	0.00	0.02	45.11	54.89	0.00
	Total	25	0.35	0.29	0.02	0.67	53.23	43.60	3.17
Austria	Industrial	5	0.25	0.08	0.23	0.56	45.14	13.54	41.31
	Non-Ind.	1	0.00	0.00	0.00	0.00	0.00	100.00	0.00
	Total	6	0.25	0.08	0.23	0.56	44.82	14.16	41.02
Luxemb.	Industrial	2	0.27	0.24	0.00	0.51	52.70	46.53	0.77
	Non-Ind.	2	0.00	0.01	0.00	0.01	40.11	59.89	0.00
	Total	4	0.27	0.24	0.00	0.52	52.49	46.76	0.75

Source: Compiled by the author from numerous statistical tables prepared by the Ministry of Industry and Electricity.

Table 5.1c Joint Projects Between Saudi Arabia and Foreign Partners

As of 30/06/1417 H (Year-End 1996)

Country	Activity	No. of Proj.	Licensed Capital in SR. Billion				Percentage of Share (%)		
			Saudi	Partner	Others	Total	Saudi	Partner	Others
Liberia	Industrial	2	0.29	0.10	0.00	0.39	74.00	26.00	0.00
	Non-Ind.	0	0.00	0.00	0.00	0.00	-	-	-
	Total	2	0.29	0.10	0.00	0.39	74.00	26.00	0.00
Turkey	Industrial	7	0.19	0.07	0.02	0.29	66.43	25.73	7.85
	Non-Ind.	19	0.05	0.04	0.00	0.10	54.03	45.97	0.00
	Total	26	0.24	0.12	0.02	0.38	63.34	30.77	5.89
Isle of Man	Industrial	1	0.20	0.13	0.00	0.33	60.00	40.00	0.00
	Non-Ind.	0	0.00	0.00	0.00	0.00	-	-	-
	Total	1	0.20	0.13	0.00	0.33	60.00	40.00	0.00
Sweden	Industrial	8	0.18	0.12	0.00	0.30	60.91	39.09	0.00
	Non-Ind.	5	0.01	0.01	0.00	0.02	56.39	41.43	2.18
	Total	13	0.19	0.12	0.00	0.32	60.68	39.21	0.11
Belgium	Industrial	7	0.17	0.06	0.01	0.24	70.76	23.82	5.43
	Non-Ind.	4	0.01	0.01	0.00	0.01	51.79	48.21	0.00
	Total	11	0.18	0.06	0.01	0.26	69.71	25.16	5.13
Denmark	Industrial	5	0.09	0.10	0.05	0.24	37.34	42.23	20.43
	Non-Ind.	3	0.01	0.00	0.00	0.01	64.71	35.29	0.00
	Total	8	0.09	0.10	0.05	0.25	38.29	41.99	19.72
Australia	Industrial	4	0.05	0.12	0.00	0.18	29.55	68.72	1.73
	Non-Ind.	4	0.01	0.01	0.01	0.02	30.60	41.15	28.25
	Total	8	0.06	0.13	0.01	0.20	29.66	65.97	4.38
Spain	Industrial	3	0.08	0.01	0.02	0.12	70.66	12.22	17.11
	Non-Ind.	2	0.03	0.03	0.00	0.05	51.43	48.57	0.00
	Total	5	0.11	0.04	0.02	0.17	64.77	23.36	11.87
Norway	Industrial	3	0.05	0.04	0.01	0.10	48.09	40.34	11.58
	Non-Ind.	4	0.01	0.01	0.00	0.02	43.91	56.09	0.00
	Total	7	0.06	0.05	0.01	0.12	47.47	42.65	9.88
India	Industrial	6	0.03	0.02	0.00	0.06	58.69	40.61	0.70
	Non-Ind.	7	0.01	0.00	0.00	0.01	54.60	39.17	6.24
	Total	13	0.04	0.03	0.00	0.07	57.97	40.36	1.67
Cyprus	Industrial	2	0.03	0.03	0.00	0.06	56.38	43.62	0.00
	Non-Ind.	2	0.00	0.00	0.00	0.01	46.36	53.64	0.00
	Total	4	0.04	0.03	0.00	0.07	55.41	44.59	0.00
N Zealand	Industrial	1	0.03	0.03	0.00	0.06	51.00	48.01	1.00
	Non-Ind.	0	0.00	0.00	0.00	0.00	-	-	-
	Total	1	0.03	0.03	0.00	0.06	51.00	48.01	1.00
Liechtens.	Industrial	3	0.02	0.02	0.00	0.04	51.17	48.83	0.00
	Non-Ind.	3	0.00	0.00	0.00	0.01	48.57	51.43	0.00
	Total	6	0.02	0.02	0.00	0.04	50.74	49.26	0.00
Phil.	Industrial	0	0.00	0.00	0.00	0.00	-	-	-
	Non-Ind.	6	0.04	0.01	0.00	0.04	87.79	12.21	0.00
	Total	6	0.04	0.01	0.00	0.04	87.79	12.21	0.00
Hongkong	Industrial	1	0.02	0.02	0.00	0.04	50.00	50.00	0.00
	Non-Ind.	0	0.00	0.00	0.00	0.00	-	-	-
	Total	1	0.02	0.02	0.00	0.04	50.00	50.00	0.00
Greece	Industrial	2	0.01	0.01	0.00	0.02	50.00	50.00	0.00
	Non-Ind.	1	0.00	0.00	0.00	0.01	51.00	5.00	44.00
	Total	3	0.02	0.01	0.00	0.03	50.23	39.62	10.15
Portugal	Industrial	0	0.00	0.00	0.00	0.00	-	-	-
	Non-Ind.	1	0.00	0.00	0.00	0.01	50.00	50.00	0.00
	Total	1	0.00	0.00	0.00	0.01	50.00	50.00	0.00

Source: Compiled by the author from numerous statistical tables prepared by the Ministry of Industry and Electricity.

Table 5.1d Joint Projects Between Saudi Arabia and Foreign Partners

As of 30/06/1417 H (Year-End 1996)

Country	Activity	No. of Proj.	Licensed Capital in SR. Billion				Percentage of Share (%)		
			Saudi	Partner	Others	Total	Saudi	Partner	Others
Kuwait	Industrial	47	3.554	1.626	1.121	6.301	56	26	18
	Non-Ind.	5	0.036	0.009	0.017	0.062	59	14	27
	Total	52	3.591	1.635	1.138	6.363	56	26	18
Bahrain	Industrial	9	2.799	0.330	0.229	3.358	83	10	7
	Non-Ind.	2	0.003	0.003	0.000	0.006	43	58	0
	Total	11	2.801	0.334	0.229	3.364	83	10	7
Jordan	Industrial	70	0.721	0.517	0.038	1.276	57	41	3
	Non-Ind.	11	0.366	0.247	0.001	0.614	60	40	0
	Total	81	1.088	0.764	0.038	1.890	58	40	2
Egypt	Industrial	9	0.115	0.048	0.000	0.163	70	30	0
	Non-Ind.	12	1.008	0.299	0.005	1.312	77	23	0
	Total	21	1.123	0.347	0.005	1.475	76	24	0
Lebanon	Industrial	59	0.719	0.452	0.055	1.226	59	37	5
	Non-Ind.	47	0.119	0.084	0.017	0.221	54	38	8
	Total	106	0.838	0.537	0.073	1.447	58	37	5
UAE	Industrial	11	0.601	0.271	0.084	0.957	63	28	9
	Non-Ind.	9	0.067	0.071	0.001	0.139	48	51	1
	Total	20	0.668	0.343	0.085	1.096	61	31	8
Qatar	Industrial	3	0.292	0.088	0.244	0.624	47	14	39
	Non-Ind.	1	0.003	0.003	0.000	0.006	51	49	0
	Total	4	0.295	0.091	0.244	0.630	47	14	39
Syria	Industrial	36	0.200	0.240	0.006	0.446	45	54	1
	Non-Ind.	11	0.013	0.012	0.007	0.032	40	37	23
	Total	47	0.213	0.252	0.013	0.478	45	53	3
Yemen	Industrial	8	0.172	0.106	0.052	0.329	52	32	16
	Non-Ind.	0	0.000	0.000	0.000	0.000	-	-	-
	Total	8	0.172	0.106	0.052	0.329	52	32	16
Iraq	Industrial	2	0.196	0.057	0.008	0.261	75	22	3
	Non-Ind.	0	0.000	0.000	0.000	0.000	-	-	-
	Total	2	0.196	0.057	0.008	0.261	75	22	3
Palestine	Industrial	50	0.113	0.204	0.009	0.326	35	63	3
	Non-Ind.	6	0.004	0.005	0.000	0.009	48	52	0
	Total	56	0.117	0.209	0.009	0.335	35	62	3
Tunis	Industrial	2	0.082	0.002	0.013	0.097	84	2	13
	Non-Ind.	0	0.000	0.000	0.000	0.000	-	-	-
	Total	2	0.082	0.002	0.013	0.097	84	2	13
Algeria	Industrial	2	0.023	0.012	0.000	0.035	66	34	0
	Non-Ind.	0	0.000	0.000	0.000	0.000	-	-	-
	Total	2	0.023	0.012	0.000	0.035	66	34	0
Somalia	Industrial	0	0.000	0.000	0.000	0.000	-	-	-
	Non-Ind.	1	0.002	0.002	0.000	0.004	51	49	0
	Total	1	0.002	0.002	0.000	0.004	51	49	0
Morocco	Industrial	1	0.001	0.001	0.000	0.001	51	49	0
	Non-Ind.	0	0.000	0.000	0.000	0.000	-	-	-
	Total	1	0.001	0.001	0.000	0.001	51	49	0

Source: Compiled by the author from numerous statistical tables prepared by the Ministry of Industry and Electricity.

Table 5.1e Joint Projects Between Saudi Arabia and Foreign Partners

As of 30/06/1417 H (Year-End 1996)

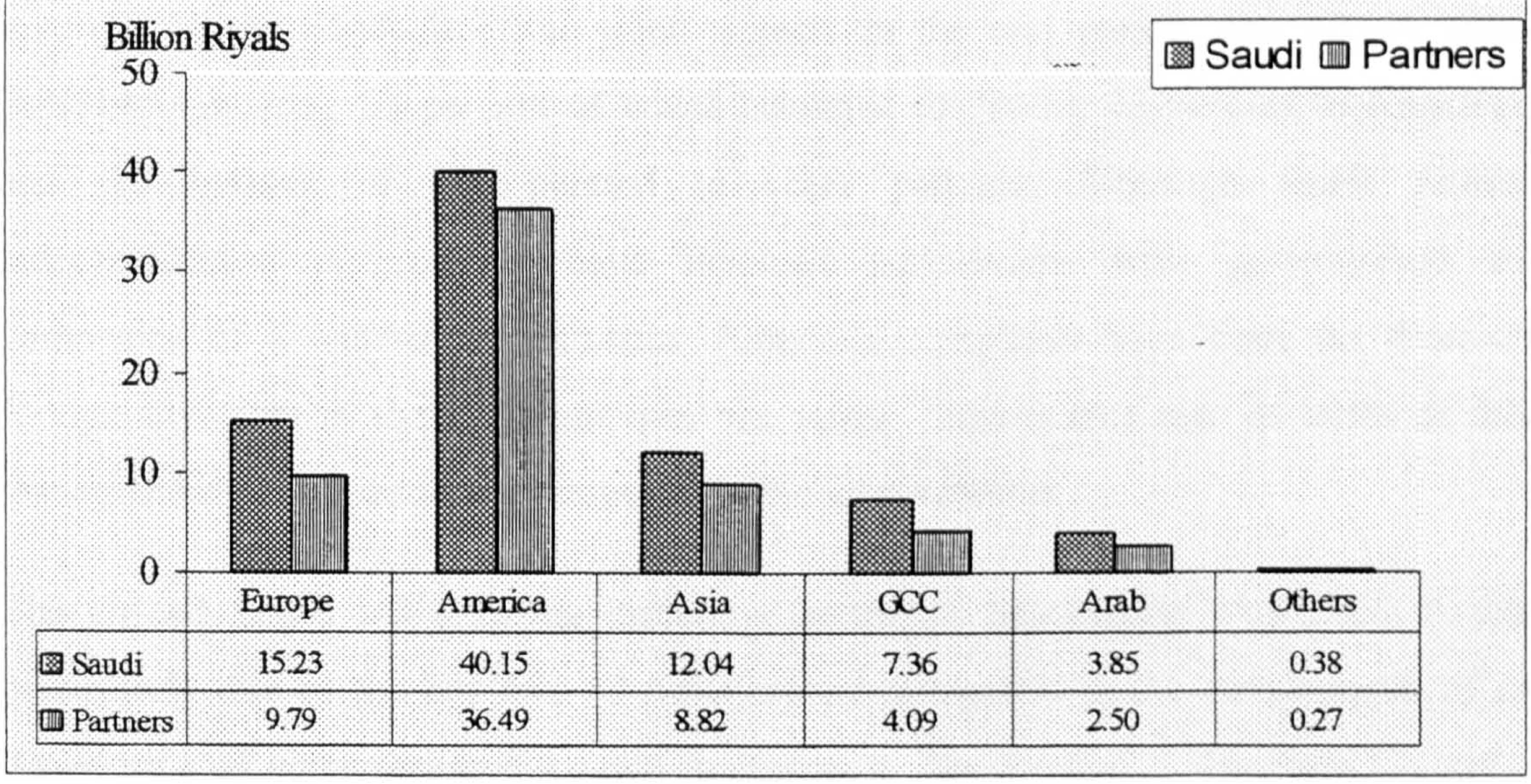
Country	Activity	No. of Proj.	Licensed Capital in SR. Billion				Percentage of Share (%)		
			Saudi	Partner	Others	Total	Saudi	Partner	Others
Jersey	Industrial	3	0.02	0.02	0.00	0.04	53.81	46.19	0.00
	Non-Ind.	5	0.04	0.01	0.00	0.05	84.12	15.88	0.00
	Total	8	0.057	0.024	0.00	0.08	70.78	29.22	0.00
Ireland	Industrial	0	0.00	0.00	0.00	0.00	-	-	-
	Non-Ind.	2	2.00	2.00	0.00	4.00	50.00	50.00	0.00
	Total	2	2.00	2.00	0.00	4.00	50.00	50.00	0.00
Channel I.	Industrial	0	0.00	0.00	0.00	0.00	-	-	-
	Non-Ind.	1	0.001	0.001	0.00	0.00	60.00	40.00	0.00
	Total	1	0.00	0.00	0.00	0.00	60.00	40.00	0.00
Malaysia	Industrial	0	0.00	0.00	0.00	0.00	-	-	-
	Non-Ind.	1	0.0007	0.0003	0.00	0.00	70.00	30.00	0.00
	Total	1	0.00	0.00	0.00	0.00	70.00	30.00	0.00
	Industrial	7	0.17	0.06	0.01	0.24	70.76	23.82	5.43
Total Non-Arab	Industrial	326	57.58	46.89	2.63	107.10	54	44	2
	Non-Ind.	578	10.21	5.57	0.31	16.09	63	35	2
	Total	904	67.79	52.46	2.94	123.19	55	43	2
Total Arab	Industrial	309	9.59	3.96	1.86	15.40	62	26	12
	Non-Ind.	105	1.62	0.73	0.05	2.40	67	31	2
	Total	414	11.21	4.69	1.91	17.81	63	26	11
Grand Total	Industrial	635	67.17	50.84	4.48	122.50	54.8	41.5	3.7
	Non-Ind.	683	11.83	6.31	0.36	18.50	64	34	2
	Total	1318	79.00	57.15	4.85	141.00	56	41	3

Source: Compiled by the author from numerous statistical tables prepared by the Ministry of Industry and Electricity.

In 1996, the total number of industrial joint ventures reached 635, accounting for 48 percent of the total 1318 joint projects. Non-industrial projects account for 52 percent of the total number of joint projects between the Saudis and their foreign partners in 1996 (See Table 5.1e). In terms of licensed capital, however, industrial projects comprise 87 percent of total licensed capital, with the balance of 13 percent non-industrial.

The total share of Saudis in the licensed capital for industrial projects was 55 percent, while foreign partners 45 percent. The Saudi share in the non-industrial projects was 64 percent, while non-Saudis the remaining 36 percent. This proportion, although much lower than in the industrial sector, was still more than the minimum limit of 25 percent needed for the project to avail of foreign investment incentives, like tax holiday. Joint projects between Saudis and foreign partners are shown in Figure 5.2.

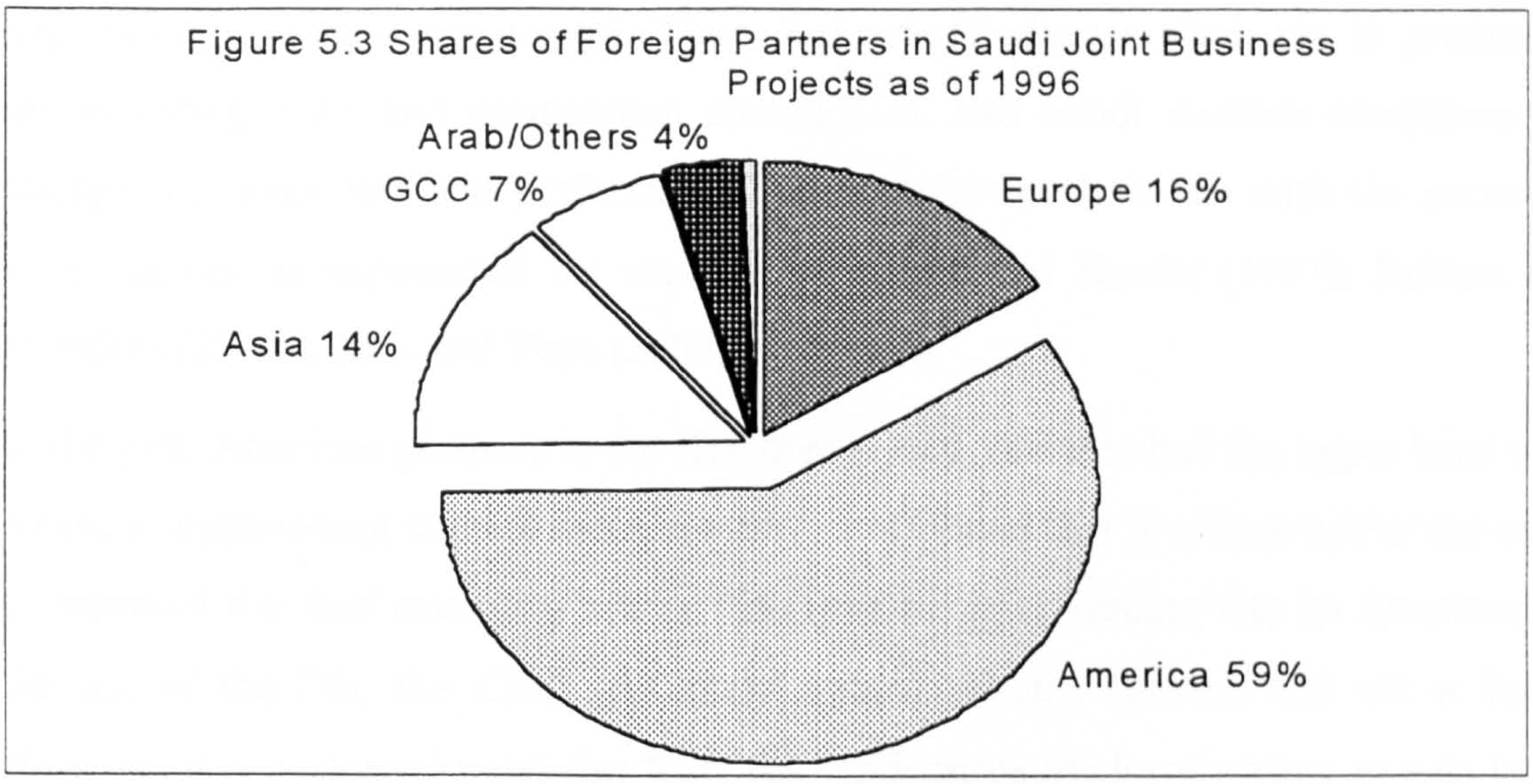
Figure 5.2 Joint Projects Between Saudi and Foreign Partners as of 1996



	Europe	America	Asia	GCC	Arab	Others
Saudi	15.23	40.15	12.04	7.36	3.85	0.38
Partners	9.79	36.49	8.82	4.09	2.50	0.27

Source: Ministry of Industry and Electricity, Riyadh, Saudi Arabia

Region-wise, Americas account for 59 percent of foreign partners' shares in Saudi joint business projects as of 1996. The next in rank is Europe (16 percent), followed by Asia (14 percent), then GCC (7 percent). Arab and other investors account for the remaining four percent (See Figure 5.3).



Source: Ministry of Industry and Electricity, Riyadh, Saudi Arabia

Country-wise, the United States has the largest foreign investment in Saudi Arabia with American companies involved in 241 joint ventures as of 1996. The total licensed capital involved in the Saudi-American joint projects in the said period was SR 54 billion (US$14.54 billion), 53 percent of which belonged to Saudis, 46 percent to Americans and the balance of one percent to other partners. Although Saudi Arabia's industrialisation programmes have involved partnerships with governments and companies of a number of countries, American companies have been the dominant foreign investors in the Kingdom over the years. This is true also in terms of their management participation and control over the joint ventures.

The United States has a strong traditional economic relationship with Saudi Arabia, particularly due to the key role of American oil companies in the development of the Kingdom's oil economy, as discussed in chapter 2. The Saudi-U.S. Business Council, a voluntary organisation of business leaders in both countries, has also been working together to promote joint ventures and trade opportunities by promoting broader understanding among U.S. and Saudi Arabian companies. The council has been instrumental in increasing knowledge and understanding of the business and cultural environments of both countries. It also helps develop and strengthen its working relationships with relevant private and government agencies and industry leaders in order to respond to business needs (U.S.-Saudi Arabian Business Council 1996;

http://www.us-saudi-business.org/). Thus, the council plays a vital role in promoting understanding, trust and cooperation among U.S. and Saudi Arabian companies for stronger economic ties and performance. This is very much in line with the notion of social capital, as expounded for example by Knack and Keefer (1997), Paldam and Svendsen (2000a), Barr and Toye (2000) and others.

In the past, American partners in the Kingdom's joint ventures had the upper hand with regard to management control. Al-Aali (1987: 174) found that in almost half of the cases he surveyed the chief executive officer (CEO) of the joint venture was an American. In the rest of the JVs, the CEO was likely a third country national and not a Saudi. However, it is common knowledge that "the MNE needs the local partner to gain faster entry into the Saudi market, to comply with existing and forecast government ownership regulations, and to benefit from his knowledge of the local economy and customs. Knowing these insights, a local partner can improve his bargaining position to extract favourable terms." (Al-Aali 1987: 176). In recent years, the Saudis have successfully used their bargaining power to a point where they now hold the highest management positions in the known big joint industrial ventures. For instance, the Board chairmen and the presidents of SABIC joint venture companies are all Saudis. These include those in SADAF, a SABIC joint venture with Pecten Arabian Company, a subsidiary of the U.S. Shell Oil Co; YANPET, a SABIC joint venture with MOBIL Oil Corporation; and KEMYA, a SABIC joint venture with EXXON Corporation.

Japan ranks as the second largest foreign investor in Saudi Arabia, in terms of licensed capital. In 1996, the Japanese investment in Saudi Arabia consisted of only 29 projects, but with a total licensed capital of SR 12.3 billion. The Saudis accounted for 52 percent of the licensed capital, the Japanese 47 percent while other partners (besides Saudis and Japanese) shared one percent. The joint industrial projects between Saudis and Japanese investors include those with SABIC, namely: Saudi Methanol Company (AR-RAZI) and Eastern Petrochemical Company (SHARQ). Likewise, Japan has investment interests in other business areas, in partnership with some Saudi private companies. These include the National Pipes Company (NPC) in Dammam and the Saudi Factory for Electrical Appliance (SELECT) in Jeddah.

The Japanese are also involved in a Jeddah-based Pharmaceutical Manufacturing project, which is also a joint venture with a Saudi private investor. This project, which was granted license by the Ministry of Industry and Electricity in July 1995, has a total cost outlay of $50 million. Another joint project between Japanese investors and the Saudi private sector is a plastic metalisation project, which was a result of the joint venture agreement signed in June 1996. A major joint venture between Japan and the Saudi government prominent is the Arab Oil Company. This company operates in oil offshore field in the neutral zone between Saudi Arabia and Kuwait (*Saudi Gazette*, 24 December 1996).

The foregoing joint industrial projects are only part of Japan's strong bilateral economic relations with Saudi Arabia. Japan appreciates the role of Saudi Arabia as a key player in the international oil markets, and as a main source of oil supply. The Japanese also view the Kingdom as an equal partner with Japan on various issues of bilateral relations.

The USA and Japan led the list of 21 countries/investors involved in Saudi Arabia's joint projects with foreigners. The others in the top-21 list are those from Americas, Kuwait, Italy, Ireland, UK, Bahrain, Cayman Islands, Pakistan, France, Taiwan, Holland, Switzerland, Jordan, Germany, Egypt, Lebanon, United Arab Emirates and South Korea.[2] Altogether these 21 countries are involved in 1034 joint-venture projects licensed to operate in Saudi Arabia. These account for about 78 percent of total joint projects between Saudis and foreign partners. These projects have a combined licensed capital of SR 134 billion, accounting for 95 percent of the total licensed capital. The total Saudi share in the licensed capital of top 21 joint projects was 56 percent in 1996, while the foreigners' was 44 percent.

Thirty-two other countries altogether account for the remaining 5 percent of the total licensed capital of the joint projects between Saudis and foreign partners. This means that while there are more than 50 countries involved in joint-venture projects in Saudi Arabia, many of the projects are of small-to-medium scale. Large-scale projects are those found in the chemical, fertilizer and plastic sectors. SABIC's joint ventures with foreign investors other than the Japanese and Americans manifest the importance of the chemical, fertilizer and plastic sectors. These include IBN SINA, SABIC's joint venture with Hoechst Celanese and Pan Energy, IBN HAYYAN, SABIC's joint partnership with LG Group of South Korea, IBN ZAHR, SABIC's joint venture with Neste Oy of Finland, Ecofuel of Italy and APICORP of the Arab World, as well as Al-Jubail Fertilizer Company (SAMAD), SABIC's joint venture with Taiwan Fertilizer Company of Taiwan.

Joint industrial projects in Saudi Arabia cover various kinds of products in the manufacturing sector. They are not confined to industrial goods like basic chemicals and plastics, which are used for further producing other products or services. In 1996, the total number of productive industrial projects between Saudis and foreign partners reached 340, with a total investment of SR 88.8 billion, as per information from the Riyadh-based Council of Saudi Chambers of Commerce and Industry (Cited in Al-Nashra Al-Sanai'yah Industrial Bulletin, April 1997: 5). The Saudis shared around 55 percent and the foreign partners 45 percent of this joint investment.

The researcher successfully obtained useful industrial investment statistics and other relevant references from the Ministry of Industry and Electricity and the Council of Saudi Chambers of Commerce and Industry, which include useful data on foreign investment in Saudi Arabia. The references include latest available prints of the Industrial Statistics Bulletin, Directory of Industrial Projects, Directory of Saudi Companies Seeking Foreign Partners. From these references, particularly the Directory of Industrial Projects, the author was able to compile data on 327 productive joint ventures between Saudis and foreign partners (See Tables 5.2a to 5.2e). Of the 327 companies with foreign investment, the top 14 have a total capital investment of SR 74 billion. These 14 companies are joint ventures between Saudi national firms and well-known multinationals like Shell, Exxon, Mobil and Mitsubishi.

Appendix 4 presents selected cases of major multinational companies operating in Saudi Arabia. These cases show the broad and diverse nature of multinational business activities beyond the frontier of international production.

Table 5.2a Industrial Ventures in Saudi Arabia with Foreign Investment

As of 1416 Hijra (Greg. Year 1995)

Company Name	Location	Product	Capital SR Mill.	% Foreign Capital	Foreign Investor	No. of Workers
Saudi Petrochemical Co	Al Jubail	Petrochemicals	12993.00	50.0	USA	1437
Eastern Petrochem (Sharq)	Al Jubail	LLDPE, EG	8600.00	50.0	Japan	900
Petromin Petrola Refinery	Rabigh	S. Diesel, F Oil, etc	8303.30	50.0	Panama	515
Yanpet	Yanbu	Ethylene, PE, EG	8050.00	50.0	USA	1121
Petromin-Mobil Yanbu Ref	Yanbu	Gasoline, etc	7088.00	50.0	USA	899
Petromin-Shell Refinery Co	Al Jubail	LPG, Gas Oils, etc	6485.60	50.0	Bermuda	700
Ibn Zahr	Al Jubail	MTBE, PP	4889.60	30.0	Fin/Italy/Arab	628
Jub. Petrochem Co (Kemya)	Al Jubail	Polyethylene	4620.00	50.0	USA	539
Nat'l Methanol Co (Ibn Sina)	Al Jubail	Methanol, MTBE	2967.55	50.0	USA	339
Al Jubail Fert Co (Samad)	Al Jubail	Fertilizers, etc	2800.00	50.0	Taiwan	600
Saudi Cement Co	Dammam	Cement	2637.00	6.32	Bahrain	2216
Yamama Saudi Cement Co	Riyadh	Cement	1761.80	14.53	Kuwait	1295
Saudi Methanol Co (Arrazi)	Al Jubail	Methanol	1524.45	50.0	Japan	400
Nat'l Plas Co (Ibn Hayyan)	Al Jubail	VCM, PVC, etc	1461.60	15.0	South Korea	343
Modern Products Co	Jeddah	Pampers, etc	468.00	49.0	Switzerland	499
Petromin Lub Oil Ref Co	Jeddah	Lubricants, etc	395.00	30.0	USA	343
Saudi Steel Pipe Co Ltd	Dammam	Steel Pipes, etc	367.84	24.0	South Korea	407
Saudi Arabian Glass Co	Jeddah	Glass Products	348.10	49.0	Liberia/Leb.	383
S. A. Cast Iron Pipes Mfg	Dammam	Cast Iron Sew. Pipes	279.98	20.0	France	375
Nat'l Automotive Ind Co	Jeddah	Trucks	260.16	26.0	Germany	155
Arab Gulf Factories Co	Jeddah	Plas Films, Box, etc	236.60	30.0	UAE	788
ABB Elec Industries Co Ltd	Riyadh	Lighting Switch, etc	235.00	45.0	Switzerland	620
Modern Industries Co	Dammam	Shampoo, etc	214.80	49.0	Switzerland	299
Bin Zagr-Lever Co Ltd	Jeddah	Shampoo, etc	202.70	49.0	UK	293
Ameron Saudi Arabia	Dammam	Conc. Cyl. Pipes	200.13	30.3	USA	212
S. Nat'l Biscuits & Conf. Co	Jeddah	Biscuits, etc	191.10	50.0	UAE/Yemen	285
National Food Industries Co	Jeddah	Milk, etc	179.00	33.33	UAE	171
Petromin PETROLUB	Jeddah	Lubricants & Coolant	167.03	29.0	Panama	369
Saudi Sandlime Bricks Co	Riyadh	Sand & Lime Bricks	166.70	50.0	Kuwait	215
Al Uliyan-Kimberly Clark Ar	Al Khobar	Toilet Paper, etc	158.00	49.0	USA	369
Saudi Food Industries Co	Jeddah	Powder Milk, etc	155.75	51.0	Switzerland	215
Saudi Coca-Cola Co	Dammam	Coca-Cola Products	152.10	15.0	USA	835
Al Tayar Plas & Rubber Ind	Jeddah	PE/PVC Pipes, etc	152.00	25.0	Iraq	295
Nat'l Factory for Can Indus.	Jeddah	Can Lids	151.13	16.0	UK	174
Petromin PETROLUB	Riyadh	Lubricants & Coolant	148.57	29.0	Panama	145
Jeddah Bev. Can Making Co	Jeddah	Cold Drink Cans	147.00	40.0	USA	195
Continental Can of SA Ltd	Dammam	Beverage Cans, etc	140.00	28.0	USA	202
Nat'l Pipe Company Ltd	Dhahran	Spiral Welded Pipes	140.00	49.0	Japan	420
Mouawad Nat'l Co for Jewel.	Jeddah	Jewelry & Watches	120.00	5.0	Lebanon	150
M A Abu Dawood&Partners	Jeddah	Clorox products	120.00	30.0	Caymand Isl.	143
Arabian Chemical Co	Jeddah	PS Panels, etc	118.50	50.0	USA	29
Nasr Packing & Printing Co	Jeddah	Paper Sheets, etc	110.20	33.33	Jordan	200
Pharmaceuticals Sol. Ind.	Jeddah	Acid Solutions, etc	104.87	32.6	Arab/German	440
Saudi Bldg Systems Co	Jeddah	Iron Sheets, etc	104.60	30.0	USA	275
Saudi Plas Products Co	Riyadh	PVC Pipes	101.50	2.34	Jordan	453
Saudi Vitrified Clay Pipe Co	Riyadh	Clay Pipes	98.27	12.6	Germany/Belg	205
Al Jomaih & Shell Lub Oil	Riyadh	Lubricants	96.00	50.0	Netherlands	105
Best Foods Saudi Arabia	Yanbu	B. Foods Products	94.20	50.0	USA	80
United Co for Carton Manuf.	Jeddah	Paperboard Plate etc	94.10	30.0	UAE	158
Petromin PETROLUB	Al Jubail	Lubricants & Grease	94.00	29.0	Panama	57
Lubrizol Trans Arabia Co	Yanbu	Lubricant Additives	94.00	49.0	USA	31
S. Arabian Mkts & Shell Co	Jeddah	Lubricants	90.40	50.0	Netherlands	78
Danish Saudi Dairy Co Ltd	Jeddah	Dairy Products	86.97	73.5	Kuwait	288
Saudi Airconditioning Mfg	Jeddah	Central A/C, etc	84.42	48.5	USA	370
Nat' Medical Products Co	Riyadh	Medical Products	82.53	20.0	Germany	250

Source: Compiled by the author from three volumes of Saudi Industrial Directory (1995), Ministry of Industry and Electricity.

Table 5.2b Industrial Ventures in Saudi Arabia with Foreign Investment

As of 1416 Hijra (Greg. Year 1995)

Company Name	Location	Product	Capital SR Mill.	% Foreign Capital	Foreign Investor	No. of Workers
Sayegh Betanval Co	Riyadh	Pre-mixed concrete	82.00	49.0	Italy	141
Bin Zagr Coro Ltd	Jeddah	Fruit Drinks, etc	78.86	50.0	Denmark	185
Saudi Industrial Solvent Co	Dammam	Solvents, etc	78.45	55.0	Kuwait	227
Naser Industrial Corp	Jeddah	Stoves, Freezers etc	77.65	20.0	Luxembourg	125
Saudi Plastic Products Co	Dammam	PE/PVC Pipes, etc	75.73	1.0	Jordan	90
Qanbar Dywidag P & C Co	Al Jubail	Precast & Concrete	72.95	40.0	Germany	1000
Gulf Chem & Ind Resins Co	Dammam	Industrial Resins, etc	72.40	44.0	Kuwait	169
APLCO	Riyadh	Pipe Joints	69.00	25.78	Switzerland	89
Advertising Publ Decoration	Jeddah	Ads Sign Rolls, etc	67.60	45.0	Lebanon	222
Refreshment Mfg Co	Jeddah	Fruit Juice, etc	67.45	30.0	France	133
Saudi Bldg Material Co	Jeddah	Gravel C. Conc, etc	64.76	10.0	Finland	182
Arabian Co for Bldgs, M&D	Jeddah	Concrete Panels	64.00	35.0	Italy	113
National Food Co	Jeddah	Processed Meat, etc	63.50	98.0	Kuwait	138
Al Babtain Biscuit Mfg Co	Riyadh	Biscuits, etc	61.30	25.0	Kuwait	300
Architect. Group for C&D	Riyadh	Prefab Conc. Bldgs	60.07	40.0	Germany	420
Judah Farms Ltd	Riyadh	Fresh Laban, etc	59.66	25.0	Ireland	80
Modem Industries Co (Tide)	Dammam	Tide, Bath Soaps	57.84	51.0	Switzerland	316
Arabian CBI Tank Mfg Co	Dammam	Large Pipes, etc	57.70	75.0	USA	108
Danish Saudi Dairy Co Ltd	Riyadh	Dairy Products	57.30	73.5	Kuwait	81
Hygienic Paper Co Ltd	Jeddah	Toilet Paper, etc	57.10	50.0	Jordan	250
Lime & Sandlime Bricks Co	Al Khobar	Sand & Lime Bricks	56.97	16.0	Germany	69
Arabian Axles Mfg Co	Dammam	Various Axles	56.00	24.0	Arab	61
Saudi Arabian Fodder Co	Dammam	Cow & Broiler Feeds	55.81	40.0	Kuwait/UK	57
National Paper Co Ltd	Jeddah	Toilet Paper, etc	55.50	30.0	Lebanon	126
Belleli Saudi Heavy Industry	Al Jubail	Ind. Tanks, Cont, etc	55.31	50.0	Italy	560
Middle East Eng'g. Ltd	Dammam	Poles, Engines, etc	54.72	75.0	USA	272
Dar Al Akl Elec. Printers	Riyadh	Computer Rolls, etc	51.10	50.0	Jordan	117
Arabian Gulf Lub Co	Yanbu	Lubricants	49.30	30.0	Caymand Isl.	50
Dhahran Chem. Industries	Dammam	Polyvinyl Acetate etc	48.80	20.0	Bahrain	160
Sigma Paints S. Arabia Ltd	Dammam	Paints, Varnish, etc	48.40	20.0	Netherlands	170
Gemayel Corrosserie Fact.	Riyadh	Tanks, trailers, etc	47.88	49.0	Lebanon	102
Haras Fencing & Sec Sys	Dammam	Sec Systems, etc	47.78	44.0	Bahrain	91
Arab Wood Industry Co	Jeddah	House Furn., etc	47.29	91.4	Kuwait	150
Danish Saudi Dairy Co Ltd	Madinah	Dairy Products	47.24	73.5	Kuwait	151
Al Rashid A Betong Co	Riyadh	Pre-mixed concrete	46.77	45.0	Sweden	800
Saudi Industries for Pipes	Jeddah	PVC Pipes, etc	46.23	10.0	Turkey	115
Steel Prod. Co (STEPCO)	Riyadh	Barbed wires, etc	46.00	5.0	Jordan	150
Nat'l Paper Products Co	Jeddah	PE & PP Bags, etc	45.54	30.0	Lebanon	123
Saudi Arabian Lube Add Co	Yanbu	Fuel Oil Additives etc	44.00	40.0	USA	29
Saudi Carbonates Co	Riyadh	Cal Carbonates etc	43.80	30.0	Jordan	164
Saudi Fact. For Elec Appl.	Jeddah	Window A/C, etc	42.27	25.0	Japan	85
Al Bilad Concrete Co	Riyadh	Reinf. Conc. Pipes	42.20	49.0	South Korea	125
Elec Dist'n Panel & Breaker	Riyadh	Distribution Panel etc	41.30	45.0	France	225
Int'l Paints Saudi Arabia Ltd	Dammam	Paints, Epoxy, etc	40.80	40.0	UK	105
Saudi Cover Factory	Jeddah	Steel Sheets, etc	40.00	50.0	Sudan	95
Raychem S. Arabia Ltd	Dammam	Cable Conn. Access.	39.30	50.0	Bahrain	42
Al Jazirah Marble Co	Riyadh	Marbles	39.22	75.0	Luxem/Leb.	44
Arabian Organic Fertilizers	Dammam	Organic Fertilizers	39.00	95.0	Kuwait	59
Sherwein Williams S.A. Ltd	Jeddah	Paints, Thinners etc	37.00	19.0	Caymand Isl.	125
Jamjoom Foremost Ltd	Jeddah	Curd, Ice Cream, etc	36.40	51.0	Hong Kong	251
Saudi Formaldehyde Chem	Al Jubail	Formaldehyde	35.60	40.0	Arab Gulf	81
Saudi Co for Paper Proc.	Jeddah	Computer Rolls, etc	34.90	50.0	Austria	31
Meat Processing Plant DSC	Jeddah	Processed Meat	34.55	73.5	Kuwait	42
Eastem Lighting Factory	Dammam	Lighting Poles, etc	34.36	40.0	Palestine	152
Saudi Chem Ins & Disinf Co	Riyadh	Insecticide, Cleaners	34.24	20.0	Egypt	85

Source: Compiled by the author from three volumes of Saudi Industrial Directory (1995), Ministry of Industry and Electricity.

Table 5.2c Industrial Ventures in Saudi Arabia with Foreign Investment

As of 1416 Hijra (Greg. Year 1995)

Company Name	Location	Product	Capital SR Mill.	% Foreign Capital	Foreign Investor	No. of Workers
Saudi Transformers Co	Dammam	Elec Transformers	34.16	20.0	Belgium	180
Arabian Fibreglass Insul.	Dammam	Fibreglass Insulators	34.12	49.0	Caymand Isl.	96
Saudi Refrigerators Mfg Co	Jeddah	Refrigerators	33.60	25.0	USA	242
Saudi Yeast Co	Jeddah	Dough Yeast	32.40	33.0	USA	40
Amiantit Fibreglass Ind.	Dammam	Fibreglass Products	32.00	30.0	USA	221
Al Mutlaq Serck Mfg Co	Al Khobar	Water Pumps, etc	32.00	49.0	Bahrain	124
Nippon Kokan Arabian Co	Al Jubail	Pressure Cont., etc	31.29	50.0	Japan	227
U.S.G. Middle East Co Ltd	Dammam	Susp. Ceilings, etc	31.20	45.0	Cayman Isl.	91
SACOP	Jeddah	Reinf Conc Pipes etc	30.60	21.4	USA/Pak.	45
Sappco-Texaco Ins. Pro Co	Riyadh	EP Insulators, etc	30.00	40.0	Bahamas	57
Hempel's Marine Paints SA	Dammam	Various Paints	30.00	75.0	Kuwait/Denm.	159
Lub. Oil Co	Jeddah	Lubricants	29.60	30.0	Germany	43
Saudi German Fibr Prod Co	Dammam	Fibreglass Products	28.52	16.0	Germany	91
Nat'l Cleaning Products Co	Dammam	Clorox products	28.00	30.0	USA	60
S. Arabian Packaging Ind.	Dammam	Tin Cans for Packing	28.00	60.0	Kuwait/Denm.	171
Petrolite Saudi Arabia Ltd	Dammam	Anti-corrosives, etc	28.00	75.0	USA	8
Arabian Paper Products Co	Al Khobar	Paper Cups, etc	27.90	40.0	Finland	67
Gulf Grilles Co	Riyadh	Air Filters, etc	27.60	60.0	Kuwait/Palest.	140
Saudi Industrial Resins Co	Jeddah	PES Resins, etc	27.40	38.1	USA/Korea	54
Jeddah Elec Distn Assemb.	Jeddah	Control Boards, etc	27.21	16.0	USA	119
Al Babtain Plastic Barrel Co	Dammam	Barrels of Var. Caps.	24.70	25.0	Kuwait	51
Danya Foods Co Ltd	Riyadh	Dairy Products	24.67	75.0	Denmark	300
Arabian Rockbits & Drilling	Dammam	Drilling Dies, etc	24.50	49.0	Liechtenstein	12
Arabian Metals Ind Ltd	Jeddah	Ploughing Equip, etc	23.50	15.0	Lebanon	269
Saudi Amer Co for Lighting	Jeddah	Floures. Ch. Frames	23.08	10.0	USA	63
Albabtain Polyurethane Co	Dammam	Insulators, etc	22.55	25.0	Kuwait	65
Al Muhem Plastic Co	Al Hofuf	Plastic Boxes	22.10	15.0	Germany	23
Saudi Urethane Chemicals	Al Jubail	Polyurethane Sys etc	22.10	28.9	Kuwait/Sp/US	27
Saudi Pen Ind. Est.	Jeddah	Pens, etc.	22.00	34.0	Cyprus	35
Saudi Tractor Mfg Co	Jeddah	Tractors, etc.	21.38	20.0	Canada	61
Bin Zagar Litpon Co	Riyadh	Canned Tea	21.32	49.0	Switzerland	45
Saudi Tiles Factory	Jeddah	Mosaic Tiles, etc	20.80	15.2	Switzerland	83
Saudi Bldg Materials Mfg	Al Jubail	Mosaic Tiles	20.55	50.0	Kuwait	120
Arabia T.R. Oil Service Co	Dammam	H20 & Oil Treatment	20.20	49.0	UK	21
Arab Medical Products Mfg	Riyadh	Medical Products	20.00	19.0	USA	185
Bondstrand Ltd	Dammam	Fibreglass Pipes	20.00	40.0	Netherlands	90
Jotun Saudi Co. Ltd	Yanbu	Plastic Paints, etc	20.00	49.0	Norway	84
M. East Circuit Breaker Co	Riyadh	Electric Breakers	19.73	40.0	Jordan	36
Saudi Valves Mfg Co	Jeddah	Stop-Cocks, etc	19.10	49.0	Denmark	40
Oilfield Chem Co	Dammam	Crude Oil Treatment	18.90	60.0	Belgium	10
Wali Plas & Décor Ind Co	Jeddah	Plas Pipes, etc	18.00	30.0	Syria	86
Namerah Fact. For Air Com.	Riyadh	Air Compressors	17.95	30.0	Lebanon	13
Qunbor Steetley Saudi Co	Dammam	Pre-mixed concrete	17.32	50.0	UK	61
Modern Factory for G.L.	Jeddah	Garden Poles, etc	17.17	70.0	Syria	110
Astra GH & Res. Units	Riyadh	Greenhouses, etc	17.00	24.0	USA	75
Al Falwa Co for RM Conc.	Riyadh	Pre-mixed concrete	16.60	49.0	Austria	50
Saudi Serpo Co. Ltd	Riyadh	Floor Covering, etc	16.50	40.0	Sweden	57
Oasis Ameron Ltd	Dammam	Paints, Epoxy, etc	16.00	40.0	Netherlands	75
Alkem Chemical Indus. Co	Jeddah	Coating Materials etc	16.00	40.0	Sweden/Leb.	52
Atco Saudi Arabia Ltd	Al Khobar	Light Prefab Bldgs	15.74	75.0	Canada	14
National Foam Factory Co	Jeddah	ES Foams, Toys etc	15.61	14.0	Lebanon	170
Finetool Saudi Arabia Co	Jeddah	Spare Parts, etc	15.38	20.0	Switzerland	41
Saudi German Alum Pro Co	Jeddah	Aluminum Doors, etc	14.85	16.0	Germany	126
Thermal Air Industries Ltd	Al Jubail	A/C Conduits, etc	14.43	40.0	Cayman Isl.	56
Ridayat Brotech Co Ltd	Al Khobar	Iron Rods, etc	14.40	49.0	Jersey	38

Source: Compiled by the author from three volumes of Saudi Industrial Directory (1995), Ministry of Industry and Electricity.

Table 5.2d Industrial Ventures in Saudi Arabia with Foreign Investment

As of 1416 Hijra (Greg. Year 1995)

Company Name	Location	Product	Capital SR Mill.	% Foreign Capital	Foreign Investor	No. of Workers
NEWFAB	Riyadh	Prefab Bldgs, etc	14.09	29.0	Lebanon	98
Ballan Clothes Mfg Co	Riyadh	Garments	12.98	75.0	Lebanon	178
Ruba National Factory Co	Riyadh	Computer Rolls	12.75	49.0	Jordan	50
Ashwa Glue Mfg Co	Jeddah	Glue Products	12.60	40.0	Germany	20
National Plastic Factory	Riyadh	Barrels, P Boxes, etc	12.60	75.0	Jordan	144
Lucy Saudi Co Ltd	Al Khobar	Cable Boxes, etc	12.50	30.0	UK	57
Industrial Furniture Co	Riyadh	Bedrooms, etc	12.40	30.0	Syria	60
Modem Exhaust Pipe F Co	Dammam	Exhaust Pipes	12.40	49.0	UK	50
Al Saawi Equipment Est	Riyadh	Pre-mixed concrete	12.34	50.0	Greece	66
Saudi Block, Tiles & Marble	Riyadh	Marbles, Blocks etc	12.30	49.0	Syria	136
Kafco Manuf. & Alum. Kitch	Riyadh	Aluminum Fum., etc	11.90	50.0	Lebanon	49
Al Homrani Fuch Petr Prod	Yanbu	Grease/Lub Cpds etc	11.80	40.0	Switzerland	21
S. Kuwait Co for Ind Chrome	Riyadh	Metal Products, etc	11.46	49.0	Kuwait	44
Fosam Company Ltd	Jeddah	Conc. Mix Chem etc	11.43	50.0	Switzerland	105
Arab Leather Products Co	Riyadh	Leather Shoes	11.30	75.0	Lebanon	50
Al Mona Co for Prod of Tah.	Riyadh	Halawa	11.22	50.0	Lebanon	65
Al Amin Autom Block Fact.	Al Taif	Blocks	11.12	33.0	Iran	13
Perfumes of Arabia Ltd	Jeddah	Perfumes, etc	11.00	50.0	Syria	103
Arab Amer Co for Asphalt	Al Jubail	Asphalt Mixes	11.00	50.0	USA	36
Saudi Transport Beton	Jeddah	Pre-mixed concrete	11.00	50.0	Greece	115
Saudi American Co Ltd	Riyadh	Blocks	10.94	60.0	USA	45
Saudi Decor & Ceilings Co	Jeddah	Ceiling Slabs, etc	10.43	45.0	Lebanon	40
Badia Spinning & Weaving	Riyadh	Wool Textile, etc	10.12	75.0	Germany/Syr	41
National Adhesives Co	Dammam	Sol. Adhesives etc	10.00	49.0	Switzerland	12
Al Wafa Furn&Dec Factory	Riyadh	Wooden Doors, etc	9.92	50.0	Palestine	38
Nalco Saudi Co Ltd	Dammam	Petroleum, gas, etc	9.86	60.0	USA	43
Jardi & Kaki Plants	Jeddah	Texture Paint, etc	9.85	13.0	Lebanon	31
Jaurdi & Kaki Plants	Riyadh	Marbles & Paints	9.85	49.0	Lebanon	34
Consolidated G. Saddy Co	Jeddah	Cold Stores, etc	9.60	50.0	Switzerland	56
Saudi Ega Ltd	Al Jubail	Plas Pipe Joints, etc	9.40	49.0	UK	20
Al Jilani & Rodwan Plastic	Jeddah	Plastic Cups, etc	9.00	20.0	Yemen	113
Al Ajial for Marble & Granite	Riyadh	Marbles & Granite	9.00	75.0	Spain	42
Jeddah Ind. Materials Co	Jeddah	Industrial Materials	8.70	40.0	France	156
BP Solar Arabia Ltd	Riyadh	PV Generation Units	8.60	49.0	UK	26
Saudi Alum. Industries Co	Riyadh	Aluminum Doors, etc	8.49	34	Lebanon	211
Al Ataibi Silencers Factory	Dammam	Exhaust Pipes	8.30	49.2	Jordan/Palest.	233
National Concrete Prod Co	Riyadh	Pre-mixed concrete	8.00	30.0	Taiwan	99
Al Karama Pastries Prod Co	Riyadh	Pastries	8.00	50.0	Egypt	62
Arab Brass Co	Riyadh	H20 Faucets, etc	7.75	75.0	Jordan/Palest.	15
Zamil Schlegel Co	Dammam	Anti-Leakage Mat.	7.70	49.0	Bermuda	18
National Alum. Factory Co	Riyadh	Aluminum Doors, etc	7.60	50.0	Palestine	95
Dresser Al Rashid Mach.	Al Jubail	Safety Valves, etc	7.55	49.0	Liechtenstein	40
Saudi hydraulics Co Ltd	Riyadh	Cylindrical Pipes etc	7.30	40.0	Germany	21
Saudi Kuwait Fibreglass Co	Riyadh	Fibreglass Products	7.30	49.0	Kuwait	26
Saudi Qunbor Steetley Co	Al Hofuf	Pre-mixed concrete	7.04	50.0	UK	9
Baroid Saudi Arabia Ld	Dammam	Barytes & Bentonites	7.00	40.0	USA	29
Champion Arabia Co	Al Khobar	Germicides, etc	7.00	60.0	USA	6
A. Alqasair Fact for Caravan	Riyadh	Mobile Caravans etc	6.83	65.0	Lebanon	65
Arabian Min. & Chem Co	Dammam	Barytes & Bentonites	6.80	50.0	USA	35
Shobra Sweet Factory Co	Riyadh	Halawa, etc	6.60	50.0	Yemen	37
Saudi Modem Fact. Co	Riyadh	Wooden Doors, etc	6.50	75.0	Palestine	101
Keef Conditional Factory	Riyadh	A/C Conduits, etc	6.30	35.0	USA	20
Moulds & Spare Factory	Riyadh	Plastic Parts, etc	6.10	32.5	Syria	52
Al Hashim A/C Co Ltd	Dammam	A/C Conduits, etc	6.00	40.0	Lebanon	35
Al Misffer & O. Fact. Décor	Riyadh	Bedrooms, etc	6.00	50.0	Palestine	40

Source: Compiled by the author from three volumes of Saudi Industrial Directory (1995), Ministry of Industry and Electricity.

Table 5.2e Industrial Ventures in Saudi Arabia with Foreign Investment

As of 1416 Hijra (Greg. Year 1995)

Company Name	Location	Product	Capital SR Mill.	% Foreign Capital	Foreign Investor	No. of Workers
Saudi Fact. for Light Steel	Jeddah	Metal Ceilings, etc	6.00	50.0	Syria	118
Arab Marble & Aluminum	Jeddah	Marble & Alum.	5.88	20.0	Syria	95
Saudi Plastic Industries Co	Riyadh	D-Wall Tubes, etc	5.80	49.0	Lebanon	56
Alma Concrete Co	Jeddah	Gravel & Concrete	5.70	20.0	Spain	49
Vitra Middle East Co Ltd	Dammam	Exhib. Shelves, etc	5.52	49.0	Switzerland	40
Gulf Wire Co	Riyadh	Adhesive Tapes, etc	5.30	33.33	Jordan	82
Alwakol Saudi Arabia Co	Dammam	Packed Pure Water	5.20	40.0	USA	31
Weatherford Al Rushaid Co	Dammam	Drilling Equip., etc	5.20	49.0	Cayman Isl.	23
Metito Chemical Ind. Co	Riyadh	Germicides, etc	5.20	70.0	UK	42
Al Olayan Kitchen Factory	Riyadh	Alum. Kitchens	5.07	33.33	Jordan	51
S. Lebanese Fact. For Choc	Jeddah	Chocolate, Sweets	5.00	49.0	Lebanon	83
N. Al-Ahmadi & Partner Co	Jeddah	Soft/Coarse Wires etc	4.60	50.0	Jordan	34
Al Waha & Sykes Co	Dammam	Pumps & Parts	4.40	40.0	UK	17
Abahsain	Al Khobar	Cable Conduits, etc	4.20	49.0	USA	35
Red Sea Quarry Co	Al Kharj	Aggregates	4.00	38.5	Italy	16
Amiantit Rubber Ind. Ltd	Dammam	Rubber Mat/Products	4.00	43.0	India/Switz.	60
Jazan Metal Forming Fact.	Riyadh	Iron Spare Parts, etc	4.00	50.0	Jordan	25
Saudi Insulation & Fire Prot	Riyadh	Sound & Fire Ins Mat	4.00	95.0	Kuwait	12
Mod. Nat'l Fact. for M Furn.	Riyadh	Wooden/Metal Furn.	3.70	49.0	Italy	33
Steel Construction Co	Jeddah	Iron Hangers	3.50	50.0	Egypt	20
Mubarco Printers Co	Jeddah	Plastic Films, etc	3.26	45.0	Syria	152
Dhahran Alarabi F. for Alum.	Dammam	Aluminum Doors, etc	3.10	40.0	Jordan	41
UIC Chewing Gum Factory	Jeddah	Chewing Gum	3.05	46.0	Jordan	21
Al Kalaa Ind & Comm Co	Al Khobar	Marbles & Stones	3.00	50.0	Lebanon	85
Dar Alum. Products Co Ltd	Riyadh	Aluminum Doors, etc	2.70	33.33	Jordan	25
Modern Furn. & Alum Fact.	Buraydah	Wooden Doors, etc	2.64	30.0	Jordan	48
Al Amal for El. Switchboard	Riyadh	Dist'n Boards, etc	2.64	30.0	Palestine	21
Modern Acid Plant Co	Dammam	Solution H20/Coolant	2.60	15.0	Palestine	22
TIG Masoneilan Arabic Ltd	Al Jubail	Control Valves, etc	2.56	49.0	USA	11
Jeddah Aluminum Mfg Co	Jeddah	Alum. Ceilings, etc	2.51	30.0	Lebanon	36
Al Bashir Metal Factory	Riyadh	Iron Doors	2.50	50.0	Palestine	13
Kohali Factory for Hangers	Riyadh	Iron Doors, etc	2.50	50.0	Palestine	18
Rifa Plastic & Packaging	Dammam	HDPE/LDPE Bags	2.25	75.0	Palestine	25
A. Fou'ad Impalloy Co Ltd	Dammam	Silicon Iron, etc	2.18	50.0	UK	14
Tech. Co for Alum Furniture	Riyadh	Windows, doors, etc	2.02	40.0	Lebanon	64
South Co for Iron & Alum.	K. Mush.	Iron Doors, etc	2.00	50.0	Palestine	24
Modern Factory Co	Riyadh	Marbles & Stones	1.60	34.0	Lebanon	37
Spring Flowers Dairy Co	Riyadh	Dairy Products	1.60	49.0	Palestine	34
Al Qatif Aluminum Factory	Qatif	Alum. Windows	1.50	50.0	Lebanon	10
Heliozid Saudi Co Ltd	Riyadh	Transp. Films, etc	1.50	70.0	Lebanon	17
Riyadh Furniture Factory	Dammam	Wooden Offices, etc	1.40	50.0	Iran	19
H. Khusaim & M. Jamal Co	Dammam	Brick Machines, etc	1.00	50.0	Lebanon	27
Sanabel Aluminum Co	Riyadh	Aluminum Doors, etc	1.00	50.0	Jordan	126
Al Jazerah Aluminum Plant	Riyadh	Alum. Windows, etc	0.82	50.0	Jordan	34
Mechanical Fact. For Alum.	Riyadh	Aluminum Kitch., etc	0.60	50.0	Jordan	17
Saudi Optics House Co	Al Taif	Sun & Med. Lenses	0.52	66.67	UK	24
Super Tile Factory	Madinah	Mosaic Tiles	0.20	50.0	Syria	16
K.N. Al Safadi & Partner Co	Riyadh	Spare Parts, etc	0.16	50.0	Palestine	17
National Paper Co Ltd	Jeddah	Paper Bags		30.0	Lebanon	
Hygienic Paper Co Ltd	Riyadh	Facial Napkins		50.0	Jordan	43
Saudi Sandlime Bricks Co	Jeddah	Sand & Lime Bricks		50.0	Kuwait	

Source: Compiled by the author from three volumes of Saudi Industrial Directory (1995), Ministry of Industry and Electricity.

5.2 Saudi Businesses Seeking Joint Ventures with Foreign Companies

The huge number of Saudi businesses seeking joint industrial ventures with foreign partners reflects the key role of joint venturing in the industrialisation process of Saudi Arabia. Joint venture is increasingly becoming popular, based on the view that it generates a lot of mutual benefits to both local and foreign partners.

The Ministry of Industry and Electricity classified the Saudi industrial investors who are interested to build up joint projects with foreign companies into the following categories: by investment sector, by nature of investment, by nationality of the foreign partner and by regional location. The number of industrial investors seeking foreign partners, classified by investment sector, is shown in Table 5.3.

Table 5.3 No. of Saudi Industrial Investors Seeking Foreign Partners Classified by Investment Sector

Investment Sector	No. of Investors	%
Manufacturing (Mfg) of foodstuff and beverages	168	17.5
Mfg of textiles, garments and leather products	105	10.9
Mfg of wood products and furniture	80	8.3
Mfg of paper products and printing	74	7.7
Mfg of chemicals and plastic products	220	22.9
Mfg of construction materials, ceramics & glasses	86	8.9
Mfg of metal products, machines and equipment	221	23
Other miscellaneous industries	8	0.8
Total	**962**	**100**

Source: Council of Saudi Chambers of Commerce & Industry, 1996

The foregoing table shows that 23 percent of the Saudi investors seeking foreign partners are interested in the manufacture of metal products, machinery and equipment, and another 23 percent in the manufacturing of chemicals and plastic products. The third sector targeted by Saudi investors seeking partnership with foreign partners is foodstuff and beverages industry. These three sectors combined attract 64 percent of the Saudi industrial investors seeking foreign partners. In this and in the related tables that follow, one important point should be borne in mind. The number of Saudi investors seeking partnerships with foreign investors to manufacture foodstuff may also be interested in a manufacturing project other than foodstuff. In other words, the same investors may be seeking partners to produce products falling under various investment sectors. For example, Abdulaziz Hamad Al Shibl of Riyadh is seeking joint ventures in the foodstuff and beverages industry and in the textile industry. Abdulaziz Al-Jardan of Riyadh is seeking joint ventures in the foodstuff and beverages industry and in the chemical industries. Abdulaziz Omair Al-Omair of Riyadh is seeking joint ventures in the textile industry and in the chemical industries (Council of Saudi Chambers of Commerce & Industry 1996: 77-137).

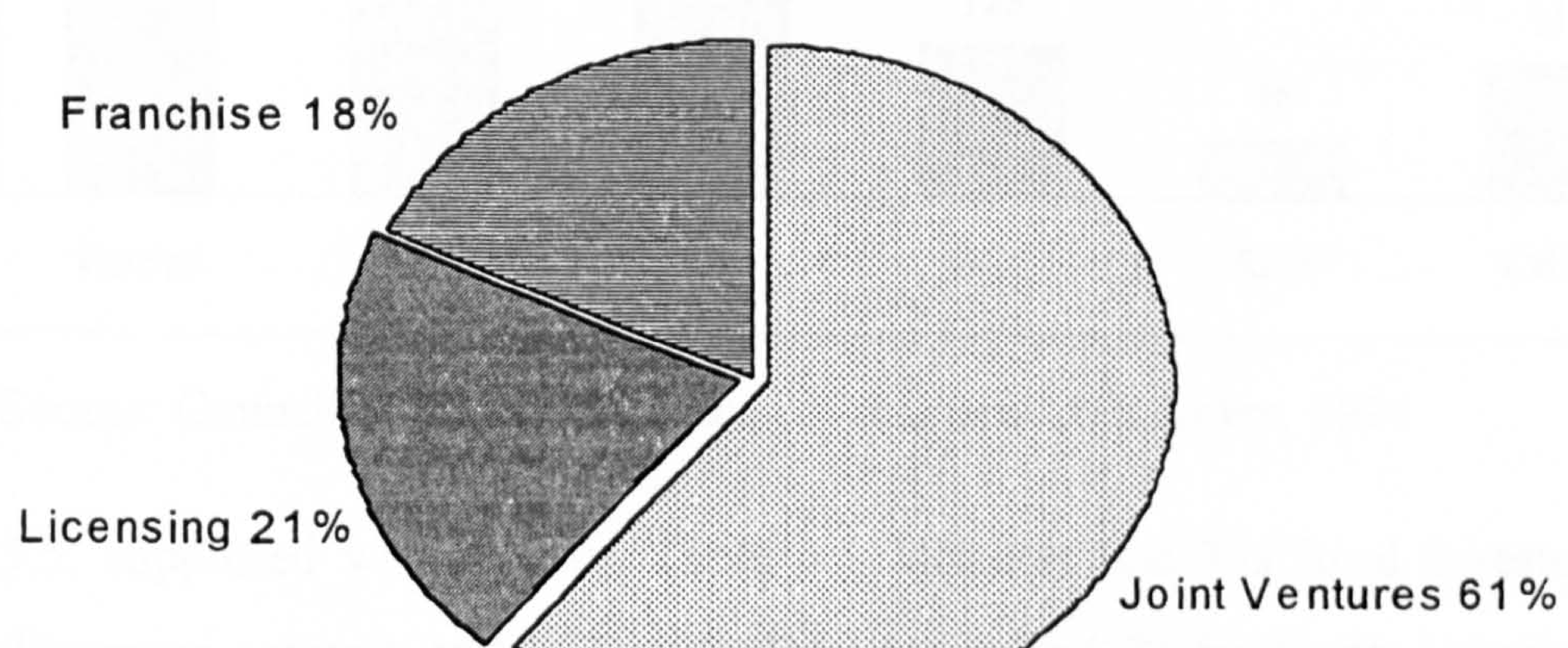
The number of industrial investors seeking foreign partners, classified by nature of investment, is shown in Table 5.4 and Figure 5.4.

Table 5.4 No. of Saudi Industrial Investors Seeking Foreign Partners Classified by Nature of Investment

Nature of Investment	No. of Investors	%
Joint ventures	398	60.8
Licensing	138	21.1
Franchise	119	18.1
Total	**655**	**100**

Source: Council of Saudi Chambers of Commerce & Industry, 1996

Figure 5.4 No. of Saudi Industrial Investors Seeking Foreign Partners Classified by Nature of Investment



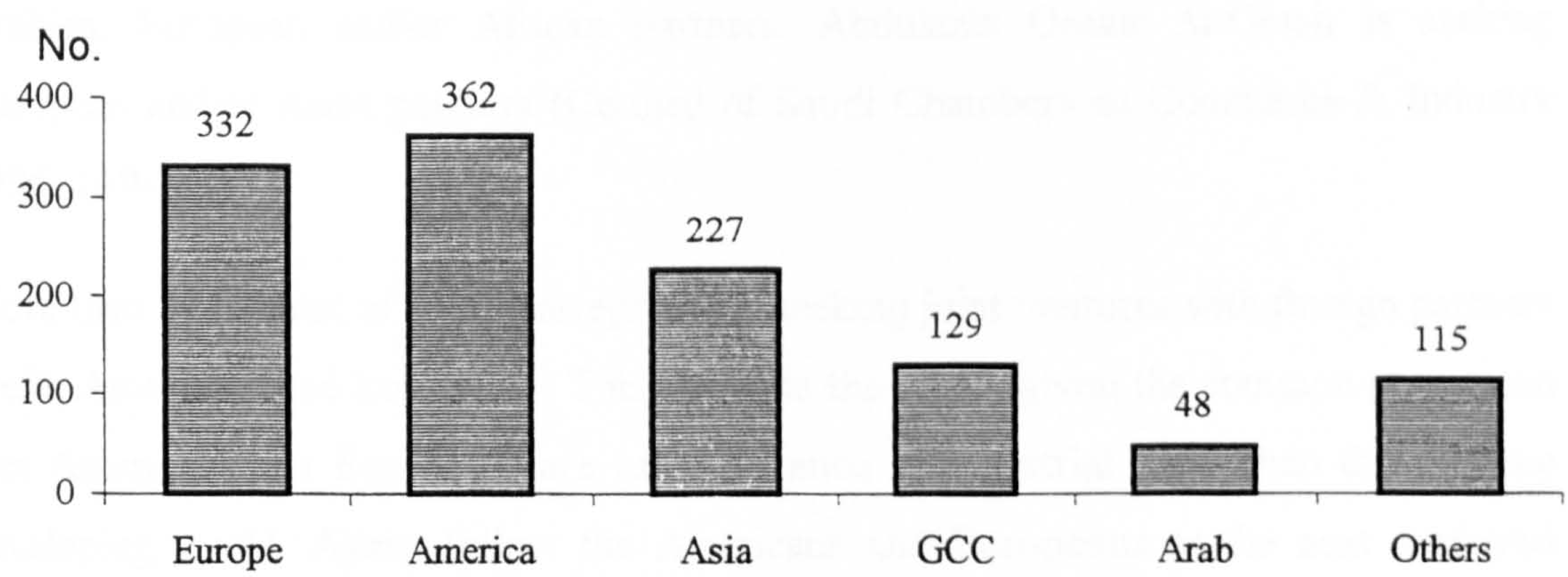
Source: Table 5.4

Joint venture is the most popular form of investment sought by Saudi industrial investors. Around 61 percent of them are seeking joint partnership with foreigners, 21 percent are interested in obtaining license (to use foreign technology), and the remaining 18 percent are for securing franchise only. Those who are seeking license only are confident that they can make money without involving any foreign interest. They may be opting for licensing as a means of expanding their businesses or branching out to other fields, products or services.

Those who are seeking foreign partners are not necessarily doing it for the purpose of augmenting their capital, since they have good access to interest-free loans from the Saudi Industrial Development Fund and other government financial institutions. They do so for a number of reasons, including the need for foreign technology and technical-know-how, the need for management and marketing skills, which the local industrialist may be lacking, and the need to spread out investment risks.[3]

The number of industrial investors seeking foreign partners, classified by Nationality of the Foreign Partner sought, is shown in Figure 5.5 and Table 5.5.

Figure 5.5 No. of Saudi Industrial Investors Seeking Foreign Partners Classified by Region of Foreign Partners Sought



Source: Council of Saudi Chambers of Commerce & Industry, 1996

Figure 5.5, supported with data on Table 5.5, indicates that 332 local investors are seeking European partners, and 362 are seeking American (321 for North American and 41 for South American partners). It is worth noting that those Saudi industrial investors seeking European partners may be at the same time seeking partnership with other nationalities, such as American or Asian.

Table 5.5 No. of Saudi Industrial Investors Seeking Foreign Partners Classified by Nationality of Partner Sought

Nationality of the Partner Sought	No. of Investors	%
Europe	332	27
North America	321	26
South America	41	3
Asian (Non-Arabic)	227	19
GCC	129	11
Arab League Countries	48	4
African (Non-Arab)	102	8
Australia	13	1
Total	**1213**	**100**

Source: Council of Saudi Chambers of Commerce & Industry, 1996

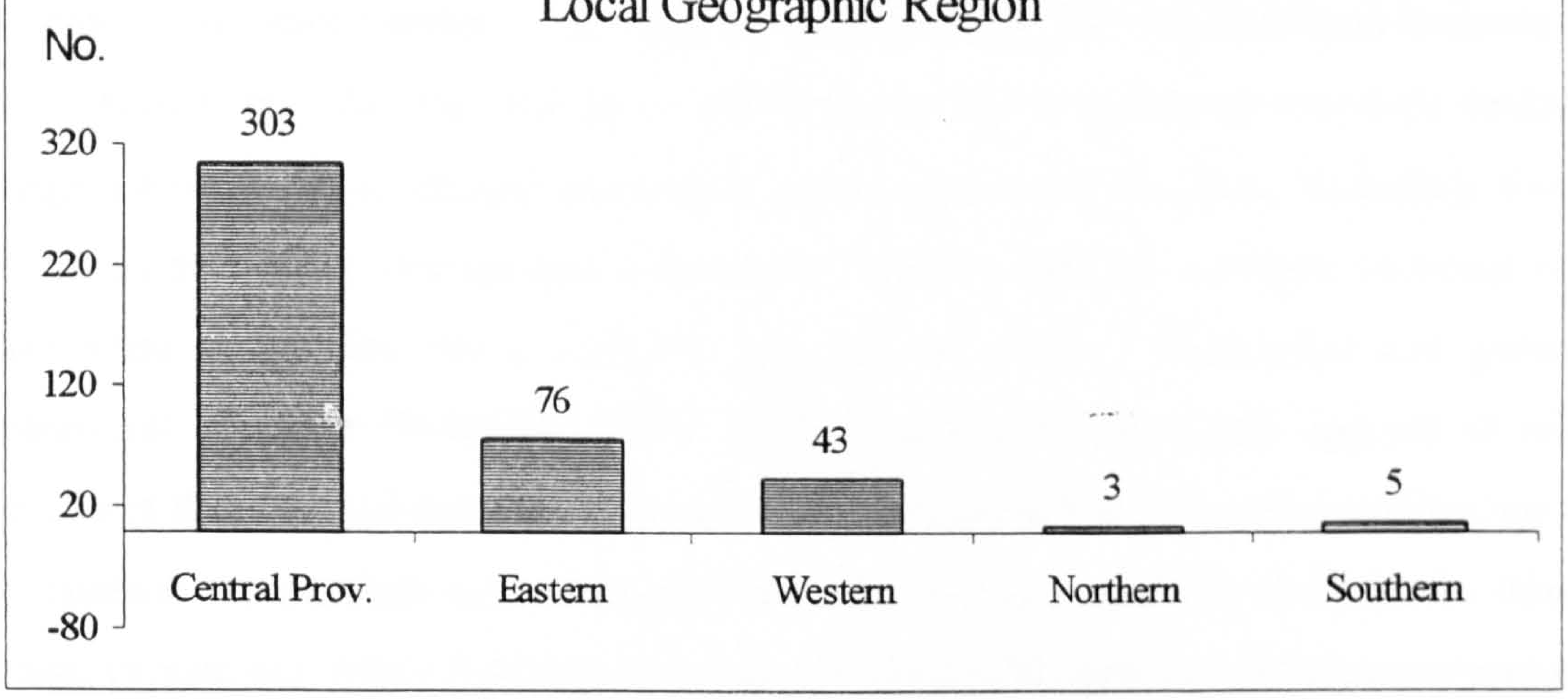
Those who are seeking Asian partners may like wise be seeking partnership with Arab, African or other partners. For instance, Aamir Al-Aboud of Jeddah is seeking North American, European partners and/or Arabian partners. Abdulaziz K. Kanoo is seeking Arabian, European and/or African partners. Abdulaziz Omair Al-Omair is seeking European and/or Asian partners (Council of Saudi Chambers of Commerce & Industry 1996: 139-174).

More than 50 percent of Saudi entrepreneurs seeking joint ventures with foreign partners prefer Americans and Europeans. This has been the trend, given the common perception that Americans and Europeans are more advance in industrial fields than those in the developing world. Asians follow the Americans and Europeans as the next preferred partners by Saudi businessmen. The Saudis seeking joint ventures overseas keep in mind the capabilities of the foreign partners in terms of the availability of required technology, technical know-how and managerial skills.

The number of industrial investors seeking foreign partners, classified by geographical region, is shown in Figure 5.6 and Table 5.6. The Central province where the capital

Riyadh is located accounts for 70.5 percent of the total investors seeking joint projects with foreign companies or businessmen. The Eastern Province is the next in rank with a distant 17.7 percent; followed by the Western Province, 10 percent. The Northern and Southern Provinces account for less than two percent of the total number of Saudi investors seeking joint projects with foreigners. One prominent Saudi economist aired his concern that industrial development in Saudi Arabia is too much concentrated in the Central, Eastern and the Western Provinces.

Figure 5.6 No. of Saudi Industrial Investors Classified by Local Geographic Region



Source: Council of Saudi Chambers of Commerce & Industry, 1996

Table 5.6 No. of Saudi Industrial Investors Seeking Foreign Partners Classified by Geographic Region

Geographic Region	No. of Investors	%
Central Province	303	70.5
Eastern Province	76	17.7
Western Province	43	10.0
Northern Province	3	0.7
Southern Province	5	1.1
Total	**430**	**100**

Source: Council of Saudi Chambers of Commerce & Industry, 1996

In order to have a somewhat even development across the various regions of Saudi Arabia, the Government needs to institute sound investment policies and incentives.

These should be made attractive to lure local and foreign investors to move from the developed areas to the less developed areas in the Northern and Southern parts of the Kingdom. Future investment programmes in the less developed areas also ought to give priorities to small-to-medium scale ventures, which are more labour-intensive, and less capital-intensive. These will be designed to obtain maximum participation from local entrepreneurs in each region, and to generate employment to the indigenous populace who are increasingly in need of work.

5.3 Multinational Ventures in Saudi Arabia: An Analytical Review

As seen above, joint venture is not only the dominant form of multinational business in Saudi Arabia, but also the one most preferred by Saudi industrial investors seeking foreign partners. Joint venture commonly exists in the Middle East, including Saudi Arabia, as a business arrangement between a company that has stronger technical and commercial capabilities and a company that has better local knowledge and general commercial strengths (Walmsley 1979, 1983). One of the strongest appeals of joint ventures is that they substantially reduce, by the amount of the partner's contributions to the venture, the political and economic risks that are the principal obstacles to direct foreign investment. Many feel that the presence of a local partner in a business venture abroad guards against outright expropriation in the more unstable countries of the world. Likewise, some other developing countries do not permit a subsidiary controlled by a foreign licensor to remit royalties or deduct them from taxable income. Another advantage of a joint venture is that it facilitates ready access to a new market and to market information (Alkhafaji 1995: 280). Joint venture is also advantageous in terms of the needed pooling of resources, ability and experience, which is possible between local and foreign partners. Together the partners supply capital that either one alone would not want to risk or could not raise (Bivens, and Lovell 1966: 1). With the growing demand for private capital, among other reasons, many believe that the international joint business venture will become the most important vehicle of private foreign investment across the globe (Bivens and Lovell 1966: iv).

In the developing world, including Saudi Arabia and the rest of the Middle East, all sorts of joint ventures dominate the multinational activity (Al-Aali 1987:1). In fact, joint ventures are used "four times more frequently in less developed countries than in developed countries" (Beamish 1985; quoted by Alkhafaji 1995: 280). However, all these do not imply that joint venture in the developing countries, including Saudi Arabia, does not pose any potential drawback. From the standpoint of multinational companies, one common problem they face is finding satisfactory partners in the foreign countries who possess both funds and managerial talent. Bivens and Lovell (1966) highlight further the difficulties underlying joint ventures:

> *The governments of the partners may also, wittingly or unwittingly, impede joint ventures. Host nations sometimes put restrictions on imports of machinery, parts, and supplies, and on the remittance of fees and dividends that the foreign partner regards as intolerable. The host country may also demand levels of local content, ownership, and employment that seem unreasonable to the foreign investor. On the other hand, when the foreign investor's country extends its sovereignty overseas and tries to hold the joint venture to laws, regulations, and policies that are in conflict with those of the host country, very serious problems can arise and strain relations on both a commercial and a political level.* (Bivens and Lovell 1966: iv)

Some international companies prefer wholly owned subsidiaries abroad as they are not willing to give up freedom of action in their production and marketing operations either at home or abroad. To them, shared ownership means shared management, control and profit (Bivens, and Lovell 1966: 1-2). Some companies may attempt to avoid joint venture because of the complexities arising from differences in cultural values and standards of operation, which compel them to compromise in order to carry on and succeed. In some parts of the Third World international joint ventures may likewise be adversely affected by unhealthy business environment arising from poor physical infrastructure, poor communication facilities and poor market prospects.

Except for the need to manage cross-cultural differences, the foregoing drawbacks of cross-border joint ventures do not prevail in Saudi Arabia. In fact, joint venture between a foreign investor and a Saudi partner is considered "the best and most frequent method of investing in Saudi Arabia" (Al Samaan 2000: 42). Multinational companies having joint ventures in the Kingdom benefit from the availability of world-class infrastructure, modern communication facilities and low-cost public utilities. Likewise, Saudi Arabia's strategic location being in the midpoint of East and the West makes it a very good base to serve the nearby markets of the Middle East and elsewhere. Joint ventures with Saudi partners are also attractive by virtue of the presence of a stable political and economic environment, experienced manpower in technical, management and marketing skills, tax holiday, as well as good financial leverage and credit services from local and international banks. New incentives to foreign investors have also been introduced in the Foreign Investment Act issued in April 2000. Under this new law, "foreign investors are allowed full ownership of projects and enjoy freedom to repatriate capital and profits" (*Arab News*, 19 August 2001). Likewise, a licensed business project jointly owned by a Saudi national and a foreign partner or wholly owned by a foreign investor shall enjoy all the benefits, incentives and guarantees enjoyed by a national project according to all relevant regulations and directives. Article 7 of this law states:

> *The Foreign Investor shall have the right to reallocate his share as derived from the selling of his equity, or from the liquidation or profits generated by the facility, out of the Kingdom or to use by any other legal means, and he shall also be entitled to transfer the required amounts to settle any contractual obligations pertaining to the project.* (The Supreme Economic Council, Kingdom of Saudi Arabia 2000)

It is worth noting that, in any joint venture, the foreign partner must be ready to understand and consider the interests of his local counterpart in the business (Bivens and Lovell 1966). In reality, pursuing a joint venture across national boundaries requires a lot of risk-taking, understanding, networking, trust, negotiation skill and patience on both parties involved.[4] As discussed in the literature review on social capital, trust is a basic prerequisite for the cooperating group to successfully pursue their joint goals. Likewise, partners' commitment must be present for the joint venture to succeed (Al-Aali 1987: 8).

Foreign companies also need to take into account the government investment policy in the host country. In many countries in Asia, Former Soviet Union (FSU) and elsewhere, foreign direct investment is allowed but foreign equity is restricted to no more than 49 percent. In Saudi Arabia, the government does not prohibit the establishment of a 100 percent foreign controlled business, but pursuing it will deprive the international firm from incentives usually given to joint ventures, including a 10-year tax holiday. A joint venture project where Saudis own at least 25 percent of total required capital will be entitled to a 10-year tax holiday, plus some other incentives.

In general, joint venture arrangement or the broader concept of alliance capitalism is consistent with the notion that co-ordination is done on an arm's length basis or within the open market system. Joint venturing conforms to free private enterprise economy, where co-ordination of economic activities occurs through non-coercive voluntary co-operation, in order for the parties involved to take advantage of modern science and technology. This conforms to the proposition advanced by Friedman (1962: 13) that "both parties to an economic transaction benefit from it, provided the transaction is bilaterally voluntary and informed." In order to conclude a market transaction, both parties involved need to know and meet the underlying information requirements.[5]

In Saudi Arabia, the joint venture is registered as a separate joint-stock company, which is treated like any domestic joint-stock enterprise, with both partnering companies fairly represented in the board of directors. In terms of ownership, control and decision-making, the ability of the foreign partner to influence the joint venture is directly proportional to its capital shares in the business. Likewise, the prices of goods and services supplied from the joint venture to the co-operating companies and vice versa are determined freely according to the market interaction of demand and supply. As per agreement between the joint venture partners, probationary prices may be applied to facilitate smooth flow of goods and services between the joint venture and the co-operating companies. By the same token, probationary prices may be fixed for the supply of output from the joint venture to some agreed cross-border market outlets, including affiliates of either of the two partners. In practice, the probationary prices will later be superseded by final prices determined according to some pricing formula that is based ultimately on the arm's length (open market) price mechanism. In this sense, the existence of joint ventures cannot be explained through the internalisation theory of multinational enterprises or the theory of international production. This is so because the internalisation theory, which is an expansion of the Coasian theory of the firm, considers the tendency of multinational firms to internalise a market, say via "vertical" integration, as a means of superseding the free market system or price mechanism.[6]

A joint venture may also be favoured in Saudi Arabia as an offshoot of the Saudi economic offset programme (The Economic Bureau. Saudi Economic Survey 27 May

1998: 16-20). Offset projects are forms of counter-trade measures used by developing and emerging economies typically in an effort to reduce the heavy burden of contract-based imports. The offset scheme between contracting parties may involve joint ventures, technology transfer, product buy-back, and so on. It may include, among others, arms purchases, food imports, construction projects, as well as provision of management services. For example, the Peace Shield I, a contract signed in 1984 between the Saudi government and Boeing Co, is an offset project that calls for the supply and installation of AWACS Platform Command Control and Communications Systems to the Royal Saudi Air Force (RSAF). In 1985, the governments of Saudi Arabia and the United Kingdom initiated the Al Yamamah Offset Programme under which the RSAF will receive Tornado, Hawk and PC-9 aircraft, plus the associated weapons, equipment and support services. British Aerospace PLC is the UK Company that serves as the prime contractor for the programme (Economic Offset Secretariat: Al Yamamah Economic Offset Programme brochure, n.d.). In 1988 the Saudi and British governments enhanced the Al Yamamah project, requiring an offset commitment on the part of the British to invest in Saudi Arabia 25 percent of the value of their shares or components of the Al Yamamah contracts (The Economic Bureau. Saudi Economic Survey 27 May 1998: 20).

In just 10 years from 1984 through 1994, various offset programmes emerged with a total value of about $20 billion. These were the Al Yamamah (with British Aerospace as the prime contractor), Peace Shield I (with Boeing), Peace Shield II (with Hughes Aircraft), General Dynamics Economic Balance Programme (with General Dynamics Corp), McDonnel Douglas Peace Sun IX (with McDonnel Douglas Corp), Al Sawari (with Thompson-CSF) and AT&T Offset (with AT&T International).

The Saudi government has over the years enhanced its offset programmes to help develop and diversify the national economy. For instance, the Al Yamamah Economic Offset Programme aims at encouraging and assisting the creation of profitable joint ventures and other commercial deals between Saudi and British companies. The programme is expected to provide a substantial and long-term incentive to UK companies seeking or planning to do business in Saudi Arabia. The success of the Al Yamamah Offset Programme, as well as other economic offset projects, has attracted a number of foreign companies to invest locally. Aside from joint ventures and offset projects, many foreign companies in Saudi Arabia have been engaged in broad value chain and diverse business activities beyond the frontier of international production. These include licensing, exporting and retailing, as expounded in the earlier chapters of this study. So, while various ideas have been given to explain the nature, existence and growth of multinational enterprises, the multinationals themselves are never weary of generating and implementing ideas and strategic options that may help them enhance their competitive position and profitability, locally and internationally.

The decision by any multinational company doing or planning to do business in Saudi Arabia depends on numerous factors. In general, these include the need to improve market shares, the attractiveness of the host country's location-specific advantages, and the need to earn more profits.[7] The firm's tendency towards protecting and exploiting its own company-specific advantages (like the possession of a comparatively superior technology) also influences its plans and decisions to invest abroad.[8] Likewise, the strategic thrusts and core values of a firm, notably the one that deserved the title of a visionary company, influence the success of its plans, strategies and actions locally or internationally (Collins and Porras 1994: 1-139).

In Saudi Arabia, multinational business operations cover all kinds of profitable, value-adding activities outside the bounds of international production. These include setting up international marketing offices, trading agents, direct export/import arrangement, project management, joint ventures, licensing, consulting services or international production. The facts presented in this chapter, backed up by the survey results in Appendix 5, prove that cross-border activities of multinational companies actually embrace the whole range of global business.

In late 1960s, some multinational firms like Chrysler found it difficult to get into some foreign markets like that of Japan via joint venture (Turner 1970: 28). However, transnational firms in recent years succeeded in getting fair share of foreign markets in Latin America, Europe, Asia and Africa through joint ventures, mergers and acquisitions. In the Middle East, particularly Saudi Arabia, major multinational car producers get into the market via their appointed local distributors or by opening their own marketing and maintenance offices.[9] Car manufacturers like Ford, Chrysler, General Motors, Mercedes-Benz, BMW, Toyota, Nissan, Mitsubishi, Hyundai, Daewoo, Subaru, Susuki, Saab, Audi, Volvo, Rover, Cetroen, Honda and Peugeut are all represented in the Saudi market through their own authorised local agents or dealers.

In the petrochemical industry, well-known MNCs like Mitsubishi, Mobil, Exxon and Shell have opted for joint ventures with SABIC, as a means of getting shares in the Saudi market and nearby regional markets. These multinational companies do not have their own production subsidiaries in the Kingdom, despite their own ownership-specific advantages like technology, management expertise and abundant capital.[10]

Some multinational companies have various types of businesses in Saudi Arabia[11]. One Japanese manager, for instance, revealed that his company is engaged in consulting, professional services and technology/product franchising. At the same time, he indicated that the multinational company he is managing is a contractor for government projects. Another manager indicated that the American multinational company he is working for does not have wholly owned subsidiaries in Saudi Arabia. The company's liaison offices in Riyadh and Al-Khobar only serve as the parent company's channels for participating in local tenders for government or private projects. In effect, the company serves as a contractor for the installation of heavy-duty machinery, plants and related requirements in government or private projects. One country manager of an American multinational firm indicates that his company serves as a contractor for technical services.

Major multinational companies have virtually no wholly owned manufacturing subsidiaries in Saudi Arabia, as national policy does not really encourage it. What the government encourages is for foreign companies to have joint ventures with Saudi companies or Saudi nationals. As such, multinational companies opt for other business routes other than international production.[12] This does not mean, however, that foreign companies are prohibited from having wholly owned subsidiaries in the Kingdom. As mentioned earlier, the Saudi Arabian government adopted in 2000 the new Foreign Investment Act which allows foreign investors full ownership of projects and gives them freedom to repatriate capital and profits.

It is worth noting that foreign companies, having no foreign direct investment in Saudi Arabia, can usually export their products to the Kingdom without significant barriers.[13] In the Kingdom, therefore, it is quite common to see major brands of well-known American companies (like Compaq, IBM and Hewlett Packard) whose products are neither produced in Saudi Arabia nor in the United States, but in China, Malaysia, South Korea or elsewhere. These companies prefer to export their products to Saudi Arabia from their branches elsewhere in the world, instead of internalising the Saudi market.[14]

In theory, internalisation occurs only if the benefits outpace the corresponding costs (Peter and Casson 1976: 444). Foreign government policies and restrictions need to be considered also in internalising a market.[15] By internalisation, it refers to the "process of making a market within a firm." The company's internal market takes substitutes for the missing regular or external market. Economic allocation and distribution within the internal market take place through administrative fiat, including transfer pricing (Rugman 1981: 28). The internalisation approach explains the reasons for international (as well as domestic) production. So, as virtually all of the respondents represent multinational companies that do not have wholly owned production branches in Saudi Arabia, they are not mindful of the importance of transaction cost economics in explaining the phenomenon of cross-border business operations. In principle, when the transaction costs of the regular market are excessive, then there will be a strong motivation for firms to create internal markets. Likewise, firms establish wholly owned subsidiaries across national boundaries in order to overcome or minimise uncertainties and instabilities in the supply of required raw materials. They also desire to minimise transaction costs involved in searching for and procurement of raw materials, to minimise uncertainties pertaining to post-procurement servicing and maintenance, and to minimise costs of co-ordinating inputs.

International firms can be lured to invest in a foreign country, if the latter enjoys competitive advantages relative to other countries. In the case of Saudi Arabia, these competitive advantages include the favourable factors of better communication services, presence of modern seaports and airports, presence of excellent inter-city highways and intra-city road network and the like. All of these are quite impressive and among the best anywhere in the world.

Saudi Arabia, in fact, possesses most of the determinants of national advantage, advanced by Porter (1990). As to the factor conditions, for instance, modern basic industries in Saudi Arabia, under the realm of SABIC, have in recent years attracted major multinational companies to invest into the Kingdom. Big multinational companies like Shell, Mobil, Exxon and Mitsubishi entered into joint ventures with SABIC. The investment returns from these joint ventures have been very attractive. Abundant low-cost raw materials are coupled with modern infrastructure and cheap skilled labour supply from Asia and elsewhere. As regards demand conditions, the Saudi market for consumer and industrial goods is the largest in the Middle East, and keeps on growing over time. There is also the presence of related and supporting industries in Saudi Arabia, which are internationally competitive. Likewise, the state of rivalry in many consumer products sold kingdom-wide is sufficient to cause international firms to react rationally and competitively.

In short, the way multinational companies operate in Saudi Arabia or elsewhere in the world is part of an internationalisation process that takes the form of international trade, joint ventures, licensing, wholly owned operations and so on (Alkhafaji 1995: 275). It is a process where the players involved have to deal with a dynamic environment where the business of change is the norm, rather than exception. It also involves, among others, global co-ordination and integration of activities, if the situation dictates; and responsiveness to market-specific requirements and conditions. International business players need strategic thinking, strategic positioning and all sorts of appropriate management techniques to cope with globalisation trends and changes. They can no longer stick to only one cross-border business option, like that of wholly owned international production. At times, they have to take very tough decisions, including mergers, acquisitions, joint ventures, licensing and the like, for them to survive and grow in today's and tomorrow's dynamic business world. By the same token, the issue of control and ownership of an international business in an international business setting is a tough decision and is no longer the monopoly of one business entity. Sometimes, business partners break up and become competitors; and at other times competitors become friends through mergers and joint ventures. Major business players sometimes compete on the international front by selling the same product; and they sometimes work as partners via a joint venture that produces and markets the same or some other products. In today's business world, therefore, it is hard to find a multinational company that does not have a joint business partner locally or internationally. Joint ventures, strategic alliances, as well as mergers and acquisitions always feature in the business news quite regularly. In the foreseeable future, the same trend may continue, for as long as the players find mutual satisfaction and benefits in their strategic actions and decisions. However, as more and more nations adhere to the globalisation of world economies, barriers to foreign investment may eventually disappear once and for all. If multinationals do not have to worry about foreign government intervention, host-country's nationalisation thrust and policy constraints in the future, they may be tempted to get away from joint ventures and may resort to wholly owned business operations. This scenario may be tempting, knowing that joint venture is normally not the best option for multinationals as it involves tough decisions with respect to ownership structure, management composition and profit sharing. In Saudi Arabia, the joint venture route is still dominant, and is expected to remain so in the foreseeable future by virtue of national investment policy and priorities.

5.4 The Nature of Autonomous Foreign Production Activity in Saudi Arabia

International production does exist in Saudi Arabia, but it is confined to small-to-medium scale projects (See Table 5.7). The researcher identified 56 industrial projects fully owned by foreigners, but all of them together have a combined capital of only about half a billion US dollars.

Table 5.7 shows that foreign-owned industrial enterprises are mostly held by Arab and Muslim countries. These include those from Palestine, Bahrain, Kuwait, Algeria, Lebanon, Yemen, Iran, Iraq, Jordan, United Arab Emirates and Syria. Only a few of these companies have workers in excess of 100 people.

Table 5.7 Industrial Ventures in Saudi Arabia Wholly Owned by Foreigners As of 1416 (1995)

Company Name	Location	Product	Capital SR Mill.	% Foreign Capital	Foreign Investor	No. of Workers
Saudi Mech. Industries	Riyadh	Turbine Pumps, etc	101.00	100.0	Kuwait	360
Saudi Modem Factory	Dammam	Grills, Coolers, etc	67.10	100.0	Palestine	31
H Kredih Fact For RM Cloth	Riyadh	Leader Bags, etc	32.81	100.0	Lebanon	10
Khalil a. Wahab Factory	Jeddah	Iron Sheets, etc	25.60	100.0	Palestine	31
Al Metwally Metal Ind. Est	Jeddah	Iron Doors, etc	25.00	100.0	Jordan	37
Factory - Riyadh (Hq)	Abha/H/M	Medical Lenses	16.70	100.0	Iran/Others	15
Saudi Fact. For Fire Equip.	Riyadh	Fire Extinguisher etc	16.65	100.0	Jordan	123
Al Bitar Factories	Dammam	Glass Frames, etc	15.21	100.0	Palestine	167
Vita Food Co	Dammam	Frozen Meat, etc	11.64	100.0	Australia/USA	31
Tech Factory for Elec Panel	Riyadh	Elec Panel Boards	11.25	100.0	Jordan	52
United Fumiture Industries	Riyadh	Aluminum Doors, etc	11.20	100.0	Jordan/Palest.	66
Ind. Co for Pouring & Sanit.	Riyadh	Pipe Fittings, etc	11.00	100.0	Jordan	120
Al Hadarah Factory	Riyadh	Radiator Coolant etc	10.00	100.0	Yemen	14
Khalil a. Wahab Factory	Riyadh	Iron Sheets, etc	9.90	100.0	Palestine	23
Arabian Al Roshd Co	Riyadh	Marbles & Others	9.39	100.0	Syria	113
Saudi Factory for Pipe Ins.	Riyadh	Pipe Insulators	9.37	100.0	Kuwait	7
Musaid Elec Dist'n Panels F	Riyadh	Electric Boards, etc	8.26	100.0	Jordan	44
Industrial Projects Factory	Riyadh	Metal Kitchens etc	5.70	100.0	Palestine	130
Daar Attezweed Tootbrush F	Al Khobar	Toothbrushes	5.40	100.0	Bahrain	30
Al Wady Fact. for Hangers	Riyadh	Hangers, etc	4.80	100.0	Palestine	50
Al Khuzundar Conf. Factory	Jeddah	Confectionery, etc	4.40	100.0	Jordan	27
Al Muhtasib Industrial Est	Al Khafji	Nails & Screws	4.30	100.0	Jordan	26
Int'l Fumiture Factory	Riyadh	Bedrooms, etc	4.27	100.0	Iran	27
New Factory for Child Equip	Jeddah	Children Equipment	4.19	100.0	Algeria	13
Al Dagoor Fact. For Metal	Riyadh	Containers, etc	4.05	100.0	Palestine	49
Saudi Alum. Kitchens Fact.	Riyadh	Alum. Kitchens	4.00	100.0	Palestine	48
Al Najjar Fumiture Factory	Riyadh	Wooden Doors, etc	3.57	100.0	Palestine	23
Spectacle Frames Factory	Al Hofuf	Eyeglass Frames	3.48	100.0	Iran/Others	18
Medical Eye Glasses	Al Hofuf	Eyeglass Frames	3.48	100.0	Iran/Others	18
Mushir Alam Perfume Ind.	Jeddah	Perfumes, etc	3.40	100.0	India	34
Rihab Plastic Factory	Al Ahsa	Reg. Plastic Bags	3.30	100.0	Bahrain	30
Children Access & Metal Pr	Dammam	Child. & Metal Prod.	3.27	100.0	Iran	52
Hassanain Fact for Alum.	Riyadh	Iron Strips, Prof., etc	3.23	100.0	Palestine	18
Sultana Allied Industries	Buraydah	Iron Doors, etc	3.20	100.0	UAE	16
Sultana Allied Industries	Buraydah	Aluminum Doors, etc	3.10	100.0	UAE	22
Al Ayashi Metal Ind Est	Riyadh	Fuel Tanks, etc	3.00	100.0	Lebanon	29
M.Y. Adaada & Sons Co	Makkah	Kitchen Fumiture etc	2.86	100.0	Lebanon	42
Al Shaheen Metal Industries	Riyadh	Iron Casts, Doors etc	2.80	100.0	Syria	62
Tech Factory for Elec Panel	Dammam	Elec Panel Boards	2.60	100.0	Jordan	16
Al Naser Factories Co	Jeddah	Ovens, Trolleys, etc	2.28	100.0	Yemen	40
Saudi Irrigation Pumps Fact	Riyadh	Agr. Pumps	2.22	100.0	Syria	17
Al Khader Workshop for BS	Riyadh	Aluminum Doors, etc	2.20	100.0	Palestine	23
Saudi Fact. for Met Hangers	Riyadh	Metal Strucutres etc	1.93	100.0	Palestine	45
Sultana Allied Industries	Buraydah	Wooden Doors, etc	1.70	100.0	UAE	11
Medical Eye Glasses	Riyadh	Sun & Med. Lenses	1.70	100.0	Iran	12
Al Ma'radah Al Faddy Co	Riyadh	Bedrooms, etc	1.64	100.0	Syria	33
Al Dabek Iron Works Fact.	Riyadh	Iron Windows	1.60	100.0	Lebanon	12
Saudi Jordanian Factory El	Riyadh	Cement Silos, etc	1.50	100.0	Jordan	29
Saudi Aluminum Est Fact.	Riyadh	Aluminum Doors, etc	1.50	100.0	Syria	36
Saudi Alum&Steel Hangers	Dammam	Hangers, etc	1.37	100.0	Palestine	5
S Arabia Est for Metal Fum.	Jeddah	Metal Shelves, etc	1.00	100.0	Palestine	15
F.M. Al-Shaarani & Sons	Jeddah	Halawa	0.34	100.0	Lebanon	29
Natural Stone Factory	Riyadh	Natural Stones	0.23	100.0	Lebanon	37
Ready Made Wear Factory	Jeddah	Garments	0.20	100.0	Jordan	25
Abu Ziyad Tuming & SP Rer	Jeddah	Iron	0.12	100.0	Palestine	5
M. A. Ashour Tuming Est	Jeddah	Gen. Tuming	0.08	100.0	Palestine	3

Source: Compiled by the author from three volumes of Saudi Industrial Directory (1995), Ministry of Industry and Electricity.

Saudi Mechanical Industries, Al Bitar Factories, Industrial Projects Factory, Saudi Factory for Fire Equipment, Industrial Factory for Pouring and Sanitation and Arabian Al Roshd Company are the foreign-owned enterprises, which employ more than 100 people. The rest are like most of the establishments held by Saudi entrepreneurs, which are small-scale in nature.

Table 5.7 further shows that foreign-controlled industrial businesses in Saudi Arabia embrace all sorts of small-to-medium-scale enterprises. Those with a capital of SR. 10 million to SR 100 million include businesses that produce turbine pumps, grills, coolers, leather bags, iron sheets, iron doors, medical lenses, aluminium door, glass frames, electric panel boards, frozen meat, radiator coolant, and pipe fittings.

Those with a capital of less than SR. 10 million are engaged in the production and marketing of iron sheets, metal-based products, marbles, pipe insulators, electrical products, tooth-brushes, hangers, confectionery, nails, toys, containers, eye glasses, perfumes, fuel tanks, ovens and many more.

The Riyadh chamber of Commerce and Industry (RCCI) recently described those business establishments employing less than 100 people as small-scale. RCCI found that most of the enterprises in Saudi Arabia belong to this category. Dr Salah Abdul Baqi of RCCI Training Department recently said that these small organisations are not confined to a specific field of activity. They embrace all fields of human endeavour including, among others, industry, commerce, services and contracting (*Saudi Gazette*, 22 March 1998: 2). These enterprises serve as steppingstones for entrepreneurs to launch bigger enterprises. In fact, many of today's major industrial enterprises in Saudi Arabia began as small-scale organisations. In the list of wholly owned foreign enterprises in Saudi Arabia, only two of them belong to entrepreneurs from outside the Arab world. The first is Vita Foods, which is jointly owned by the United States and Australia, but this is still small compared to many of the companies in the list. The second is Mushir Alam Perfume Industry, which is a fully owned Indian company engaged in the production of perfumes.

5.5 Successful Saudi Companies with MNC Partners, Shareholdings or with Represented MNCs

Table 5.8 shows the most successful Saudi companies with MNC partners, foreign shareholdings or acting as agents/representatives of multinational companies. As earlier shown in this chapter, multinational companies operate in Saudi Arabia by joint venturing with local companies or by appointing local agents.

The Top 1000 Saudi Companies Directory provides an "Outlook of the Most Successful Saudi Companies", with sales turnover as the underlying success indicator. The given information does not include other success indicators, like market share and rate of return on capital. Thus, the author calculated from the given sales data the corresponding annual growth rates, which serve as a better indicator of success. The largest and most successful Saudi company is Saudi ARAMCO — formerly Arabian American Oil Company (ARAMCO), which was a consortium of four multinational giants (CHEVRON, TEXACO, EXXON and MOBIL).

Although it became a wholly owned Saudi entity in late 1988, Saudi ARAMCO has become actively involved in joint ventures not only with American multinationals but also with other major foreign companies elsewhere. In recent years, the company's sales turnover had grown positively by 1.1 % annually from SR. 134 billion in 1989/90 to SR 142 billion in 1994/95. The company's sales revenue is directly influenced by the international oil market situation and outlook, the effect of which can be either positive or negative. In any case, Saudi ARAMCO has established itself successfully as the world's leading oil supplier, a position that it can certainly sustain given its huge oil reserves.

Most of the other companies listed above had also grown positively in recent years in terms of sales revenue. The Saudi Basic Industries Corporation (SABIC) is another success story. Today, SABIC is one of the fastest growing industrial corporations in the world. It has successfully established joint ventures with leading multinational companies, like MOBIL, EXXON, SHELL Hoechst-Celanese, Pan Energy; Lucky Goldstar and Mitsubishi.

Table 5.8 Successful Saudi Companies with MNC Partners, Shareholdings or Acting as Agents/Representatives of Multinational Companies (With Sales Turnover as the Indicator of Success)

Company Name	MNC Partners/ Represented MNCs	Sales 89/90 SR Mill.	Sales 94/95 SR Mill.	Annual Growth %
		A	B	B/A
Saudi Aramco	Mobil; Shell; Texaco; etc	134,500.0	142,000.0	1.09
SABIC	Mobil; Exxon; Shell Oil; etc	9,126.0	14,758.4	10.09
Dallah Al Baraka	Trane; Bosch; Kongsberg; etc	3,500.0	10,630.3	24.88
Jameel, A.L. Group	Toyota; Toshiba; etc.	5,568.7	12,375.0	17.32
Saudi Aramco Mobil Refinery	Mobil	6,523.1	7,793.1	3.62
Y.B.A. Kanoo	Basf; Exxon; Perkins; etc	3,600.0	4,455.0	4.35
Saudi American Bank	Citibank	2,271.0	2,467.2	1.67
Arab National Bank	Arab Bank	1,704.0	1,574.0	-1.57
Al Bank Al Saudi Al Fransi	Compaignie F. de Suez, Paris	1,711.4	1,547.8	-1.99
The Saudi British Bank	Hongkong Shanghai Bank	104.7	1,195.0	62.74
Ballast Nedham Groep N.V.	Ballast Nedham, Holland	761.6	1,000.0	5.60
A.A. Turki Corporation	S&C Electric; Kabel Met.; etc	850.0	1,300.0	8.87
Saudi-Yanbu Petrochemical Co	Sabic; Mobil	1,200.0	1,529.4	4.97
El Seif Group	GE; Kendall; Cerner; etc	703.5	1,573.3	17.47
Saudi Cable Company	Mass Cable; Xenel	1,132.3	1,458.0	5.19
National Methanol Company	Sabic; Hoechst-C.; P. Energy	500.0	300.0	-9.71
Jeraisy Group	3M; Basf; AT&T; Canon; etc	910.0	1,300.0	7.39
Saudi Cairo Bank	Banque du Caire	613.3	748.6	4.07
Tamimi Group	Gen. Electric; Microsoft; etc	685.0	1,250.0	12.78
Al Bank Al Saudi Al Hollandi	ABN Amro Bank	965.4	828.0	-3.02
Jamjoom Corporation	Marubeni; Ciba Geigy; etc	636.0	937.4	8.07
Al Hamrani & Al Sulaiman U Co	Nissan; Gulf Oil; Jotun; Etc	887.0	1,168.0	5.66
The Saudi Investment Bank	Chase Manhattan, etc.	359.1	303.2	-3.33
Alpha Trading & Shipping	Al Fadl Group	550.0	600.0	1.76
Arabia Electric Limited	Siemens AG	120.8	335.0	22.63
Mansour General Dynamics Co	General Dynamics; Uvex, etc	110.0	293.0	21.65
Petromin Lubricating Oil Ref Co	Mobil	313.7	416.4	5.83
Petromin Lubricating Oil Co	Mobil	396.7	516.0	5.40
Continental Can S. Arabia Co	n/a	191.4	170.9	-2.23
Hempel Paints (Saudi Arabia)	Graco, Norblast, BAC, etc.	95.0	180.0	13.63
Orbit Summit Health Limted	O Mannesmann; Kone	34.3	223.5	45.44
Metito Arabia Industries Co	Price Pumps	75.0	158.6	16.16
Sigma Paints Saudi Arabia Ltd	Sigma Coatings BV	77.0	165.0	16.47
Honeywell Turki Arabia Ltd	Honeywell Inc.; Turki Corp	100.0	150.0	8.45
Danya Foods Limited	Danish	75.0	90.0	3.71

Sources: Compiled by the author from the Top 1000 Saudi Companies Directory 1991/1992 and 1995/96 Editions. Al Khobar: International Information & Trading Services Company (IITT).

Note: The annual growth rates were calculated by the author using the following formula: $g= ((B/A)^{1/n}-1)*100$ where g=annual growth rate (in %); B=current year sales; A=base year sales; and n=number of years (inclusive). The power term 1/n (=0.2) solves for the cumulative, compounded effect of growth calculated on the basis of a five-year inclusive period from 1989/90 to 1994/95.

In recent years, SABIC's sales turnover had grown markedly by about 15 percent annually from SR. 9.1 billion in 1989 to SR 14.8 billion in 1995. Two other SABIC affiliates are included in the list — Saudi-Yanbu Petrochemical Company (YANPET) and National Methanol Company (IBN SINA). Both YANPET and IBN SINA are among those Saudi companies whose sales topped SR. 1.3 billion or better. The other SABIC joint ventures were not included here because of data availability. What is important, however, is that "no SABIC partner has ever lost money in these joint ventures." (SABIC Annual Report 1996: 5)

Dallah Al Baraka Group is another successful Saudi company that has earned a distinct image and repute at national and international levels. In the Kingdom, it represents the business interests of Trane International, Bosch and others. The group has been successfully engaged in trading, finance, banking, industrial investment, agriculture, real estate development, hotel and tourism, transportation, media production, communication and satellite broadcasting. The group's business has been expanding tremendously, as evident in its annual sales turnover growth of 24 percent. Abdul Latif Jameel Group is another successful Saudi company, which represents in the Kingdom the business interests largely of Japanese multinationals, such as Toyota, Toshiba and Akai. It has diversified business operations that span the import and distribution of Toyota vehicles and spare parts, marketing of consumer durables, real estate, advertising and financing. In recent years, the company's annual sales turnover had grown at around 17 percent, from SR 5.6 billion in 1989/90 to SR 12.4 billion in 1994/95. Another successful company on the above list is Saudi ARAMCO-MOBIL Refinery Company, with total sales revenue in 1994/95 of SR. 7.79 billion. This is a joint venture between the two giants, Saudi ARAMCO and MOBIL, which began operation in 1984. Its present capacity is 340,000 barrels per day (Ministry of Planning. Achievements of the Development Plans 1970-1998: 37). Another Saudi ARAMCO-MOBIL joint venture is the Petromin Lubricating Oil Company (Petrolube). In recent years, the company's revenue exceeded SR. 400 million. Y.B.A. Kanoo is another company that has been successful in its diversified businesses with a number of multinationals. It represents in the Kingdom such big MNCs as EXXON, CHEVRON, BASF, British Airways and others. Kanoo's annual sales turnover exceeded SR 4 billion in recent years. Ballast

Nedham Group (part of the Holland-based Ballast Nedham N.V.) is another successful company, which has been operating in Saudi Arabia since 1963. It was the group that constructed the Saudi-Bahraini causeway that links Bahrain to the Saudi Arabian mainland. Its 1994/95 sales turnover reached SR 1.0 billion, which reflects 5.6 percent annual growth over that of 1989/90. The other commercial Saudi companies, with multinational shareholdings or representing the interests of multinational companies, have also performed quite satisfactorily in recent years as evident in their sales revenues and corresponding average annual growth rates (See Table 5.8).

In the banking sector, the biggest multinational bank in Saudi Arabia is Saudi American Bank, with total annual sales revenue of around SR 2.47 billion in 1994/95. Citibank owns 30 percent of the bank's total shareholding. Saudi shareholders hold 70 percent. The other successful Saudi-foreign banks on the list are the Arab National Bank, Al Bank al Saudi Al Fransi, Saudi British Bank, Saudi Cairo Bank, Al Bank Al Saudi Al Hollandi and the Saudi Investment Bank.

The researcher succeeded in obtaining reasonably good data on the recent performance of these joint-venture banks operating in Saudi Arabia, in terms of profitability as well as returns on equity and assets (See Table 5.9). These banks are multinational enterprises in their own right, as their foreign parent companies maintain separate facilities in several countries.

The banking facilities they operate across national borders draw on a common pool of financial resources, managerial skills, and operational capabilities. Multinational banks operate internationally by extending credit and moving money across national boundaries (Vernon and Wells, Jr. 1976: 61). The recent satisfactory performances of these banks indeed reflect the relatively sound state of the Saudi economy, in general, and the banking sector, in particular. In comparison, it is common knowledge that during the 1997/98 Asian crises, many banks in the region, including those subsidiaries of multinational banks, were hardest hit. Thus, the performance of the banking sector serves as one of the indicators of the performance and conditions of the national economy, on a macro level, and those of the firms, on a micro level.

Table 5.9 Success Indicators for Joint Saudi-Foreign Banks, 1995-1997 (SR Million)

Bank	Year	Assets	Equity	Net Profit	Return on Assets %	Return on Equity %
Saudi American Bank	1997	45,633	4,581	1,042	2.28	22.75
	1996	41,283	4,317	921	2.23	21.33
	1995	40,848	4,077	1,072	2.62	26.29
Saudi British Bank	1997	35,351	2,952	540	1.53	18.29
	1996	30,726	2,801	465	1.51	16.60
	1995	32,413	2,685	403	1.24	15.01
Arab National Bank	1997	34,495	2,890	495	1.43	17.13
	1996	34,417	2,777	461	1.34	16.60
	1995	26,050	2,685	414	1.59	15.42
Al Bank Al-Saudi Al-Fransi	1997	31,318	2,932	401	1.28	13.68
	1996	28,800	2,766	301	1.05	10.88
	1995	27,084	2,653	353	1.30	13.31
Saudi Hollandi Bank	1997	18,201	1,321	210	1.15	15.90
	1996	16,774	1,201	161	0.96	13.41
	1995	16,109	1,089	140	0.87	12.86
Saudi Investment Bank	1997	10,625	1,370	157	1.48	11.46
	1996	9,819	1,272	125	1.27	9.83
	1995	8,210	514	85	1.04	16.54

Sources: Compiled by the author from MEED. Saudi Arabia Quarterly Reports. March 1998 and other previous MEED issues; as well as from the annual reports (1995 through 1998) of some of the banks on the list.

Note: As verified from some of the banks' annual reports, Net Profit shown on the above table refers to net income from operations plus other income (e.g. special commission income from trading securities).

Table 5.9 indicates that all multinational banks operating in Saudi Arabia have been performing quite satisfactorily in recent years. Their operations for the last three-year period 1995-1997 were consistently profitable. During this period, their returns on equity were quite encouraging — an annual average of 23 percent for Saudi American Bank, 17 percent for Saudi British Bank, 16 percent for Arab National Bank and 12-14 percent for the other banks on the list.

5.6 International Business: A Broad Value Chain That Transcends the Realm of Cross-Border Production Activity

Multinational business has over time evolved to cover broad activities across national borders. These include foreign production, joint venturing, licensing, exporting and retailing. The petroleum value chain manifests the all-embracing nature of international business. Major oil and petrochemical firms — like SHELL, EXXON, MOBIL, CHEVRON and NORSK HYDRO — have long practised the concept of vertical integration, in line with their drive to optimise the upstream-downstream linkages of their activities from raw materials to end-use customers. However, none of these global oil companies completely span the whole petroleum value chain. For instance, CHEVRON spans wide segments of the oil business chain from oil exploration and production to service stations. But, it buys 50 percent of its crude oil requirements from other sources, and channels more than one-third of its refined product supplies through other retail outlets. Moreover, the company does not have its own car industry, which is a major user of gasoline and other petroleum-based products (Shank, Spiegel and Escher First Quarter 1998: 32-33). Similarly, Saudi ARAMCO spans wide segments of the oil business chain from oil exploration and production in Saudi Arabia to international refining and retailing. All these imply that some multinational companies are only in the oil exploration and production business, while others do not necessarily own production facilities, but they own service stations. Thus, in the petroleum industry as well as in many other industries, production is only one of the strategically relevant functions, which have cost-benefit contributions to the overall business performance and growth. The petroleum value chain generally covers exploration, development, production, shipping, refining, pipeline, terminal operation, trucking, other support services and retail operation (Shank, Spiegel and Escher First Quarter 1998: 37).

A breakdown of the value components of gasoline (in real cents per gallon at 1995 prices) manifests the relative importance of each function in the petroleum value chain as shown in Table 5.10.

Table 5.10 Relative Importance of Key functions in the Petroleum Value chain

Function	1995 Price	%
	U.S. Cents	Share
Upstream: Exploration, Develop. & Production		
Exploration and Development	11.0	9.2
Production	10.8	9.0
Taxes, Overhead, Royalties	13.0	10.9
Pipeline and Shipping	6.2	5.2
Upstream Sub-Total	**41.0**	**34.3**
Downstream: Refining and Marketing		
Refining	13.0	10.9
Transportation	3.0	2.5
Terminal	1.8	1.5
Trucking	2.0	1.7
Gasoline Retailing	18.3	15.3
Downstream Sub-Total	**38.1**	**31.9**
Pump Taxes	**40.4**	**33.8**
Total US Cents/gallon of gasoline	**119.5**	**100**

Source: Numbers tabulated and percentages calculated from Exhibit VIII, "Strategic Value Analysis for Competitive Advantage: An Illustration from the Petroleum Industry", Shank, Spiegel and Escher (First Quarter 1998: 38), In Strategy & Business Issue No. 10.

The table shows that production alone accounts for only 9 percent of the real price of gasoline (at 1995 constant prices) as marketed in the Eastern United States and along the Gulf Coast. Across national boundaries, production is no doubt an important function of the value chain, and it will perpetually remain one of the key roles of multinationals.

Traditionally, multinational companies view their operations in an integrated fashion with each asset class treated as a cost centre — not a profit centre. Today, some companies have begun practising the so-called "de-coupling" view of the value chain (Shank, Spiegel and Escher First Quarter 1998: 32-39). For instance, oil exploration, research and technology development, production, refining, transportation, logistics and retailing can be managed separately as profit centres or profit-making entities, both locally and internationally.

Today, some new entrants to the petroleum industry make money at the expense of the major players by focusing on a narrow segment of the value chain. For instance, Tosco focuses its operation on the refining business. On the other hand, QuikTrip focuses solely on gasoline retailing. As a result, new entrants gain market shares at the expense of the existing industry majors. In fact, the largest integrated oil companies accounted in 1995 for only 22 percent of total U.S. gasoline volume through company-owned stations, compared with 43 percent in 1974 (Shank, Spiegel and Escher First Quarter 1998: 36).

Thus, this chapter conveys the message, on the basis of the evidence presented, that multinational companies have been engaged in broad and diverse value chain of business activities beyond the frontier of international production. Indeed, multinational companies have various roles to play — as international explorers, developers, producers, traders, sellers, marketers, retailers, financiers, project managers, consultants and the like. Major firms with cross-border production activities are at the same time engaged in diverse business activities in their home countries and abroad. These include the phenomenon of multinational joint ventures in many parts of the world. In some cases, they also enter into strategic co-operative alliances with their competitors. So, while various ideas have been given to explain the nature, existence and growth of multinational enterprises, the multinationals themselves are never weary of generating and implementing ideas and strategic options that may help them enhance their competitive position and profitability, locally and internationally.

In the case of Saudi Arabia, joint ventures are the dominant form of international business at present, and this is expected to persist in the years to come. Major multinational companies, like SHELL, EXXON, MOBIL, CHEVRON, MITSUBISHI and MITSUI have joint venture businesses in the Kingdom. Other MNCs are increasingly involved in joint ventures elsewhere. For instance, DuPont has some 120 joint venture companies worldwide as of 1996, and many more were in the process of being formed (DU PONT Annual Reports 1996, 1997 and 1998). As for the MNCs with active presence in Saudi Arabia, they are trying to strengthen their presence locally through expansion of existing ventures or through the establishment of new ones. Similarly, more and more Saudi companies and individuals are seeking joint ventures with foreign partners.

Joint venture is a preferred form of direct foreign investment in Saudi Arabia for many reasons. For instance, a joint venture project between Saudis and any foreign investor is entitled for a tax holiday for 10 years. The key condition here is that the Saudi share in the joint venture must be at least 25 percent. The Saudi partner will also be in a position to advance the interests of the business, given his ability to deal with cultural and bureaucratic constraints, which may not be efficiently handled by the foreign partner.

The Kingdom is also an attractive centre for joint industrial ventures as it has modern infrastructure, modern communication systems and world-class port facilities. Industrial user fees for water, electricity and other utilities are very competitive. Moreover, The Saudi Riyal has been stable and fully convertible. Saudi Arabia's geographical position in the middle of the East and West provides a strategic advantage for export-geared industries. The Saudi market itself keeps on growing, and it is generally the largest in the Middle East. Saudi Arabia has a strong economy, and a stable political environment. It has a significant role in the global economic order bearing in mind that it is the largest oil exporter and has the largest oil reserves in the world. The Minister of Industry and Electricity, Dr. Hashim A. Yamani, highlighted in vivid terms the competitive advantages of Saudi Arabia as a base for foreign investment, as quoted below:

> *The Kingdom today is a developing country with a resilient economy, a stable and fully convertible currency, and world-class basic industries and infrastructure facilities. Its geographic location provides a strategic advantage for export-oriented industries in terms of relatively easier access to major export markets in the West and East. The country itself has an ever-growing domestic market for a wide range of consumer goods.* (Middle East Insight 1995: 27)

Aside from joint ventures, there are many other forms of foreign business presence in Saudi Arabia. For instance, there are numerous industrial projects fully owned by foreigners mostly from Arab countries, but all of them together have a combined capital of only about half a billion US dollars. Some multinational companies doing business in the Kingdom are also engaged in activities other than strategic alliances and international production. These include licensing, project management, franchising, consulting, financing, trading and direct exporting. Many multinational companies also prefer to do business in the Middle East through distributorship, using local and regional agents. The theory of international production, therefore, provides only partial explanations of the comprehensive role, nature, existence and growth of multinational companies. This is so, as it does not explain all kinds of multinational business activity. Indeed, international business is a broad value chain that transcends the realm of foreign production.

Notes

[1] For a joint venture to be the chosen method between the national company in a foreign country and a multinational firm, their market exchange must be subject to high transaction costs (Hennart in Pitelis and Sugden 1991: 99-101). On the part of the Saudi national firm, the transaction costs of negotiating and acquiring technology may prompt it to go for a joint venture. As for the multinational company, it may opt for a joint venture with Saudis because, in spite of its ownership-specific advantages (e.g., the technology it owns that is needed in the host country), the Saudi government's investment policy favours joint ventures. The foreign firm is not always like a national company that may have the free hand to choose whether to pursue business alone in its own environment or jointly pursue it with a local or foreign firm. Hennart argues that the presence of two failing markets is not sufficient for joint ventures to emerge. This argument holds true for direct foreign investment as well. Finished products, intermediates and services could be combined, transacted or exchanged either through mergers, acquisitions, joint ventures, international trade or some other modalities. After all, most of the products and services find their way through some kind of exchange, either internally within a group of firms or externally between firms through the arm's length market system. All types of businesses prevail under imperfect market conditions or under various sorts of market failure. So, the presence of market failure may not be a sufficient but necessary condition for joint ventures and other business modalities to emerge. In many countries including Saudi Arabia, governments encourage joint ventures between national and foreign companies. Some governments may not like to see the presence of wholly owned foreign investment in their own countries, as they may interpret this as an intrusion to their sovereignty.

[2] South Korea's direct investment in Saudi Arabia reached only $18.2 million between 1993 and first quarter of 1997. In the foreseeable future, however, Korean companies are expected to turn their attention to the favourable investment conditions and business opportunities in the Kingdom (*Saudi Gazette Supplement*, 3 October 1998).

[3] In practice, many developing countries (including Saudi Arabia) opt for contractual substitutes for direct foreign investment, such as licensing, franchising, turnkey contracts, production sharing and management contracts, in order to obtain the inputs held by multinational companies. These include technology, management skills, marketing skills and access to foreign markets. See Hennart in Pitelis and Sugden (1991: 100-102) for a thorough discussion on the contractual substitutes for direct foreign investment.

[4] In the case of Saudi Arabia, the formation of the Saudi Petrochemical Company (SADAF), as well as other SABIC joint ventures with multinational companies, happened only after very tough negotiations between the partners involved (Pampanini 1997: 48). Initially, the SHELL side had developed into two factions — the Oil group in the SHELL U.S. who advocated the venture with SABIC, and the Petrochemical group in Europe who opposed it. The U.S.-based Oil group seriously pursued the partnership and succeeded in signing an agreement with SABIC in 1980 for the creation of SADAF. In the beginning, the Europeans have been averse to making joint ventures with Saudis for fear that they would lose their competitiveness. What they did not realise earlier was the inevitability of rationalisation, as they had to restructure their petrochemical industry in the end (Pampanini 1997: 49). Thus, major multinationals like SHELL that realise the competitive advantages of Saudi Arabia, particularly in the petrochemical industry sector, go for joint ventures with Saudi partners.

[5] The information requirements associated with using markets are manifold, including each participant's opportunity to gain or chance to lose from the deal. Exchange is assumed to take place based on the presence of mutual benefits that will go to each party. However, in spite of favourable conditions for a mutually beneficial deal, exchange in a free market system may fail to occur because human knowledge is imperfect. See Teece in Putterman and Kroszner (1996: 182-183).

[6] Traditionally microeconomics assumes that economic activity is determined freely by the price mechanism and that the economic system works itself. Coase (1937) challenges this view and argues that when a firm opts for vertical integration, this effectively supersedes the price mechanism, with the degree of price supersession varying greatly from industry to industry and from firm to firm. See also Coase in Putterman and Kroszner (1996: 89-104).

[7] Among existing theories of multinational corporations and international business, in general, the market power approach is one that puts great emphasis on the profit motive of the firms going "multinational". Firms, acting singly or in collusion, attempt to dominate their respective markets in order to earn higher profits (Cantwell in Pitelis and Sugden 1991: 21). Hymer asserts that an international firm will certainly choose the alternative that maximises its own profits (Hymer in Cohen, Felton, Nkose and Liere 1979: 175). The theory of internalisation also adopts the premise that firms behave to maximise profit in a world of imperfect markets (Buckley and Casson 1976: 33). In the case of Saudi Arabia, multinational firms aim at earning more profits and/or improving market shares (See Appendix 5a, Figure 6.1, Figure 6.2 and Table 6.3). Obviously, there are many other economic and non-economic incentives that influence their decision to invest in Saudi Arabia (See Appendix 5a, Tables 6.5a and 6.5b).

[8] A multinational technology provider or supplier may have a good degree of freedom in choosing various strategic options, including licensing, exporting and joint venturing across national borders. Businessmen in the host country are at a disadvantage particularly with regard to securing at fair terms the required foreign technology. In the survey conducted for this study, a number of issues were specified, which are vital to be negotiated by local industrialists, businessmen or authorities in doing business with any multinational company. These include the technology required, ownership sharing, information sharing, management composition, product development and innovation, financial system and control, as well as pricing of raw materials and products. Refer to Appendix 6a for the table showing the customers' agreement on the variables that need to be negotiated by local businessmen.

The survey respondents (both multinational managers and customers) generally agreed that Saudi businessmen strongly prefer to do business on their own if they can secure the required foreign technology (See Appendix 5a, Tables 6.5c and 6.5d). When a technology license is impossible to obtain, due to unfair terms and conditions, they will opt for a joint venture with the technology owner.

[9] The case whereby multinational firms attempt to secure their market shares through defensive direct foreign investment does not usually prevail in Saudi Arabia. Elsewhere, reaction to oligopolistic tendencies, characterised by the presence of some price leadership or collusion, reflects the motive of the foreign firms to internalise the market through FDI (Rugman 1981: 46).

[10] See Appendix 5a, Table 6.4, which describes the global operation network of MNCs operating in Saudi Arabia, as disclosed by the multinational managers surveyed. In fact, of the total 45 MNC managers, 60 percent said that their company products or parts are produced in their respective home countries; and only 13 percent of the respondents claimed that their company products or parts are produced in Saudi Arabia. Sixty percent of the MNC managers said that their products or parts are produced in affiliates elsewhere. Thirty-eight percent of the respondents claimed that the products or parts they market in Saudi Arabia are imported from third countries. The rest of the managers (9 percent) said that they are engaged in other forms of operations, like project management, liaison office services, banking and consulting services which belong to the service sector, and not manufacturing-oriented. Some multinational service-oriented companies operating in Saudi Arabia are also engaged in accounting, legal and insurance services. Sometimes, their Saudi branch offices also serve as regional offices serving the rest of the Arabian Gulf countries or other parts of the Middle East.

[11] See Appendix 5a, Tables 6.2a and 6.2b for the various types of businesses in Saudi Arabia, as learned from the multinational managers surveyed.

[12] In some cases, a multinational company may put up a production branch in a foreign country, without the motive of internalising that country's market. For instance, Norsk Hydro of Norway made an

alliance with a company in the Arabian Gulf in the 1970s to produce a nitrogen fertiliser using its own technology, although the country has absolutely no demand for the product. Norsk Hydro is nowadays involved in exporting urea technology to the Arabian Gulf (in Bahrain and Saudi Arabia, for example), without exploiting its ownership-specific advantages. By not resorting to international production, the company does not lose its multinational character.

[13] The Saudi Arabian government has likewise reduced the tariff duty for products imported into the Kingdom from 12 percent to 5 percent. This very low import duty does not encourage multinational companies to establish wholly owned production branches locally, as competition from importers always prevails. This also means that when establishing a wholly owned production subsidiary across national borders is not attractive enough, international trade will remain preferable.

[14] The real world of multinational business is one where all kinds of business modalities exist – international production, international trade, licensing, strategic alliance and many more. The growth of multinational companies does not necessarily lead to the decline in international trade. These two international routes are closely linked. As a matter of fact, great bulk of international trade is done by the multinationals themselves, although substantial portions of foreign trade are intra-firm flows. The choice for a wholly owned production subsidiary, strategic alliance or international trade depends very much on the costs and benefits to the local and foreign contracting parties. This needs to be pointed out, as some business scholars argue that the theory of foreign direct investment is the "converse of the pure theory of international trade (Rugman 1981). If the world were characterised by a model of free trade, there would be no need for the MNE [multinational enterprise]."

As multinational business is often viewed as a cross-border activity involving international production, economists believe that this phenomenon occurs due to market imperfections across national boundaries. Recalling the Heckscher-Ohlin model, pure free trade exists under the assumptions of homogenous goods and free factor markets, with zero transport costs, identical tastes, constant returns to scale and so on. The model proposes that in such a first-best Paretian situation global welfare is maximised by nations producing according to their relative comparative advantages (Rugman 1981: 39). Transaction-cost economists also argue that there would be no need for the multinational enterprise if markets were characterised by perfect competition. In the real world, however, the international market or trade is never perfect, and the existence of market failure or imperfection brings about the emergence of multinational firms. Rugman argues that multinational enterprise "has developed in response to exogenous government induced regulations and controls which negated the theoretical rationale for free trade and private foreign investment as explanations of international trade and investment. The process of internalisation permits the MNE to overcome the externalities resulting from such regulations" (Rugman 1981: 27).

In recent decades, transnational or multinational companies have played a prominent role in the internationalisation of production and in the growth of trade and financial interdependence of the world economy. Multinationals also serve as agents through which financial resources are transferred across national boundaries (United Nations Centre on Transnational Corporations 1985: 1).

[15] See Appendix 5a, Tables 6.5a and 6.5b, for the survey results on transaction costs, among others. One finding indicates that the MNC managers neither agreed nor disagreed that transaction cost variables (i.e., BA19, BA20, BA21 and BA22) influence the decision of the multinational firms to invest in Saudi Arabia. Their perceptions could be in line with the notion that transaction cost economics is more relevant for a firm that internalises a foreign market.

Chapter 6 - Empirical Findings, Analyses and Interpretations

This chapter presents the study's findings based on standard empirical research methods. The opening section presents the brief profile of the respondents. The main section of the chapter covers the survey's empirical findings, which are presented in tabular and graphical forms. The findings were analysed and interpreted in light of existing theories, scriptural proofs and some available secondary information. The main text of the chapter follows the following sequence — hypothesis, findings, analyses and interpretations.

6.1 The Respondents

This research surveyed two respondent groups — multinational managers and multinational customers.

Table 6.1 Frequency Summary of Respondents

	MNC Managers		MNC Customers	
Characteristic	**Frequency**	**Percent %**	**Frequency**	**Percent %**
Religious Affiliation				
Muslim	17	38	118	62
Non-Muslim	28	62	71	38
Total	45	100	189	100
Education Attainment				
Undergraduate			6	3
College graduate	27	60	131	69
Master's degree	16	36	36	19
Doctorate	2	4	16	9
Total	45	100	189	100
Years of Stay in Saudi				
Below 5	12	27	52	27
5 to less than 10	10	22	43	23
10 to less than 15	9	20	47	25
15 and above	14	31	47	25
Total	45	100	189	100

As shown in Table 6.1, 62 percent of the multinational managers surveyed are non-Muslims and 38 percent Muslims. Education-wise, two of the multinational managers have doctorate degrees, 16 have master's degrees and 27 have college degrees. 31

percent of the multinational respondents have stayed more than 15 years in Saudi Arabia, 20 percent more than 10 years, 22 percent more than 5 years and the rest less than 5 years.

Table 6.1 also shows the frequency summary data for multinational customers. Of the 189 customers, 38 percent are non-Muslims and 62 percent Muslims. 16 of the multinational customers have doctorate degrees, 36 have master's degrees, 131 have college degrees and the remaining 6 respondents are undergraduate. 25 percent of the customer respondents have stayed more than 15 years in Saudi Arabia, 25 percent more than 10 years, and 23 percent more than 5 years and the rest less than 5 years.

6.2 Findings, Analyses and Interpretations

6.2.1 Cultural Issues:

6.2.1.1 Hypothesis:

Islamic cultural and ethical values are deemed important to be understood by multinational companies doing business or planning to invest in Saudi Arabia. The Muslim respondents, however, are more concerned about the importance of these values to be understood by multinational companies than the multinational managers themselves.

Findings: The research findings are consistent with the view that both the MNC managers and the other group of respondents agreed that Islamic cultural and ethical values are deemed important to be understood by multinational companies doing business or planning to invest in Saudi Arabia (see Appendix 5b, Tables 6.6a to 6.6d). On culture, the respondents were asked to rate the importance of local cultural and ethical values to be understood by multinational companies doing business or planning to invest in Saudi Arabia, on a 7-to-1 important-not important bipolar scale, with 7 as the highest score of importance.

The mean answers of the MNC managers for all of the 61 variables but one are in the higher side of the bipolar scale — 5 to 7, rounded off — and they are all statistically significant. The study does not find, in general, significant differences in the means of the given categories of respondents, implying the common view of MNC managers concerning the issue, without any significant influence of their respective religious or educational backgrounds, as well as their lengths of stay in Saudi Arabia.

Likewise, the survey results for the other group of respondents (MNC customers) were found to be all in the higher side of the bipolar scale from 5 to 7. Thus, as perceived by MNC customers, the study found that local cultural values and ethics are important to be understood by multinational companies doing business or planning to invest in Saudi Arabia.

The cultural and ethical variables included in the survey generally scored high (with mean scores from 5 to 7 on the bipolar 7-1 scale, both for MNC managers and MNC customers), regardless of their educational and religious backgrounds, as well as periods of residence in Saudi Arabia. These highly positive mean scores reflect the great importance of religious values and ethics to be understood by MNCs, as also emphasized in literature by a number of scholars like Punnet and Ricks (1992: 167-168), Al-Salamah (1994: 223-224), Fatani (1994:263), Jeannet and Hennessey (1995: 76-77), and Gullestrup (1996: 8).

MNC managers and MNC customers differ in their perceptions with regard to usury. The MNC customers, regardless of their sub-groupings, considered the prohibition of usury as an important ethical value to be understood by MNCs. The mean scores in this regard are between 5 and 6, and the corresponding chi-square values for education and period of stay are not statistically significant. This means that the MNC customers, as far as their educational backgrounds and periods of stay in Saudi Arabia are concerned, do not differ significantly in their perceptions of the importance of the prohibition of usury to be understood by MNCs. However, the results indicate that the chi-square value for religious background is statistically significant at the .01 level. This means that the perceptions of Muslims differ from those of non-Muslims. The difference is in terms of degree of agreement as the Muslims strongly agree (mean score of around 7), while non-Muslims only agree (mean score of 6), that the prohibition of usury is important to be understood by MNCs. On the other hand, the MNC managers had an overall mean score of 4.5 on the 7-1 scale. When rounded off, this would mean that they in general somewhat agree that the prohibition of usury needs to be understood by MNCs doing business in Saudi Arabia. In terms of religious background, Muslim managers recorded an average 5 while non-Muslim managers 4 on a 7-1 bipolar scale. So, while Muslim managers somewhat agree on the importance of this prohibition, non-Muslim managers neither agree nor disagree in the importance of the said variable. As per chi-square test, however, the difference in the perceptions of the Muslim and non-Muslim managers are not statistically significant. Interestingly, the chi-square value for the length of stay in Saudi Arabia is relatively high, 26.4, which is statistically significant at the .05 level. The MNC respondents' mean scores are: 3.9 for those with less than 5 years of residence in Saudi Arabia; 4 for those with 5 to less than10 years; 4.3 for those with 10 to less than15 years; and 5.4 for those with 15 years and above. This indicates that the longer the residence of the MNC managers in Saudi Arabia, the more they perceive the importance of the prohibition of usury to be understood by MNCs doing business in the country.

The importance of the prohibitions of pork and all intoxicants (like liquor) to be understood by MNCs got the same mean score of around 5 for the MNC managers. This means that MNC managers in general slightly agree to the proposition that the prohibitions of pork and all intoxicants (like liquor) in Saudi Arabia are important to be understood by multinationals. Concerning the prohibition of pork, Muslims scored a mean score of 6 while non-Muslims 4. Given a chi-square test value of 30, which is statistically significant at the .05 level, Muslim and non-Muslim MNC managers have significant differences in their perceptions of the importance of the prohibition of pork to be understood by MNCs. As for the prohibition of all intoxicants, the MNC Muslim managers generally scored 6 on a 7-1 bipolar scale, suggesting that Muslims agree to the importance of the prohibition of intoxicants to be understood by MNCs. Non-Muslims scored 4.4 which means that they neither agree nor agree to the proposition on the prohibition of intoxicants. The computed chi-square test value, however, turned out not statistically significant.

Respect and kindness to women is another cultural variable that is deemed important to be understood by MNCs, with an overall mean score of around 6 for the multinational managers. This means that MNC managers in general agree that respect and kindness to women are important to be understood by multinationals. In terms of religious affiliation, Muslim and non-Muslim managers scored a mean score of around 6. The computed chi-square test value turned out not statistically significant. This means that Muslim and non-Muslim MNC managers do not have significant differences in their perceptions of the importance of respect and kindness to be understood by MNCs.

Analyses and Interpretations: The positive results of this study show that Islamic teachings appeal to various people, including non-Muslims. Those who have stayed in Saudi Arabia for a considerable period must have observed how Muslims spiritually and materially attached themselves to Islam. Muslims who are faithful always believe that Islam is the perfect way of life for all, regardless of race, colour and social stratum. This belief is deep-rooted, backed up by proofs from the Qur'an and the Sunnah.

Selected cultural and ethical values are analysed here for thorough evaluation and understanding of the research results. In the business field, multinational corporations doing or planning to do business in Muslim countries like Saudi Arabia will have greater competitive advantages and be able to enhance their competitive position and profitability the more they know of Islamic culture. On the economic front, Muslims are guided by revealed cultural ethics, which have meaningful ramifications to actual business life. Allah the Almighty commands the believing Muslims to be fair, honest and not to depart from justice in all human affairs, including business transactions (Qur'an 5:8; 3:161; Al-Bukhari 3: Hadith No. 328).

Business activities or transactions, especially but not limited to those bearing future executions, have to be documented into written contracts duly signed by them and their witnesses. The parties to the business transaction must faithfully abide by the written contracts and fulfil all obligations they have agreed upon.[1] As an economic man, practising Muslims strictly adhere to these fundamental business-legal ethics, and those who deal with them are expected to act in a similar fashion. This should be borne in mind by those who are seeking business interests in Saudi Arabia or elsewhere in the Muslim world. Both buyers and sellers have to be exact in weighing goods (Qur'an 17:35; 83:1-3). Debtors are obliged to pay their debts. If a Muslim dies, his inheritance can only be distributed to his lawful heirs upon clearance of any debts (Qur'an 4:12; 24:1124:11). Likewise a Muslim lender is encouraged to be lenient to his debtor. He has to grant his debtor(s) enough time to repay him. But if he decides to remit the debts by way of charity to his debtor, that will be better for him (Qur'an 22:280-281).

Understanding the Islamic prohibition of usury is important for multinational companies doing or planning to do business in the Muslim world. Parties involved in business must avoid usury (Qur'an, 2:275-276; 4:161; 30:39; Abu Dawud, Hadith 3327).[2] Furthermore, the parties involved in business must avoid bribery (Qur'an 2:188), monopoly (Qur'an 104: 1-3), and hoarding (Qur'an 9:35; Ibn Maja, Vol. 3, Ahadith No. 2153 and 2154). Some Islamic guidelines for transacting businesses include avoidance of entering into transaction when another is already making the transaction (Ibn Maja, Vol. 3, Ahadith No. 2171 and 2172); mutual consent (Ibn Maja, Vol. 3, Hadith No. 2185); generosity or leniency of both the seller and the buyer (Ibn Maja, Vol. 3, Ahadith No. 2202 and 2203); encouragement of importation of goods and discouragement of hoarding (Ibn Maja, Vol. 3, Hadith No. 2153); disapproval of taking oaths in business (Ibn Maja, Vol. 3, Ahadith No. 2208 and 2209); and encouragement of partnership and profit sharing (Ibn Maja, Vol. 3, Hadith No. 2289).

Islam prohibits theft or robbery (Qur'an 5:38; 39 and Al-Bukhari, Vol. 5, Hadith No.79), and considers it a capital offence. It also prohibits land grabbing (Al-Bukhari, Vol. 3, Ahadith No. 632; 634; Vol. 4, Ahadith No. 418 and 419). Gambling and selling, buying, and consumption of liquors (intoxicants), pigs, dogs, dead animals, etc. are all prohibited (Qur'an 2:219; 5:90-91; 5:3; 6:145; also see 16:115; Al-Bukhari Vol. 7, Hadith No. 492, Muslim Vol. 3, Hadith No. 4956; and Al-Bukhari Vol. 7, Hadith No. 438). Selling of pictures with animated objects is likewise not allowed in Islam (Al-Bukhari Vol. 3, Hadith No. 428 and Muslim Vol. 3, Hadith No. 5249). There must be no selling of a free person for slave. (Al-Bukhari 3:430) Other forbidden businesses include prostitution and fortune telling. (Al-Bukhari Vol. 3, Hadith No. 439) Islam forbids all these and other unlawful business transactions as they cause problems, conflicts and instability in the society. They open the doors to evil deeds, which lead people to commit further sins.

In terms of meeting basic needs, a Muslim is commanded by Allah the Almighty to eat only what is lawful and good (Qur'an 5:4). Dead meat, blood, the flesh of swine, and that on which any other name has been invoked of other than Allah are not permissible for Muslims to eat as stated clearly in the following Qur'anic injunction:

> *"Forbidden to you (for food) are: dead meat, blood, the flesh of swine, and that on which has been invoked the name of (anyone) other than Allah..."* (Qur'an 5:3)

The prohibition of pork in Islam is, indeed, categorical and strictly observed by all practising Muslims. Muslims must not also eat any food that is sacrificed on stone (altars); or, anything that is killed by strangling, or by a violent blow, or by a headlong fall, or by being gored to death. They are also not allowed to eat anything, which wild animals have partly eaten, and any meat divided by raffling with arrows (Qur'an 2:168-173; 5:3). Avoidance of smoking in Islam is based on the Qur'anic injunction that Allah warns people not to make their own hands contribute to their destruction (Qur'an 2:195) and not to eat up their property in vanities and not to kill or destroy themselves (Qur'an 4:29-31). A multinational company that is aware of all these prohibitions will have the advantage of not offending the Muslim customers. It will be able to avoid blunders and difficulties that it may face in dealing with its Saudi partner on a cultural basis, as discussed in Fatani's study (1994: 263-270). A multinational firm can increase its competitiveness by researching what the Muslim customers want and what they do not. Any firm that always adheres to meeting customer requirements will succeed in the long run. Indeed, the prohibitions in Islam have very important implications to international companies as emphasised by Jeannet and Hennessey (1995: 76-77).

On the other hand, Islam enjoins mankind to do what is lawful and good. It encourages planting (Al-Bukhari 3:513; 8:41), conservation of resources (Qur'an 6:141), protection of environment (Qur'an 2:204-206) and the protection of one's and others' properties. To die while protecting one's property is an act of martyrdom. (Al-Bukhari, Vol. 3, Hadith No. 660) This implies that Muslims must not tolerate injustice, deceit, fraud, dishonesty, swindling, graft and corruption, and other forbidden business transactions in their economic pursuit. Allah enjoins on the believing Muslims to enjoy the bounties that He has given them by lawful means. At the same time, He warns them not to be extravagant or to commit excesses in their utilisation of resources. The rule is towards moderation in expenditures (Qur'an 5:87; 7:31; 17:26, *27,* 29; and 25:63-67).

Islam emphasises and rewards hard work. One has to work hard to earn his living (Qur'an 29:6-7; 53:39 and Al-Bukhari Vol. 3, Hadith No. 286). Islam also encourages charity to the poor and the needy. It discourages miserliness (Qur'an 92:4-21) and begging. Begging as a profession is prohibited (Al-Bukhari Vol. 2, Ahadith No. 508, 509, 548, and 549). Reward and compensation systems must be commensurate to workers' merits, outputs and contributions to the business. Employers must pay the salaries and wages of employees on time (Al-Bukhari 3:430).

The value of time is also part of Islamic teachings. Muslims must pray regularly five times a day. They must pay Zakat on time periodically every year. They must perform *Sawm* (fasting) and *Hajj* (pilgrimage) during the prescribed periods. Time must be spent wisely to do righteous deeds and join those who enjoin the teachings of Islam. Time should never be wasted in unlawful businesses (Qur'an 103:1-3; Al-Bukhari Vol. 8, Hadith No. 421; and Muslim Vol. 4, Hadith No. 5581). When business is done with utmost honesty, fairness and justice, it becomes a sort of worship. In Islam, anything that pleases Allah the Almighty is a form of worship, as long as it is done sincerely for Him, and as long as it is done in conformity with the Qur'an and the Sunnah (Prophetic traditions). Muslims are expected to be progressive and dynamic, as God will not change their conditions unless they themselves opt for better change (Qur'an 8:53).

Both buyers and sellers have to be exact in weighing goods, and have to be firm in avoiding cheating. The following Qur'anic verse and *Hadith* manifest this principle.

> *"Give full measure when you measure, and weigh with a balance that is straight. That is better and fairer in the final determination."* (Qur'an 17:35)

> *Hakim ibn Hizam narrated that Allah's Messenger ﷺ said, "The seller and the buyer have the right to keep or return goods as long as they have not parted or till they part; and if both the parties spoke the truth and described the defects and qualities (of the goods), then they would be blessed in their transaction and if they told lies or hid something, then the blessings of their transaction would be lost."* (Al-Bukhari Vol. 3 Hadith 293)

The indecisiveness of MNC managers in their perceptions of some of the cultural variables might have been a result of their own value judgement, based on their own respective ethical values and practices. For instance, MNC managers who are smokers, regardless of their religious backgrounds or educational attainments, may consider smoking as a practice that is too personal to be prohibited. They think that prohibiting it violates their own personal human rights. In Islam the general rule is the permissibility of everything, and something becomes 'prohibited' only if there is a valid reason to do so. Personal freedom is, thus, limited only by the limits that Allah has laid down through the Qur'an, the Sunnah and those deduced from the two — altogether constituting the Islamic Shari'ah. Both in principle and practice, Islam views human rights in a broader context, that encompasses personal, family, community, social, political and spiritual aspects of life. The Secretary General of the Muslim World League (MWL), Dr Abdullah Saleh Al-Obeid, addresses the concept of human rights in Islam in the following concise but comprehensive words:

> *In Islam a human being is governed by the society and its requirements, on the one hand, and, on the other, also by the religion and its requirements. These two aspects are not separated from each other; rather they are combined.*
>
> *Allah has created human being and made him distinguished with comprehension and will power, bestowing equality in freedom between him and his brothers. The Almighty created him in the pure state (fitrah) and not out of any sin or guilt. He will reward or punish him according to his deeds in this world. Thereby, the authority of human rights in Islam is Shari'ah, which is evident in the texts of the Qur'an, Sunnah, i.e., commands and traditions of the Prophet ﷺ and the jurisdictions of the scholars based on the two above sources.*
>
> *... Shari'ah combines human rights with the rights of Allah the Almighty, and with the rights of the family as well as the society and other human beings in a system where the legislations about worship, moral values, crimes and finance are combined* (*Saudi Gazette*, 11 May 1998: 12).

The Government of the Kingdom of Saudi Arabia sent a document (The Memorandum 1997) to the concerned UN Commissions and Agencies regarding human rights in Islam and their application in the Kingdom of Saudi Arabia. The memorandum highlights that Islam has its own reasoning with regard to the support of (the dignity of man), and the protection of (human freedom). Saudi Arabia calls for peace among all human beings on the basis of Islamic principles, which have been distorted by both the ignorant and the prejudiced. (1997: 7-8) The memorandum further stresses that Saudi Arabia respects the rights of humanity at large, including man's economic, social and cultural rights. Decisive historical facts point to the protection of human rights in Saudi Arabia, as per Islamic law.[3]

The concept of human rights in Islam does not make any discrimination or prejudice between one man and another with respect to sex, colour, language, religion or race. The Crown Prince Abdullah bin Abdulaziz has reiterated the respect of the Kingdom to human rights in line with its adherence to the Islamic principles (*Riyadh Daily*, 26 November 1999: 2). With respect to sex or gender, for example, respect and kindness to women are two important values that are embodied in the Qur'an and the Sunnah. In fact, Chapter 4 of the Qur'an is called "*An-Nisa*", meaning "The Women". The following Qur'anic injunction and hadith (saying of the Prophet) confirm the high respect that Islam has given to women:

> *"O you who believe! You are forbidden to inherit women against their will. Nor should you treat them with harshness, that you may take away part of the dower you have given them, except where they have been guilty of open lewdness. And live with them honourably (on a footing of kindness and equity). If you dislike them, it may be that you dislike a thing, and Allah brings through it a great deal of good."* (Qur'an, An-Nisa 4:19)
>
> *Abu Hurairah ؓ narrated that Allah's Messenger ﷺ said, "Treat women nicely, for a women is created from a rib. And the most curved portion of the rib is its upper portion. So, if you should try to straighten it, it will break, but if you leave it as it is, it will remain crooked. So treat women nicely."* (Bukhari Vol. 4, Hadith 548)

The status of women in the entire Muslim world is, in fact, interwoven with Islam (Alkhafaji 1995: 212-213). In Islam, religious and moral duties are the same for man and woman. A few exceptions in this respect exist, but they favour the side of woman. For instance, she is exempt from some religious duties (i.e., prayers and fasting) in her regular menstruation periods. She is also not required to attend the obligatory prayers in the mosque. This is so as Islam regards her household role as a mother and a wife as the most essential one (Badawi 1971; see also http://www.iad.org/books/S-women.html).

In the sight of Allah, man and woman differ only by virtue of piety and righteousness, as clearly stated in the following Qur'anic verse:

> *"Whoever works righteousness, whether man or woman, and has faith, verily, to him We will give a good Life (in this world with respect, contentment and lawful provision), and We will bestow on them certainly a reward according to the best of their actions (i.e. Paradise in the Hereafter)."* (Qur'an, Nahl, 16:97)

In the educational arena, woman in Islam is equally entitled to aspire for higher education. According to the Prophet Muhammad ﷺ (peace and blessings of Allah be upon him) the search for knowledge is an obligation laid on every Muslim man and woman. Thus, all aspects of education and fields of study — nursing, medicine, midwifery, social sciences and natural sciences — are open to Muslim women. As highlighted in Chapter 2, the total number of Saudi female students increased from 311 thousand in 1974 to nearly 2 million in 1995 — reflecting an average annual growth of 11 percent. The faster growth of the number of female students reflects the drive of the Saudi Arabian government to achieve a balanced educational development, as well as the determination of the Saudi women to catch up in the field of education (Ministry of Planning. Achievements of the Development Plans 1970-1996: 307-311).

On the economic front, Islam does not prohibit women from working outside the household environment. On the contrary, it has granted them the right to own and manage their own businesses. Saudi women, for instance, reportedly own 50 percent of the Kingdom's trade establishments, 15 percent of individual enterprises and 10 percent of land property (*Kuwait Times*, 30 July 2001). As also reported in the *Arab News* (4 August 2001), the majority of heirs to 460 family-owned establishments in Saudi Arabia are females. Alia Banajah disclosed to *Arab News* recently that Banajah Import

Company, of which she is a major shareholder, has assigned female members of the family to various managerial tasks. Maha, a daughter of renowned Saudi businessman Ahmad Hassan Fitaihy, has recently become one of the Board members of the Fitaihy Holding Company. Muhammad Abdullah Al-Jumaih, the Agent of General Motors in Saudi Arabia, has given his daughters the opportunity to run part of his businesses within the perimeters set by Islamic law. Mujahed Gharoub, a Saudi lawyer, indicated that upon the graduation of his daughter studying law abroad, he would give her the responsibility and authority to manage his law office (*Arab News*, 4 August 2001).

Islamic Law fully acknowledges the right of woman — whether she is single or married — to her money, real estate, or other properties (Badawi 1971; see also http://www.iad.org/books/S-women.html). She does not have to work or share with her husband the family expenses, as she is entitled to complete provision and total maintenance by the husband (Badawi 1971; see also http://www.iad.org/books/S-women.html). She is free to retain, after marriage, whatever she possessed before it, and the husband has no right whatsoever to any of her own belongings. If she wishes to work or be self-supporting and participate in handling the family responsibilities, she is quite free to do so, provided her integrity and honour are safeguarded, provided her integrity and honour are safeguarded according to proper Islamic conduct (Hasan 1999).

Concerning the issue of women in the Saudi Arabian work force, it was reported in the *Kuwait Times* (30 July 2001) that about 40 thousand Saudi women had been employed during the most recent nationalisation campaign. The government is also planning to open the private sector for employing Saudi women in line with the Kingdom's move towards nationalising employment. In this regard, building shopping centres and markets exclusively for women are some of the plans to generate employment opportunities for Saudi women (*Kuwait Times*, 30 July 2001). It is worth recalling Viola's study (1982) that reveals that more than two-thirds (67.7 percent) of her Saudi (male) student respondents felt it was acceptable to employ Saudi women to offset the need for foreign labourers. As cited in Chapter 3, most of Viola's respondents (71.9 percent) said they would hire Saudi women if they were managers in Saudi Arabia (Viola 1982: 64-65).

Nowadays, many Saudi women are seen increasingly outside their homes, and this is in part due to western influence (Alkhafaji 1995: 212). They are now working in the girls' schools, colleges, universities, women's banks, hospitals, polyclinics and dispensaries in various capacities. Many Saudi women have earned higher education to the PhD level and they are working in various capacities, such as lecturers and professors in the universities in Saudi Arabia. It is worth noting that the first Saudi national to head a United Nations agency is a lady, Dr Thoraya Ahmed Obaid, who has been the Executive Director of the United Nations Population Fund (UNFPA) since January 2001 (http://www.unfpa.org/news/pressroom/2000/executivedirector.htm).

Although many Saudi women are seen increasingly outside their homes, household activities remain their priorities. Many of them are also engaged in civic activities, including membership in voluntary organisations that teach expatriates Arabic language and Islamic culture. This is very much in line with the notion of social capital enhancement as expounded by authors like Putnam (1995) and many others.[4] Many Saudi women are now spearheading the women's committees of various voluntary organisations in Saudi Arabia. For instance, the World Assembly of Muslim Youth (WAMY) has its own Women's Committee in Riyadh, headed by a Saudi lady professor Dr Huda Afsh. Likewise, Women sections (run by Saudi ladies) are available in most of the Cooperative Offices for Islamic Call and Guidance in Saudi Arabia, which teach expatriates Islamic studies based on the Qur'an and the Sunnah (the prophetic teachings, sayings and traditions).

In developing knowledge of Islamic culture, it is not enough to rely on what some misinformed individuals attribute to Islam, without genuine proof. Knowledge of Islam has to be based on the Qur'an, the Sunnah and those consequentials or logical inferences that are deduced from these two scriptures. The problem is that many individuals and institutions, including multinationals, might have been exposed to fabricated doctrines, misinformation and false propaganda against Islam. The result is that they have developed some sorts of prejudice, misconception or hatred of Islam, emanating from whatever information or misinformation they have earlier known. Persistent misinformation campaign against Islam and the Muslim world has resulted in the so-called Islamophobia, "a dread and unfounded fear of Islam".[5] Senior managers of multinational firms who might have developed a phobia of Islam need true understanding of Islamic culture, in order to avoid blunders when dealing with Muslims or when making business decisions that are geared to the Muslim entrepreneurs and/or consumers.

As the findings of the study confirm the respondents' agreement on the importance of Islamic cultural values and ethics to be understood by multinationals, the researcher has attempted to cover here very briefly some Islamic concepts, which are covered in the cultural aspects of the survey. Allah is an Arabic term that connotes the One and Only True God. Allah is the Creator of all things in the heavens, on earth and everything else in the universe, including the stars, the sun, the moon, the other planets and all other animate and inanimate objects. None of these creations deserves to be worshipped (Qur'an 17:44; 41: 37; 39:5; 22:18).

Contrary to common misconception among non-Muslims, Allah is not only the God of the Muslims. He has absolute Lordship of the entire universe, hence the true God of mankind, as confirmed by the Qur'an and the Sunnah.[6] His Lordship transcends beyond the heavens and the earth. His nature and existence are above and beyond the realm of time and space. Nothing happens in the universe but by His Will. Thus, Muslims firmly believe that Allah Alone is the Best to protect and the Best to help (Qur'an, 2: 257; 3: 150; 22: 78).

The nucleus of the Islamic doctrine is the belief in the Oneness of God. This belief absolutely conforms to human logic, because had there been two, three or more "gods" then the entire universe would have been in chaos emanating from competition and struggle for power among them! God's attributes are unique to Him alone. His very nature is sublime, so far beyond man's limited capacity to comprehend. God alone is All-knowing, All-seeing, All-hearing, Everlasting, Self-sufficient (that is, free of all wants), Ever-living, Holy, the Almighty, the Eternal Cause of all beings, the Overall Controller and the Infinite. These divine attributes suffice to answer the question who God is and who He is not.[7] Since man's existence is finite, which is subject to time and space constraints, he can never reach the level of God who is infinitely above his horizon. Muslims believe that God is Eternal — without beginning and without end.

Being Infinite, Allah is absolutely above the realm of time and space, hence He is Unseen. If God can be seen, everyone will believe Him. So, the transitory nature of this world as a testing ground for mankind becomes meaningless. He is All-Knowing, All-Hearing, All-Seeing. Allah has perfect knowledge and complete power over all things. Nothing is absent from His knowledge. Allah the Infinite (the Limitless) has infinite knowledge of the universe and his entire creation — from the smallest element to the cosmos. His infinite knowledge penetrates even the soul's whisperings. Allah says: "Verily, We created man and know what (evil) his soul whispers to him, for We are closer to him than (his) jugular vein." (Qur'an, *Qaaf*, 50:16) Allah also mentions in many parts of the Qur'an that He is the Living, the Self-Subsisting, the Supporter of all (Qur'an 2:255; 3: 2; 59:22-24), and the One Who gives life and death (Qur'an 3:156; 6:95; 15:23). Allah is the Creator of all things. He is the One, the Supreme and Irresistible (Qur'an 13: 16).

Some of the Muslim respondents, based on the author's discussion with them, believe that aside from the promoters of Islamophobia, there are also those in the Muslim World and other sections of humanity who contribute to it. Within the Muslim World, there are many misguided individuals, who lack Islamic knowledge, and pretend to be ultra-modern. They think that Islam does not go with the time, hence obsolete. Such mentality is a typical case of those who have been deceived by the past and present material advancements of the non-Islamic world. They do not practice Islam, and their values and behaviour are un-Islamic in many ways.

Likewise, there are those who opt for extremism as a means of achieving their ends. Islam is a tolerant religion and does not approve of victimising innocent civilians. It does not permit fighting against those who do not fight against Islam. It only allows a defensive war against those who come to fight and oppress the Muslims (Qur'an 2:190; Al-Bukhari Vol. 3, Hadith No. 624 and Muslim Vol. 4, Hadith No. 6254).

The need to know Islam from its authentic sources is even more compelling bearing in mind the presence of non-Islamic cults or sects that claim to be Islamic. These include Ahmadiya Movement, Moorish Science Temple, Islamic Nubean Hebrews and the Nation of Islam (Ali. *Islamophobia in America*, n.d.). These cults claim to be in existence to advance the cause of Islam, but their doctrines are more of fabrications and lies, which have no place in Islam at all. Despite all the circumstances that promote and contribute to Islamophobia, Islam is still gaining grounds everywhere, and is popularly recognised as the fastest growing religion in the world today. Nowadays, many Non-Muslims residing in Saudi Arabia and other progressive Muslim countries have been exposed to true Islamic cultural environment, and this has given them the opportunity to see Islam in its authentic form. Many of them have, in fact, embraced Islam, and are actively propagating its message. Others have at least ceased from attacking it.

The respondents, both Muslims and non-Muslims, commonly perceived the need for Islamic values to be understood by multinational firms. The Non-Muslim respondents' positive perceptions of the Islamic cultural and ethical values can be explained also by the fact that majority of them have stayed in the Kingdom for more than five years, which gives them ample opportunity to observe how Muslims actually practice Islam. Likewise, as virtually all of the respondents, both MNC managers and customers, are well educated, they must have been aware of the growing importance of understanding local culture for any international firm.

Likewise, some Muslim respondents in this study emphasise the need for Muslims and non-Muslims alike to study Islam from its authentic sources, notably the Qur'an and the Sunnah. They claim that if people have good knowledge of the true Islamic teachings, the promoters of Islamophobia will not achieve their bad motive of spreading lies and promoting hatred against Islam.

Thus, the researcher has also attempted to clarify here some other Islamic concepts, which are covered in the cultural aspects of the survey, for the convenience of both Muslim and non-Muslim readers. Based on the author's research, Allah (the Lord of the Worlds) claims categorically that the Qur'an is His own Word (Qur'an 39:1-2; 46:2).

The Qur'an, complemented with the Sunnah of the Prophet ﷺ, is full of guidance for all mankind (Qur'an 7:52; 28:46; see also Muslim 1885 and Ibn Mâjah 1/45).

As the complete Book of Guidance, the Qur'an guides mankind to believe and obey Prophet Muhammad ﷺ (Qur'an 3:31-32; 4:170; 47:33). The Messenger ﷺ possesses an exalted standard of character (i.e., sublime morals) (68:4) and is an excellent example for mankind to follow (Qur'an 33:21). The Prophet ﷺ is the best model for mankind to follow. In fact, those Muslims who follow his *Sunnah* excel in their manners and character. Allâh's Messenger ﷺ inspires the Muslims to have good manners and right conduct (Al-Bukhari, 4/759; Tirmidhi, 628; Abu Dawud, 4781).

The Prophet ﷺ also encourages Muslims to aim for the highest level of being true believers by having *ihsan*. According to the Prophet ﷺ *ihsan* is "... *to worship Allah as if you see Him, and if you cannot achieve this state of devotion then you must consider that He is looking at you.*" (Al-Bukhari, 1/47, 6/300 and Muslim, 1) This means that to have the best character, Muslims must be *Mu'hsinoon* or *Muttaqon* (God conscious or God-fearing Muslims). Allah has enjoined upon them to remain true Muslims all throughout their lives (Qur'an 3: 102).

Muslims are enjoined to remember and fear Allah by being righteous and pious at all times. In other words, they have to always restrain and guard themselves from evil and committing unlawful deeds. True Muslims, therefore, are assets and not liabilities to any organisations and societies as a whole. This is the truth about Muslims and Islamic culture, which MNCs operating in the Middle East and other Muslim countries or elsewhere need to understand.

As discussed in Chapter 3, a number of contemporary scholars have recognised the importance of integrating culture into the study of international business. Recalling some of these, Dunning (1993: 41) predicts that multinational firms, which are best able to identify and reconcile cultural differences, and utilise them to their gain, are likely to acquire a noticeable cultural competitive advantage in the global marketplace. Daniels and Radebaugh (1995:48) assert that understanding the cultures and physical characteristics of groups of people is useful because business employs, sells to, buys from, is regulated by, and is owned by people. Hofstede (1995:140-141) emphasised that a key issue for organisation science is the influence of national cultures on management. The national and regional differences are not disappearing and they may become one of the most crucial problems for management of multinational, multicultural organisations, whether public or private. Alkhafaji (1995: 92) considers understanding the host culture as one of the most critical factors in economic progress (as well as international business). He argues that management performance across national borders hinges largely on the "adaptability of the culture of the parent organisation to that of the host country." Gullestrup (1996:8) stresses cross-border cultural understanding as one of the principal requirements to the "good international management" of the future. Harris and Moran (1987:183-203) say that cultural understanding may minimise the impact of culture shock, and maximise intercultural experiences.

As for the survey results, multinational customers are more concerned about the importance of the Islamic cultural and ethical values to be understood by multinational companies than the multinational managers themselves. This is not surprising as 62 % of the customer respondents are Muslims who believe in the Qur'anic verse that Islam is perfect and complete (Qur'an 5:3).

6.2.1.2 Hypothesis:

Non-Muslim MNC managers based in Saudi Arabia have limited knowledge of the Kingdom's cultural, religious and ethical values.

Findings: The research findings (see Appendix 5b, Tables 6.7b and Table 6.7d) reveal that the MNC managers claimed that, except in the religious field, non-Muslim MNC managers based in Saudi Arabia have knowledge of the Kingdom's cultural and ethical values. The other respondents (i.e., the customers) view the non-Muslim MNC managers as having no knowledge of the Kingdom's Islamic religious doctrines and beliefs. They, however, perceived the MNCs as having knowledge of the prohibitions in Islam, Islamic legal system, Islamic economic and financial systems, as well as the Kingdom's business regulations and procedures.

Analyses and Interpretations: It is significant to note that except in the religious field, non-Muslim MNC managers based in Saudi Arabia perceived to have knowledge of the Kingdom's cultural and ethical values. As for the customers surveyed, they perceived that the non-Muslim MNC managers only have some knowledge of the prohibitions in Islam, Islamic legal system, Islamic economic and financial, as well as the Kingdom's business regulations and procedures. The finding that non-Muslim MNC managers have knowledge of some Islamic cultural and ethical values can be explained by their relatively long period of residence in the Kingdom. More than 50 percent of them have stayed in Saudi Arabia for ten to fifteen years and above. They have observed how Muslim people and the Saudi government actually conduct business. They must have also observed how some *Muttawas* (religious groups of Muslims) enjoin what is right and forbid what is wrong (Qur'an, 3:110).

Unfortunately, the non-Muslim MNC managers do not know the religious aspect of Islam despite their many years of stay in Saudi Arabia and their high level of educational attainment. This is not surprising as Allah asserts that most people do not know and understand Islam (Qur'an, 12:40; 30:30).

The need to understand the entirety of Islam emanates from the principle that Islam is a complete way of life. Allah warns of a grievous punishment on the Day of Judgement those who believe in only a part of the Book and reject the rest of it (Qur'an 2: 85-86). Indeed, Islamic culture is a total picture that embraces the economic, political, social, religious and all other aspects of life (See Appendix 3). Cateora (1990: 81) emphasises that culture is a "total picture, not a group of unrelated elements."

In practice, most societies across the globe use their religion and other related cultural values as their reason for being. In Saudi Arabia, there are significant religious rites and holidays, which influence the economic activities of the nation and businessmen in particular. For instance, during *Salah* (prayer) time, all businesses are closed to give time for all Muslims to pray on time. Allah has commanded all Muslims to pray on time (Qur'an 4:103). He considers it as the best deed (Al-Bukhari, 1/505). During *Hajj* (pilgrimage) season, pilgrims from all corners of the world enjoy the same access to goods and services offered by various business establishments within Makkah, Madinah and Jeddah from day time to dawn. Land travellers from and to all major points of the Kingdom also enjoy almost 24 hours of access to plentiful goods, restaurants and rest houses along the highways. Indeed, consumers in Saudi Arabia (Saudi nationals and expatriates alike) enjoy a very good range of preferences, given the abundant supply of goods coming from different countries of the world at comparatively cheaper prices.

During *Hajj* season, the millions of Muslim pilgrims from various parts of the world make the Saudi markets buoyant particularly those in Makkah, Madinah and Jeddah. Therefore, multinationals in the food business and consumer products may further explore business opportunities that may cater to the pilgrims and their families.

During the fasting month of *Ramadan*, office timing is usually shortened from eight to six hours per working day. During the day, business opens an hour or two late. This is so because Muslims spend more time at night for the special night prayers during *Ramadan*, more time for reading the Qur'an, for entertaining relatives and guests and other activities. Multinational companies are also expected to follow suit to adjust their office timing. Also during *Ramadan* all non-Muslims are expected not to eat in the sight of the public as a show of respect to the Muslims who abstain from eating, drinking, smoking, etc., from dawn to sunset. In fact, all restaurants are closed during day (fasting) time.

Cultural differences are the most significant and troublesome variables for the multinational company. The failure of managers to comprehend fully these disparities has led to most international business blunders. To be effective in a foreign environment, it is usually necessary to understand the local culture. Knowing what to do is as important as knowing what not to do (Ricks 1983: 7-9). In the Middle East, the prevailing Islamic culture is quite distinctive. Any foreign company that is doing or planning to do business in the region will have better opportunities for the future, if it attempts to explore this culture (Alkhafaji 1995: 204). It needs to explore how local culture will affect its plans and strategies. Such exploration may also result in discovering business opportunities that are directly or indirectly related to the culture *per se*.

Some scholars like Punnet and Ricks (1992: 167-168) emphasise that the dominant religion influences many day-to-day activities, such as opening and closing times, days off, holidays, ceremonies, and foods. Thus, company's operations and activities should be organised relative to those specific religious practices that affect management. They observed that a lack of religious understanding has been the demise of many international business ventures. Religion is closely associated with the development of cultural values, and it has an impact on many day-to-day activities in a society. International companies need, therefore, to understand the role of religion in the societies in which they operate (Punnett and Ricks 1982: 167).

6.2.1.3 Hypothesis:

Multinationals are viewed by the host country's constituents to be not responsive enough to their cultural needs, values and sensitivities. Multinational managers, however, are expected to disagree with this view, and may assert that they are responsive enough to their cultural needs, values and sensitivities of the Saudi people.

Findings: The MNC managers and the other group of respondents (customers) perceive that MNCs are responsive to the cultural needs, values and sensitivities of the Saudi people (see Appendix 5b, Tables 6.8a and 6.8b). The findings, therefore, partly negate the hypothesis that the host country's constituents viewed multinationals as not responsive enough to their cultural needs, values and sensitivities. MNC managers, in fact, assert that they are responsive enough to the cultural needs, values and sensitivities of the Saudi people.

Analyses and Interpretations: The finding seems to be very encouraging. It shows that on the whole, multinationals operating in Saudi Arabia understand the needs, values and nature of the local people. It also shows that Muslims in general are subsequently contented of the goods and services or businesses of the multinationals based in the Kingdom. There is therefore mutual and harmonious understanding between the MNCs and the consumers in the area. This further indicates that in Saudi Arabia non-Muslims, of whom majority are Christians, work and live peacefully with the Muslims. This is so because Saudi Arabia implements the *Shari'a* or Islamic law, which gives protection and security to the Christians who are among "the People of the Book". Islam is the religion of peace, and Muslims are expected to promote peace among them and to the rest of humanity especially the People of the Book. Allah enjoins all Muslims to establish treaties of peace to those who do not fight them (Qur'an 4:90; 29:46; 60:8-9).

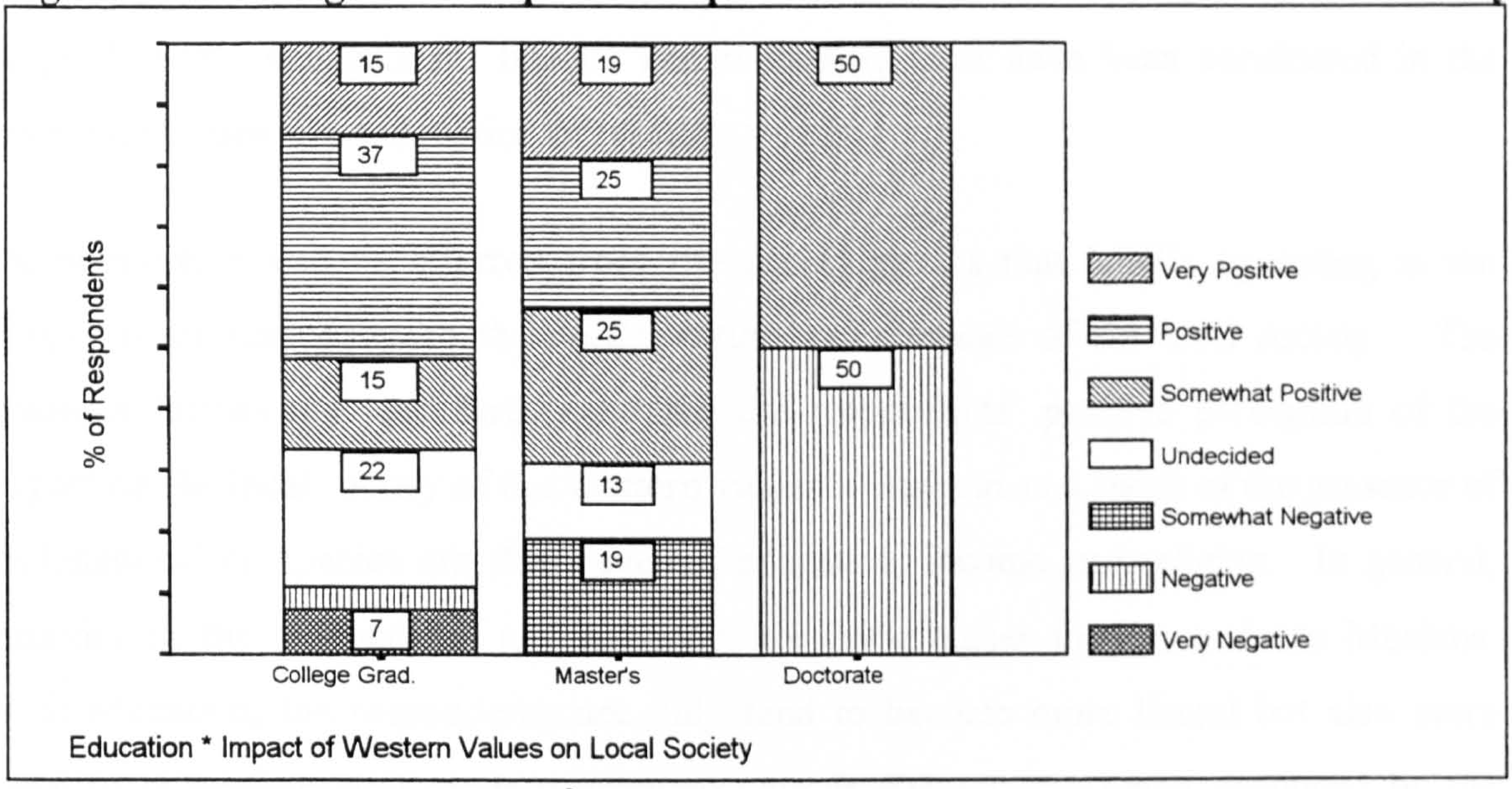
6.2.1.4 Hypothesis:

The impact on the local society of the western values, brought in as a result of the presence of multinational companies, is generally perceived as negative. The perceptions of non-Muslim respondents, however, differ to some extent from those of local respondents.

Findings: The empirical findings generally negate the above-stated hypothesis. MNC managers, in general, scored 5 on the given bipolar 7-1 scale. In other words, they perceived the impact on the local society of the western values brought in as a result of the presence of multinational companies as somewhat positive. However, the Muslim managers scored 4 on the given response scale, which means that they as a sub-group were unable to decide on the given issue. Non-Muslim multinational managers scored around 6, that is to say that they consider positive the impact of western values on the local society. The Chi-square test for the given variable is non-significant.

Figure 6.3a shows that, education-wise, 50 percent of those with PhDs perceived the impact of western values on the local society as somewhat positive, and the other 50 percent perceived its impact as negative. 19 percent of those with master's degrees perceived the impact of western values on the local society as very positive, 25 percent perceived its impact as positive, and another 25 percent somewhat positive. A total of 19 percent of those with master's degrees perceived the impact of western culture on the local society as somewhat negative. 13 percent were undecided. The chart clearly shows the percentages of those with master's and college degrees, with their respective perception distribution corresponding to the given variable. The Chi-square value is statistically significant, suggesting that educational background influences the perceptions of the respondents on the given issue in question.

Figure 6.3a Managers' Perceptions: Impact of Western Values on the Local Society



Chi-Square test: Significant, $\chi^2 = 20.8$ (df=12, N=45), $\rho =$ **.054**.

As regards the pilot survey on the customers' perceptions categorised by educational attainment of respondents, Figure 6.3b (see Appendix 5b) shows that only 19 percent of those with PhDs perceived the impact of western values on the local society as very positive; 44 percent, positive; 6 percent, somewhat positive. A total of 19 percent of those with doctorate degrees perceived the impact of western culture on the local society as somewhat negative. 19 percent were undecided. 6 percent perceived the impact as negative, and the remaining 6 percent, very negative. The chart clearly shows the percentages of those with master's degrees, college degrees and undergraduate, with their respective perception distribution corresponding to the given variable. The Chi-square test (χ^2) is non-significant, suggesting that the perceptions of the customer respondents are independent of their educational backgrounds.

Analyses and Interpretations: The positive impact on the local society of the western values brought in as a result of the presence of multinational companies shows that on the whole, the consumers including the Muslims are contented with the goods and services being offered in the Kingdom. The western values of hard work, achievement orientation, discipline, efficiency and time consciousness must have been considered by the respondents in positively perceiving the impact of western values on the local society. Significant contributions of multinational firms to the host-country's manpower and technological developments, as well as local requirements for contemporary approaches to production, management, finance and marketing must have been considered in the respondents' positive impression of western values.

Furthermore, it can be inferred from the survey results that MNCs operating in the Kingdom are responsive to the needs, nature and demands of the local society. The plausible factors that can further explain the respondents' positive perception of the impact on the local society of the western values brought in as a result of the presence of multinational companies are their level of education, income and religion. In general, majority of the respondents are educated, receiving higher income and are Muslims. With education, the respondents not only tend to become more liberal but also more open to technology and modern products, goods and services being produced by the multinational corporations based in the Kingdom. As the respondents in general receive high income, their purchasing power to buy MNCs products becomes higher. Finally but not the least, Islam allows Muslims to live peacefully with the Non-Muslims especially the Jews and the Christians being referred to as the People of the Book (Qur'an, 29:46), to eat their foods and even marry the chaste women amongst them (Qur'an 5:5).

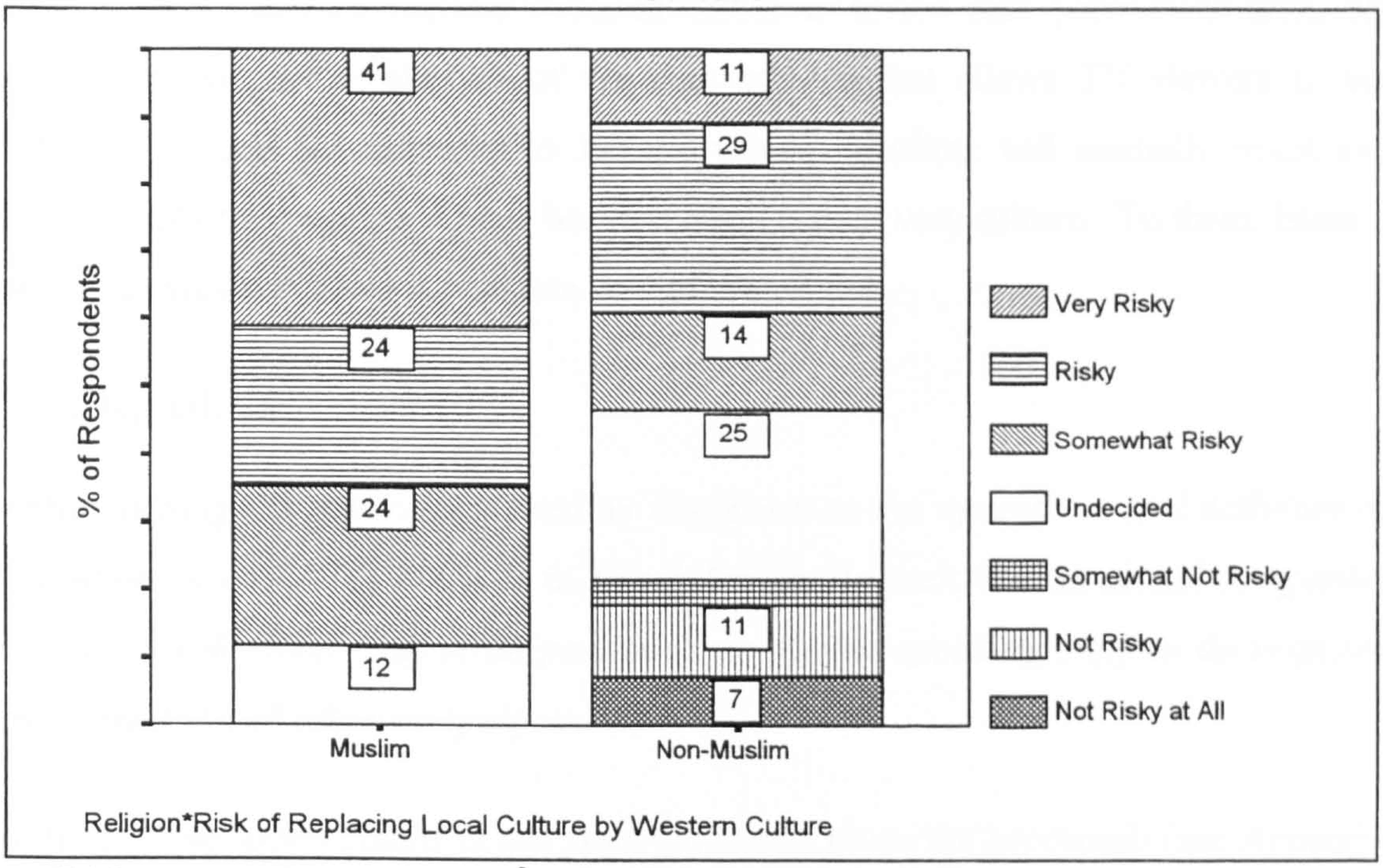
6.2.1.5 Hypothesis:

It is risky for the multinational business to have the Islamic culture replaced by western values arising from the influence of multinational companies and their activities.

Findings: Based on cross-tabulation by religion, both Muslims and non-Muslims commonly perceived it is generally risky for the local culture to be replaced by western values arising from the influence of multinational companies and their activities.

The research findings show that 41 percent of the Muslim managers considered it very risky for the local culture to be adulterated or replaced by western values arising from the influence of multinational companies and their activities. 24 percent of the Muslim managers perceived it as risky and another 24 percent perceived it as somewhat risky.

Figure 6.5a Managers' Perceptions: Risk of Replacing Local Culture by Western Culture



Chi-Square test: Non-significant, $\chi^2 = 9.596$ (df=6, N=45), $\rho = .143$.

As for the Non-Muslim managers, 54 percent of them fell on the higher side of the response scale — 11 percent very risky, 29 percent risky and 14 percent somewhat risky. 25 percent of non-Muslims were unable to decide on the given issue, compared to 12 percent undecided for Muslim managers (See Figure 6.5a). The Chi-square test (χ^2) is non-significant, suggesting that the perceptions of the two categories of respondents are independent of their religious backgrounds. The customer respondents are even more concerned about the risk of replacing local culture by Western culture. 90 percent of Muslim customers fell on the higher side of the response scale — 42 percent very risky, 29 percent risky and 19 percent somewhat risky. 7 percent could not decide on the issue and only 3 percent perceived the issue in question as somewhat not risky. The results for non-Muslims are shown in Appendix 5b, Figure 6.5b. The Chi-square test (χ^2) is significant, suggesting that the perceptions of the two categories of customer respondents are influenced by their religious backgrounds.

Analyses and Interpretations: It is common knowledge in Saudi Arabia that it is risky for the multinational companies to introduce products or services, which have adverse impact on the dominant local culture. Islam prohibits the consumption of liquors, because they promote evil deeds, which naturally lead to various crimes. One religious scholar in the Kingdom recently declared that it is *haram* (not permissible from the Islamic standpoint) to make use of the dish antenna that allows TV viewers to see obscenities, which are offensive to Islamic values. Muslims will naturally resist any adulteration of their culture. This is because Islam is their very culture. To them, Islam is not only a religion but also a complete way of life.

6.2.1.6 Hypothesis:

Arabic language is generally viewed as important to the operations and activities of the multinationals doing business in Saudi Arabia. As such, multinational companies employ enough number of Arab personnel or Arabic speaking staff to do required Arabic related and other company works.

Findings: The survey results of this study positively prove the hypothesis (see Appendix 5b, Tables 6.8a and 6.8b). Both groups of respondents generally viewed Arabic language as important to the operations and activities of the multinationals doing business in Saudi Arabia. In line with this, multinational companies employ enough number of Arab personnel or Arabic speaking staff to do required Arabic related and other company works.

Analyses and Interpretations: The findings show the importance of Arabic language as a means of communication in the business operation of multinationals in the Middle East, particularly in Saudi Arabia. It is the best means of communicating effectively with the native businessmen, local consumers and the government sectors. In general, Saudis prefer Arabic as their means of communication, although many of them understand English. One reason for this is that they feel more convenient in using it, being a plain language for them. The most important reason is their love for the said language, as they are not only naturally used to it but also for the very reason that the Qur'an was revealed in Arabic (Qur'an 12:2; 26:192-195). Muslims are encouraged to learn the Qur'an in its original Arabic form, and digest it deeply being a source of wisdom and guidance (Qur'an 32:2-3).

As for multinational managers and employees, learning a foreign language is a necessity especially for them to understand the host-nation's culture in its pristine form. The globalisation of business makes it even more necessary to study the dominant language in the host country. In the case of Saudi Arabia, Arabic is the native language of the Saudis. MNC managers and concerned foreigners can learn it in many ways. Some Saudi universities, like Imam University and King Saudi University in Riyadh, offer Arabic courses to expatriates and diplomats. There are also Arabic institutes that charge reasonable fees for their Arabic learning courses.

The employment of Arab personnel or Arabic speaking staff in multinational corporations indicates the mutual interdependence between the multinationals doing business in Saudi Arabia and the local people. MNCs need the Arabic-speaking staff especially to do required Arabic related and other company works. This is to promote mutual understanding with Arabic speaking businessmen, consumers and the government and therefore, facilitate better business transactions in the area. MNCs operating in the Middle East, therefore, need to employ Arabic speaking staff in order to succeed in promoting mutual understanding with the local people. The role of language or communication in promoting mutual understanding in any business transactions cannot be underscored. Islam as a religion for peace teaches mankind to promote mutual understanding with one another.

6.2.1.7 Hypothesis:

Local commercial regulations, along with cultural and ethical considerations, are perceived to be important to the planning, strategy formulation and decision-making process of multinational companies doing business in Saudi Arabia.

Findings: The test variable GM01 "Local commercial regulations" scored 6 on the given 7-1 scale, as perceived by both the MNC managers and the customers. This concurs with the hypothesis that local commercial regulations are important to the planning, strategy formulation and decision-making process of multinational companies doing business in Saudi Arabia. The managers rated 5 (somewhat important) the other variables GM02

(Dos and don't s in Islam), GM03 (local social values) and GM04 (Islamic religious doctrines). The customers, on the other hand, rated all these three variables as "important" — an average score of 6 on the given 7-1 scale (see Appendix 5b, Tables 6.7a and Table 6.7c).

Analyses and Interpretations: The positive findings of this study imply that Muslims and non-Muslims in both respondent-groups see the importance of not only understanding the local culture but also the need for MNCs to consider them in their planning and decision-making. MNCs who want to operate successfully and avoid any possible conflict/problem with the government and people of the area have to abide with the local commercial regulations, along with cultural and ethical considerations. Planning, strategic formulation and decision-making need to be based on objective knowledge and meaningful information. Many international companies have committed blunders, because of ignorance, misinformation and the failure of concerned management executives to base their plans and decisions on true knowledge and information.

6.2.2 Competitiveness of Multinational Companies:

6.2.2.1 Hypothesis:

Multinational companies operating in Saudi Arabia are competitive by virtue of their advantages in management, finance, marketing, technology and other areas of competence.

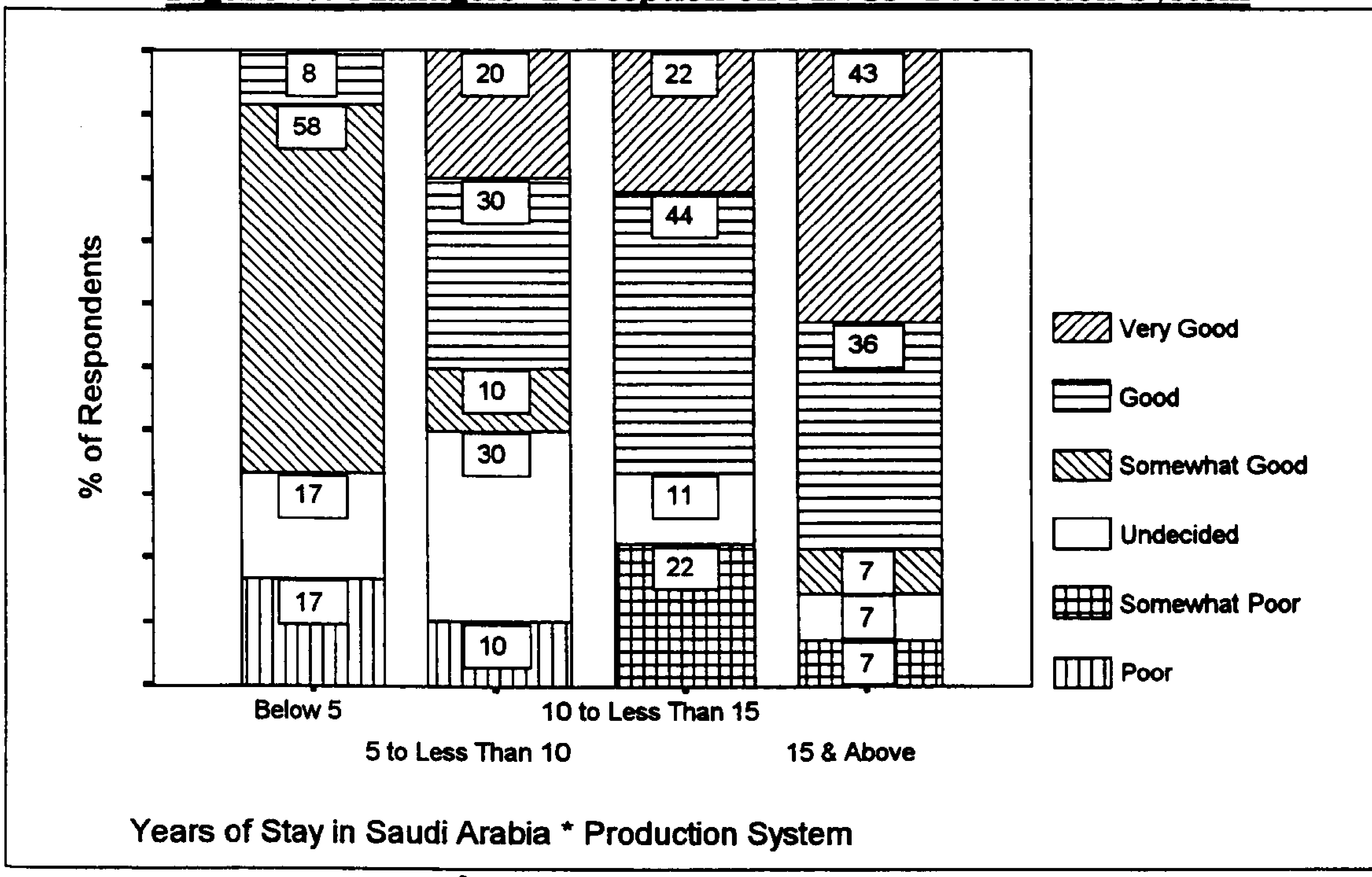
Findings: The empirical results confirm that the competitiveness of any multinational corporation operating in Saudi Arabia is a function of a number of economic, management, marketing, technological and other related variables. The respondents, regardless of their religious affiliation, education and length of stay in Saudi Arabia, commonly perceive that the given variables generally influence the competitiveness of MNCs in Saudi Arabia.

A one-sample *t* test was conducted, with the mean on each test variable evaluated to determine whether it is significantly different from the midpoint (4) on the bipolar 7-1 response scale. The respondents (managers) rated the MNCs good (mean score of 6) for many of the specified test variables. These include: company image, product quality, technology efficiency, quality of customer services, management system, financial system, employee discipline, management commitment, financial resources and capital assets, bank credibility, access to resources of the parent company and customer relations. The respondents rated somewhat good (mean score of 5) the MNCs on the following test variables: production system, marketing system, manpower development, marketing research, global information scanning capability, product development, innovation, communication system, production cost management, co-ordination of production and marketing, global marketing management, public relations, knowledge of local culture, as well as responsiveness to local cultural needs. Virtually all of the t-tests are highly significant, implying that the mean scores are statistically different from the midpoint of the given bipolar scale.

The only variable that has got poor mean score is abundant feedstock (raw material). The corresponding t-test value is also non-significant. With a mean score of 4 on the given 7-1 response scale, the MNC managers are indifferent with respect to the role of feedstock in the MNC competitiveness in Saudi Arabia.

Figure 6.6 shows a chart of managers' perception concerning their evaluation of MNCs production system, cross-tabulated with the periods of their stay in Saudi Arabia. The combined percentages of those who rated the MNCs production system in Saudi Arabia as good to very good are: 79 percent — 15 years and above; 66 percent — 10 to less than 15 years; 50 percent — 5 to less than 10 years; and 66 percent — below 5 years. The generated chi-square value of 30.7 is statistically significant.

Figure 6.6 Managers' Perception on MNCs' Production System



Chi-Square test: Significant, $\chi^2 = 30.7$ (df=15, N=45), $\rho = .01$.

Cross-tabulations by religious affiliation show that 70 percent of the Muslim managers rated the MNCs production system in Saudi Arabia as good to very good. 6 percent of the Muslim managers perceived as somewhat good the MNCs production system in Saudi Arabia. On the other hand, only 39 percent of the non-Muslim managers rated the MNCs production system in Saudi Arabia as good to very good. 29 percent of the non-Muslim managers perceived as somewhat good the MNCs production system in Saudi Arabia. The respondents who were indifferent were 6 percent of Muslim managers and 21 percent of non-Muslim managers. The generated chi-square value of 13.6 is statistically significant.

Analyses and Interpretations: Several factors influence the competitiveness of international firms. Porter (1990), in his diamond of competitive advantage, has identified four sets of inter-linked factors that enable a country or more specifically indigenous firms of a country to compete effectively in international markets. These are: 1) factor conditions, 2) demand conditions, 3) related and supporting industries, and 4) firm strategy, structure, rivalry. The Porter model rectifies the common misconception that competitiveness on the international front hinges largely on the indigenous availability of factor endowments, such as labour, capital and natural resources. Factor conditions, such as skilled labor, capital and natural resources, have to intertwine with the other sets of factors within the 'diamond' system in order to make a nation's international competitiveness truly favourable. In the real world, there are countries that have rich factors of production, but their economies are weak. These include the oil-rich country of Nigeria and many developing countries with rich natural resources and plentiful supply of labour, which are available at low costs. On the other hand, Japan and South Korea have poor natural endowments and costly labour, but their industries and products are among the most competitive in the international markets. South Korea's impressive economic development in the last three decades "reveals how groups of well-educated, motivated, and dedicated people have played a central role in not only shaping the nation's competitiveness but also moving the nations dynamically from a less developed stage to an advanced one." (Cho in Fitzgerald 1994: 17-36).

The respondents perceive the comparative advantages of MNCs in management, marketing, technology, finance and other related factors as their sources of competitiveness. In fact, they do not consider abundant feedstock as a factor that significantly influences the competitiveness of MNCs operating in Saudi Arabia. Given the mean score of 4 on the given 7-1 response scale, the MNC managers are indifferent with respect to the role of feedstock in the MNC competitiveness in Saudi Arabia. One underlying reason is the fact that many of the respondents were from multinational firms that do not have wholly-owned production branches in Saudi Arabia.

Direct foreign investment has increasingly emerged across the world, as companies strive to maintain their competitiveness on a global level. Drucker (1989: 123) stresses that where none of the traditional production factors, such as land, labour and money, determine competitiveness or competitive advantage any longer, trade is increasingly being replaced by investment as the world economy's economic driver. Drucker uses this argument to explain why the Japanese and the West Germans chose to maintain the dollar price on their goods in the American market even though the dollar lost half its value in yen and marks. It explains why the Japanese build plants in Europe even though their costs are very high as European currencies have not gone down in relation to the

Japanese yen. Likewise, it explains, according to Drucker, why American firms plough back the earnings of their foreign subsidiaries rather than take large immediate dollar profits. They all are maximising their market standing.

Cantwell (1991a: 35) noted the common view in the literature on the internationalisation of capital that the growth of MNCs is part of a competitive process. Along the process, each enterprise attempts to gain competitive advantages through innovation, and only in certain circumstances do they enter (for a time) into collusive arrangements. On the other hand, competitive international industry approaches allow for co-operation and collusion between firms. They also allow for the weakening of local firms as a consequence of MNC expansion under certain circumstances (Cantwell 1991a: 36). Thus, the growth of MNCs across national borders may have competitive or anti-competitive effects on host-country industries, based on Cantwell's arguments.

6.2.2.2 Hypothesis:

Some multinational companies operating in Saudi Arabia are globally oriented, while others are locally oriented. The global scanning capability of MNCs operating in Saudi Arabia is influenced by a number of variables. They also consider important in their global scanning activities the local cultural and ethical values.

Findings: Some multinational companies operating in Saudi Arabia are globally oriented in terms of integration and co-ordination, while others are operating globally but locally responsive (See Table 6.9). The global scanning capability of MNCs operating in Saudi Arabia is influenced by a number of variables (See Tables 6.10a and 6.10b). They also consider important in their global scanning activities the local cultural and ethical values. The MNC respondents perceived as "globalised" many of the given variables like quality specifications and technology design. The specified variables perceived to influence MNC global scanning capability got an average score of 6 on a 7-1 scale. The MNC managers perceived culture as an important factor in the global scanning activities of MNCs.

Table 6.9 Managers' Perceptions: Global Orientation of Multinational Companies

Years of Stay in Saudi Arabia * Product & quality specifications

			Product & quality specifications							
			Truly Market-Specific	Market-Specific	Somewhat Market-Specific	Undecided	Somewhat Globalised	Globalised	Truly Globalised	Total
Years of Stay in Saudi Arabia	Below 5	Count	1	1	2	1	1	1	5	12
		Expected Count	.5	.5	.8	.8	2.7	2.1	4.5	12.0
		% within Years of Stay in Saudi Arabia	8.3%	8.3%	16.7%	8.3%	8.3%	8.3%	41.7%	100.0%
	5 to Less Than 10	Count	0	0	0	2	2	2	4	10
		Expected Count	.4	.4	.7	.7	2.2	1.8	3.8	10.0
		% within Years of Stay in Saudi Arabia	.0%	.0%	.0%	20.0%	20.0%	20.0%	40.0%	100.0%
	10 to Less Than 15	Count	1	1	0	0	2	4	1	9
		Expected Count	.4	.4	.6	.6	2.0	1.6	3.4	9.0
		% within Years of Stay in Saudi Arabia	11.1%	11.1%	.0%	.0%	22.2%	44.4%	11.1%	100.0%
	15 & Above	Count	0	0	1	0	5	1	7	14
		Expected Count	.6	.6	.9	.9	3.1	2.5	5.3	14.0
		% within Years of Stay in Saudi Arabia	.0%	.0%	7.1%	.0%	35.7%	7.1%	50.0%	100.0%
Total		Count	2	2	3	3	10	8	17	45
		Expected Count	2.0	2.0	3.0	3.0	10.0	8.0	17.0	45.0
		% within Years of Stay in Saudi Arabia	4.4%	4.4%	6.7%	6.7%	22.2%	17.8%	37.8%	100.0%

Chi-Square test: Non-significant, $\chi^2 = 21.7$ (df=18, N=45), $\rho = .245$.

Table 6.10a Managers' Perceptions: Global Scanning Capability of MNCs

Religious Affiliation * Improved global communication services

			Improved global communication services					
			Somewhat Negative	Undecided	Somewhat Positive	Positive	Very Positive	Total
Religious Affiliation	Muslim	Count	0	1	3	6	7	17
		Expected Count	.4	1.1	3.0	6.4	6.0	17.0
		% within Religious Affiliation	.0%	5.9%	17.6%	35.3%	41.2%	100.0%
	Non-Muslim	Count	1	2	5	11	9	28
		Expected Count	.6	1.9	5.0	10.6	10.0	28.0
		% within Religious Affiliation	3.6%	7.1%	17.9%	39.3%	32.1%	100.0%
Total		Count	1	3	8	17	16	45
		Expected Count	1.0	3.0	8.0	17.0	16.0	45.0
		% within Religious Affiliation	2.2%	6.7%	17.8%	37.8%	35.6%	100.0%

Chi-Square test: Non-significant, $\chi^2 = .92$ (df=4, N=45), $\rho = .922$.

Table 6.10b Managers' Perceptions: Global Scanning Capability of MNCs

Religious Affiliation * Improved global computer and network services

			Improved global computer and network services						
			Negative	Somewhat Negative	Undecided	Somewhat Positive	Positive	Very Positive	Total
Religious Affiliation	Muslim	Count	0	0	1	4	5	7	17
		Expected Count	.4	.4	1.1	3.8	4.2	7.2	17.0
		% within Religious Affiliation	.0%	.0%	5.9%	23.5%	29.4%	41.2%	100.0%
	Non-Muslim	Count	1	1	2	6	6	12	28
		Expected Count	.6	.6	1.9	6.2	6.8	11.8	28.0
		% within Religious Affiliation	3.6%	3.6%	7.1%	21.4%	21.4%	42.9%	100.0%
Total		Count	1	1	3	10	11	19	45
		Expected Count	1.0	1.0	3.0	10.0	11.0	19.0	45.0
		% within Religious Affiliation	2.2%	2.2%	6.7%	22.2%	24.4%	42.2%	100.0%

Chi-Square test: Non-significant, $\chi^2 = 1.543$ (df=4, N=45), $\rho = .908$.

Analyses and Interpretations: A globally oriented company deals with global products and services, which meet universal needs and require little adaptation across national markets. For instance, electronic products — capacitors, resistors — fall under universal products (Prahalad and Doz 1987: 20). Producing and marketing them across national borders facilitate global integration and co-ordination. On the other hand, some products need to be market-specific due to some known local responsiveness pressures, such as the differences in customer needs, differences in distribution channels, availability of substitutes and the need to adapt, market structure as well as host government demands (Prahalad and Doz 1987: 20-21).

MNC business operations in the Middle East reflect a combination of global integration and local responsiveness. The globalisation trend is happening everywhere, as standardisation of products to meet universal needs helps global companies to earn huge savings from lower production costs arising from larger economies of scale. This, however, depends on the nature of demand in each market segment. Some markets have their own specific requirements, hence the need for local responsiveness.

The factors that are perceived to have positive contributions to the global scanning capability of multinationals are improved global communication services, improved global transportation services, improved global computer network, and company's own information technology. The multinational companies directly or indirectly provide these services, hence their ability to gain useful strategic knowledge of competitors, market developments, product innovations and trends. Global scanning through these specified services helps a multinational identify opportunities, threats and other relevant pieces of information for strategic planning, long-range planning, routine business planning and decision-making. Global scanning is quite difficult due to the existence of different cultures, political risks and uncertainties across national boundaries.

Culture is no doubt an important factor in the global scanning activities of MNCs, as multinational firms, which are best able to identify and reconcile cross-cultural differences, and utilise them to their gain, will likely acquire a noticeable competitive advantage in the global marketplace (Dunning 1993: 47). Multinationals need to know both the cultures and cultural differences of nations and the organisational cultures of their competitors. Each nation or a group of nations have a distinct culture that reflects its values. Some nations like the Muslims and the Japanese, among others, truly value such qualities as trust, collectivism, hard work, teamwork, consensus, shared responsibility, loyalty, and commitment, which are the essential ingredients of any successful partnership. Others value individualism and other related cultural ethics.

6.2.3 Problems Caused and Faced by Multinational Companies:

6.2.3.1 Hypothesis:

The presence and operations of multinational companies in the Kingdom are perceived by the host country's constituents to be bringing about a number of economic and non-economic problems. The perceptions of multinational managers, however, differ to a great extent from those of local respondents.

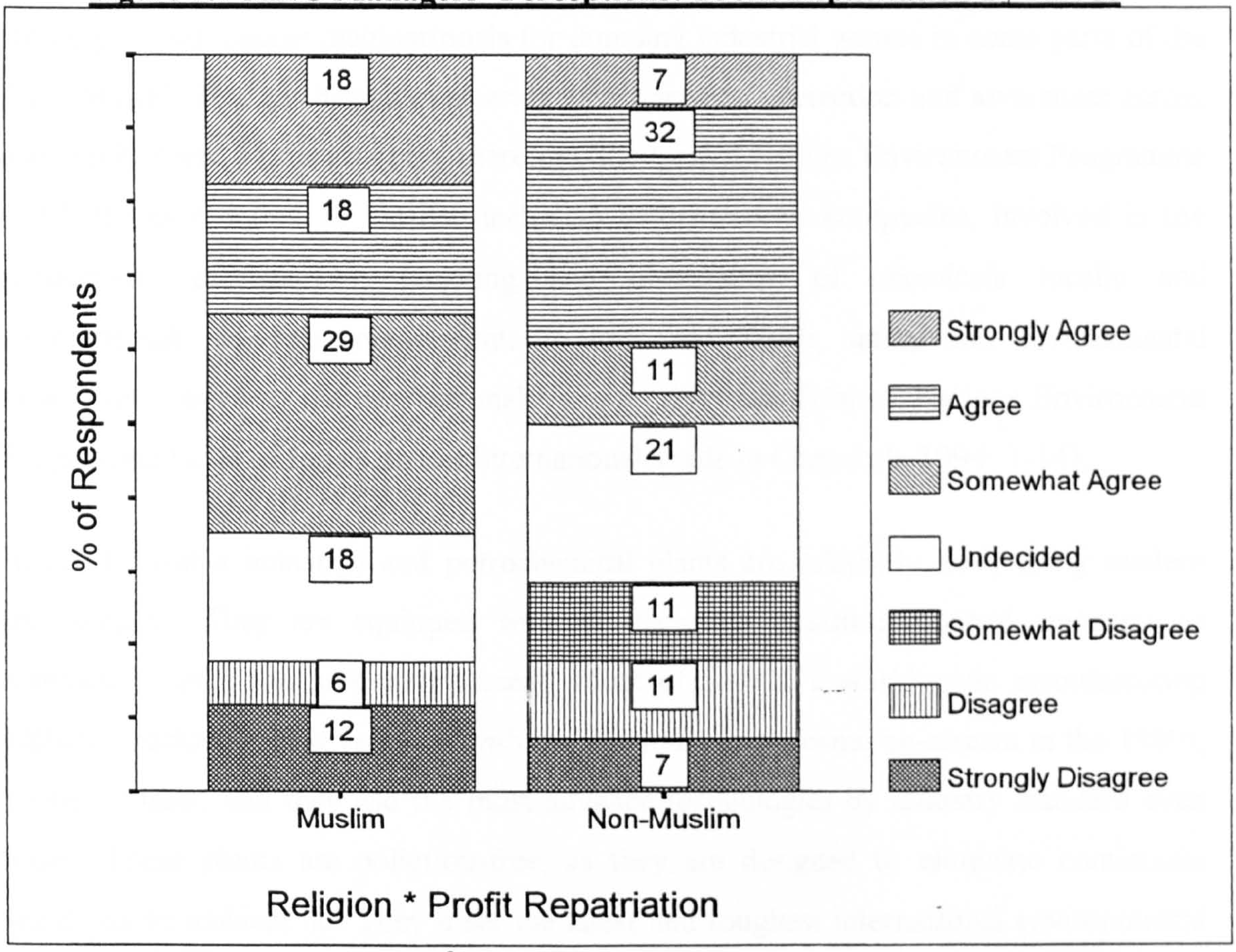
Findings: The customers surveyed perceived the MNCs as causing a number of economic and non-economic problems. The perceptions of multinational managers, however, differ to a great extent from those of customers. There are 14 problems specified in the study as caused by multinational companies (Appendix 5b, Tables 6.11a and 6.11b).

The customers scored an average of around 5 on the given 7-1 scale, on all the specified variables, except EP08 (unfair access to local bank credit facilities) and EP09 (scarcity of needed labour supply). They slightly agree in the following specified problems as caused by MNCs: environment pollution, unwanted competition with local industries, greater foreign exchange outflow, exploitation of local resources, profit repatriation, discriminatory employment, favouritism, brain drain from local industries, materialism, neo-colonialism, perpetuation of colonial mentality, and distortion of local culture.

Of the specified variables, the MNC managers slightly agreed in only two as caused by MNCs, namely: greater foreign currency outflow and profit repatriation. They scored around 5 in these two variables on the given 7-1 bipolar scale. They slightly disagree on the variable EP08 (unfair access to local bank facilities). On the other variables, they neither agreed nor disagreed. The other group of respondents (MNC customers) agreed in all the specified variables (mean score of 5 on 7-1 scale), except two (favouritism and scarcity of needed labour supply).

As an example, the chart below shows the MNC managers' perceptions concerning profit repatriation cross-tabulated by religion. 55 % of Muslim managers and 48 % of non-Muslim managers are on the positive side of the scale. As shown, the chi-square test is non-significant.

Figure 6.7 MNC Managers' Perceptions: Profit Repatriation by MNCs



Chi-Square test: Non-significant, $\chi^2 = 6.4$ (df=6, N=45), $\rho = .381$.

Figure 6.8 (Appendix 5b) compares how Muslims and non-Muslim customers perceived distortion of local culture as being caused by MNCs. Among other results, 69 % of Muslim customers are on the positive side of the scale. 32 % of them strongly agreed that MNCs caused distortion of local culture. Overall, the Chi-square test is significant at the .05 level, reflecting significant differences in the given respondents' perceptions.

Analyses and Interpretations: Multinationals have no doubt brought about great contributions (positive externalities) to human welfare across the globe. However, they have also caused a number of economic and non-economic problems, as perceived by the customer respondents (Appendix 5b, Table 6.11b). MNCs have brought about negative externalities, which adversely affect the lives of many peoples everywhere. Pollution problems emanate largely from multinational production of various goods through large-scale manufacturing methods, and consumption of goods in industrialised households (Gullestrup 1996: 6). Due to these problems, pro-environmentalists have been staging strong protests against multinationals for dumping industrial wastes in some parts of the Third World. This has helped in steering environmental protection and awareness across national borders. In recent years, therefore, the United Nations Environment Programme (UNEP) has required all parties, including enterprises or companies, involved in the production, management, handling and distribution of chemicals locally and internationally to give commitments to improved health, safety and environmental protection related to the international trade in chemicals (United Nations Environment Programme Code of Ethics on the International Trade in Chemicals 1994: 1-14).

In Saudi Arabia industrial and petrochemical plants are relatively new, using modern technologies. They are equipped with all necessary pollution control measures to maintain a clean and safe environment. Most of SABIC's world-scale manufacturing affiliates, including joint ventures with multinational firms, came on-stream in the 1980s, 1990s or later, and they use the most advance technologies by industry standard even today. These plants are pollution-free, as they are designed to eliminate continuous emissions to ambient air. They meet the latest and toughest international environmental standards, stipulated by Saudi Arabia's Meteriological and Environment Protection Agency (MEPA) and the Royal Commission for Jubail and Yanbu (SABIC Brochure: Aware, Responsible and Committed – That's Why We Care). Fire safety and fire fighting exercises are part of periodic training activities at SABIC R&D and at other SABIC affiliates. Technical courses in environmental protection have been developed and implemented for all SABIC's manufacturing affiliates (SABIC News April 1996: 9). As a result of all these environment protection and safety measures, SABIC companies have won many international safety awards in recent years.

6.2.3.2 Hypothesis:

Multinational companies in the Kingdom view some economic, political and culture related concerns as constraints to their local operations. However, those concerns are

not significant enough to discourage the presence of multinational operations in the Kingdom.

Findings: The respondents were asked which of the following variables they perceive as constraints to a multinational company's operations in Saudi Arabia: *competitive threats from other multinationals, fast development of local industries, local subsidy to the local industries, expropriation of MNC assets, nationalisation of work force, scarcity of qualified local manpower, local bureaucratic delays/red tape, language barrier/communication problem, local resistance to change and cultural barriers.*

The MNC managers agreed on most of the specified constraints, with mean scores of 5 to around 6 on the bipolar 7-to-1 scale. Bureaucracy scored high (around 6) on the given scale, and is statistically significant. The other group of respondents (MNC customers) agreed in all the specified variables (mean score of 5 on 7-1 scale). The MNC managers neither agreed nor disagreed on the questions of local subsidy to the local industries and expropriation of MNC assets as constraints to their operations in Saudi Arabia (see Appendix 5b, Tables 6.11c and 6.11d). In reality, the host country does not expropriate MNC assets. Saudi ARAMCO is a special case, and its nationalisation happened through the mutual agreement of all the partners concerned.

Analyses and Interpretations: The MNC managers agreed on most of the specified constraints, with mean scores of 5 to around 6 on the bipolar 7-to-1 scale. Bureaucracy scored high (around 6) on the given scale, and is statistically significant. As cross-tabulated with the given categories (religion, education and period of residence), bureaucracy turned out with a high chi-square value that is statistically significant at the .05 level. Bureaucratic constraints to business operations are rampant in the developing countries, including those in the Middle East. Problems in this regard include lengthy procedures pertaining to licensing of business ventures. They also include problems related to entry visa and travel nation-wide in the host-country, which foreign businessmen found very tedious. They also include lengthy procedures and costly requirements pertaining to local tenders and approval of business projects. For instance, a foreign company that has a registered liaison office locally still requires a local channel or agent for its tender documents to be accepted. The authorised local agent will be entitled to receive from the foreign company a handsome commission when the former bagged the tender. This commission fee has to be given to the local company, even if has not done anything in the processing of the documents for tender participation. The commission entitlement has to be given only by virtue of the fact that local company's name is required by law to be used by a foreign company for local tender participation. Thus, local bureaucracy results in unnecessary delays and costs to multinational business operations in the host country.

The MNC managers neither agreed nor disagreed on the questions of local subsidy to the local industries and expropriation of MNC assets as constraints to their operations in Saudi Arabia. In reality, the host country does not expropriate MNC assets. Saudi ARAMCO is a special case, and its nationalisation happened through the mutual agreement of all the partners concerned.

6.2.4 Contributions of Multinational Companies to the Host Country

6.2.4.1 Hypothesis:

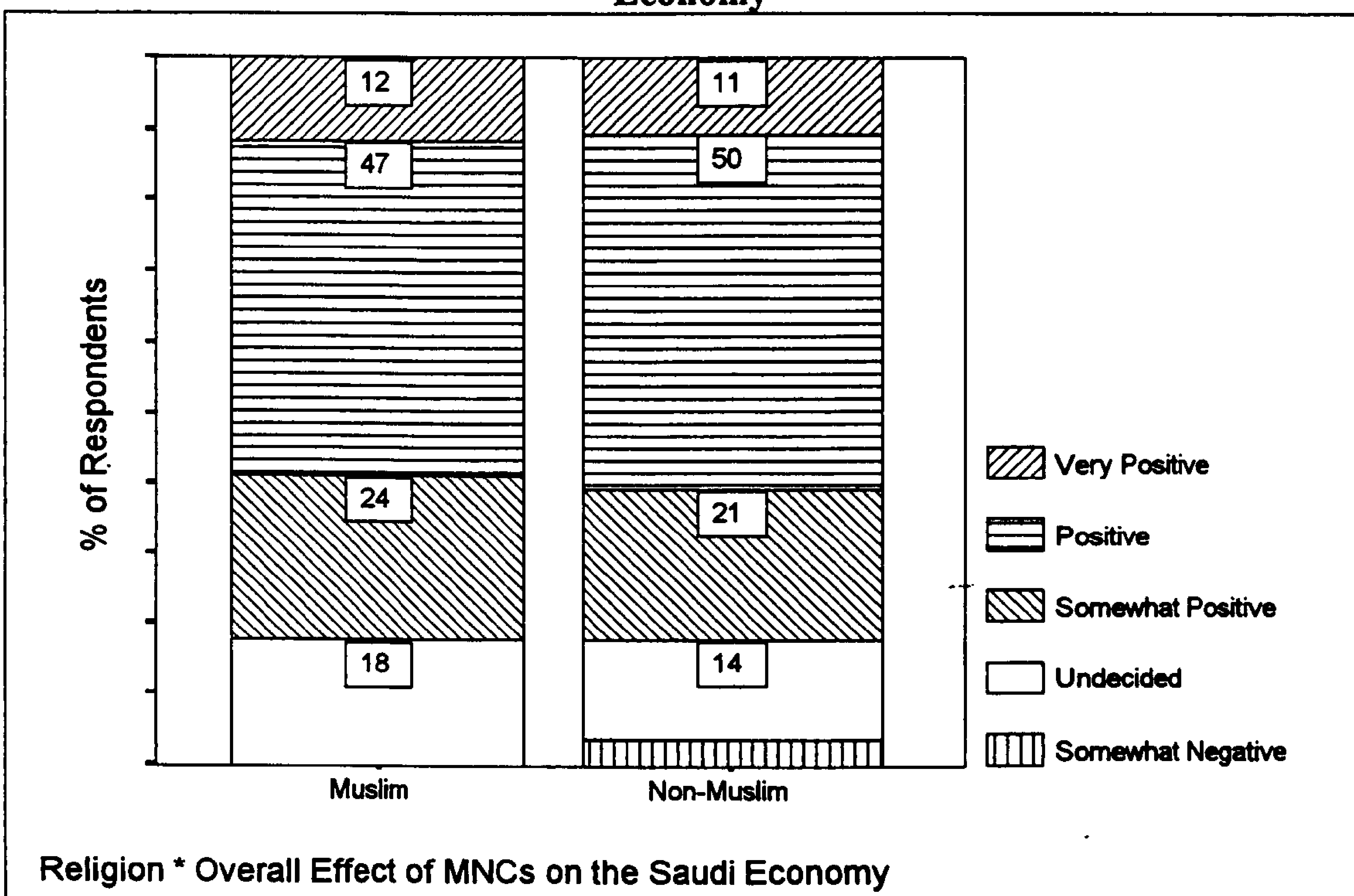
The multinationals have significant and positive contributions to the host country's socio-economic developments and overall economic growth. The perceptions of multinational managers, however, differ to some extent from those of multinational customers.

Findings: Both groups of respondents agreed that multinationals have significant and positive contributions to the host country's socio-economic developments and overall economic growth (see Appendix 5b, Tables 6.12a and 6.12b). Around 82 percent of the MNC managers' responses fell under the positive side of the agree-disagree scale; 16 percent undecided and only 2 percent on the negative side of the scale.

The results did not find any significant differences in the perceptions of the specified categories of respondents, by religious affiliation, education and length of stay in Saudi Arabia. For instance, 82 percent of the MNC Muslim managers' responses fell under the positive side of the agree-disagree scale, and the same percentage (82 percent) of non-

Muslim managers' responses also fell under the somewhat agree-to-strongly agree side of the bipolar scale. Figure 6.10 shows the percentage of respondents by religious affiliation and their respective perceptions on the overall effect of MNCs on the Saudi Arabian economy.

Figure 6.10 Managers' Perceptions: Effect of MNC Operations on the Saudi Economy



Chi-Square test: Non-significant, $\chi^2 = .73$ (df=4, N=45), $\rho = .947$.

Multinational enterprises, as perceived by the multinational respondents, have contributed positively to Saudi Arabia the following factors: 1) foreign exchange flow, 2) technology transfer, 3) management skills, 4) marketing skills, 5) human resource development, 6) consumer welfare arising from more competition, 7) country's industrialisation thrusts, 8) supply of technologies, 9) employment of local nationals, 10) country's economic growth, 11) investment/capital accumulation, 12) contribution to national infrastructure, and 13) internationalisation of country's image and name. Of the specified variables, the only variable that the MNC respondents neither agreed nor disagreed is the development of natural resources. The other group of respondents (MNC customers) agreed in all the specified variables (mean score of 6 on the given 7-1 scale). See Appendix 7 for some supplementary analysis.

Analyses and Interpretations: Globally, contemporary multinational companies have made gigantic contributions, which in one way or another benefited every society on earth. They have served as vehicles of international production, international trade, economic development, human resource development and industrialisation. They have served as agents of technology transfer, advanced technology research and development, as well as product applications research and innovation across national boundaries. Multinational R&D activities have resulted in improved consumer welfare across the globe, in terms of new products and services geared to the satisfaction of human wants and needs.

Multinationals have been largely responsible for uplifting almost all aspects of business life. They have discovered and commercialised many new things that help mankind manage their lives effectively and efficiently. These include efficient electronic banking, superb satellite communication facilities, marvellous electronic information infrastructure, state-of-the-art communication network services (like the Internet), ultra-modern space technology, efficient transportation and logistic services, innovative car and aeroplane manufacturing, and all sorts of products and services geared to the satisfaction of human wants.

However, critics of multinational companies have been sceptical of the foregoing industrial and commercial developments. Some individuals and groups see multinational companies as a manifestation of the hegemonic tendencies of the developed countries to continuously subjugate the developing and poorer countries. They see multinationals as agents of global capitalism, materialism and secularism. As a result, they resort to or support strikes, boycott and violence against multinational companies operating in their geographic areas. Some governments in the developing world have been hostile to the presence of multinational companies. In the Middle East, it is true that many Arab countries are conservative in that they stick to their traditions and customs, despite their phenomenal economic developments in recent decades. This does not mean, however, that they cannot get along with multinational firms, which are modern and sophisticated institutions. In fact, multinational companies continue to prosper and thrive in the Arab countries (Ajami 1979: 1). In Saudi Arabia, multinationals will always be welcomed as needed partners for as long as western values that they adore will not seriously threaten the indigenous cultural values.

One way in which multinational companies contribute to the host nation's development is through technology transfer and linkages with domestic enterprises. This holds true for Saudi Arabia where the Foreign Capital Investment Law clearly encourages foreign investors to bring in needed technology via joint ventures. Al-Ghamdi (1987), in his Ph.D. thesis, found that Saudi-multinational joint ventures in the petrochemical industry transfer more technology than direct foreign investment. As discussed earlier, many Saudi private entrepreneurs and companies have been seeking joint ventures with foreign partners across the globe. In the future, this trend will continue and many industrial investments in Saudi Arabia will favour joint venture with foreign investors, particularly when sophisticated technology is involved (Al-Aali 1987: 98).

Multinational enterprises either own the technology or serve as agents in transferring it to the host country. In principle, technology transfer occurs in an arms-length market where the technology owner or supplier transfers to the technology buyer or licensee all necessary technical information, such as process designs, descriptions and plans (Caves in Rugman 1982: 257-259). In the case of Saudi Arabia, a multinational who owns the technology may choose the licensing route, if joint venture is less preferred. Licensing in the Kingdom is an arrangement that may include the right to use it, as well as training the licensee's personnel. In return, the Saudi licensee has to give a royalty fee. When necessary, the licensor will also require the licensee not export to certain markets or will otherwise refrain from competing in the licensor's product markets. Many of SABIC manufacturing affiliates, for example, obtained their licenses from well-known multinationals in North America and Europe. In some cases, a licensor from Europe may grant a technology license to a Saudi firm, provided the latter does not penetrate specific markets stated in the agreement. In other cases, the licensee may be allowed to sell to certain markets specified quantity allocations, ensuring that the licensor's shares of the given markets will not be threatened.

The technology owner may grant license to a local entrepreneur, and may also seek joint venture partnership with the latter. This happens especially if the host-country government encourages it, and when the capital required is enormous which may compel the local company to resort to some kind of partnership with the technology owner. Although the multinational firm may prefer normally to go for a wholly owned production subsidiary, host-country's investment policy may not encourage it. Thus, the MNC may be compelled to enter into a joint partnership with a local firm in order to serve a given foreign market. When this happens, the licensor may also demand to directly market part of the output from the joint venture to specific markets where it has strategic interests.

Multinational companies also contribute to the host country's employment, capital and productivity directly or indirectly. These can be reflected in the host-country national output through the returns to complementary domestic factors (including labour and raw material inputs), lower consumer prices, and taxes due from the foreign firm's profits (when applicable). Foreign direct investment in the host country also means inflow of foreign capital, including multinational contribution to a joint venture project in the host country (Parry in Walter and Murray: 1982: 110). Multinational firms also bring in efficiency gains to the host nation, in terms of comparatively more efficient technical, managerial, marketing or productive skills that local firms do not possess.

Where a host-country investment is undertaken by a more efficient MNC, *ceteris paribus*, the host country will gain direct benefits from foreign direct investment. Previous empirical studies proved that multinational firms had higher productivity than indigenous ones in developing countries, such as Pakistan, Peru, South Korea, India, Australia and Colombia (Cited by Parry in Walter and Murray 1982: 112).

Direct potential efficiency gains are not the only benefits associated with the relative productivity advantages of the MNC vis-a-vis domestic firms in the same industry. In addition, Parry argues that there is evidence to demonstrate the way in which know-how spill-over and manpower training lead to indirect gains in the host country (Parry in Walter and Murray 1982: 113). He also cited Caves' idea that the host nation captures externalities from MNE know-how through technology and manpower spill over and linkages with domestic enterprises. Parry likewise cited other cases (Behrman and Wallender, as well as OECD's) which demonstrate the ways in which multinational firms transfer technology and know-how through their own personnel, and the way they develop a know-how infrastructure within their subsidiaries. These studies have empirically shown the positive role of multinational companies in developing indigenous manpower skills, with respect to scientific, technical and managerial fields (Parry in Walter and Murray 1982: 114). In the case of Saudi joint ventures with multinational firms, the latter are normally obliged to provide necessary training to Saudi employees. For example, Hank Ritchie, ex-General Manager of MOBIL Saudi Arabia, once remarked that training the Saudi employees during the initial phase of the Yanpet project (a joint venture between SABIC and MOBIL) is the most important contribution MOBIL made in the whole project (Pampanini 1997: 14-15).

Viola (1982: Preface) highlights that multinational companies are becoming prime agents of international manpower planning and development. As an example, the then U.S. multinational company Arabian American Oil Company (ARAMCO) was "to employ Saudi nationals exclusively, if they were qualified and available." This was stipulated very clearly in the 29 May agreement between the Saudi government and the Standard Oil Company of California. In 1940s ARAMCO began establishing various educational training programmes for training its Saudi employees, including elementary schools, industrial training shops and centres (Viola 1982: 19-22). ARAMCO's educational training programmes were complemented and enriched by a number of Saudi manpower development projects under the auspices of the United States-Saudi Arabian Joint Commission on Economic Cooperation. These include, among others, the Vocational Training and Construction Project, Statistics and Data Processing Project, Audit Administration and Training, Customs Administration and Training, Agricultural Bank Management and Training and Executive Management Development (Viola 1982: 24-50).

The host country can also derive indirect efficiency gains from competitive pressures by the multinational firms on established domestic firms, as well as competitive pressures on the existing superior players from new and potential entry by other multinationals. The presence of multinationals in the host country can have a significant favourable effect on host-industry competitive performance. As a case in point, Parry cited a number of Brazilian firms, which have maintained their positions in the industry in the presence of strong MNC entrants. This would support the proposition that the presence of strong MNC entrants brings about indirect efficiency gains to the host country, due to the resulting competitive pressures on established domestic firms in the same and related industries. Empirical cases were apparent in the pharmaceutical, automobile, petroleum, aluminium smelting, as well as pulp and paper industries (Parry in Walter and Murray 1982: 115).

6.2.4.2 Hypothesis:

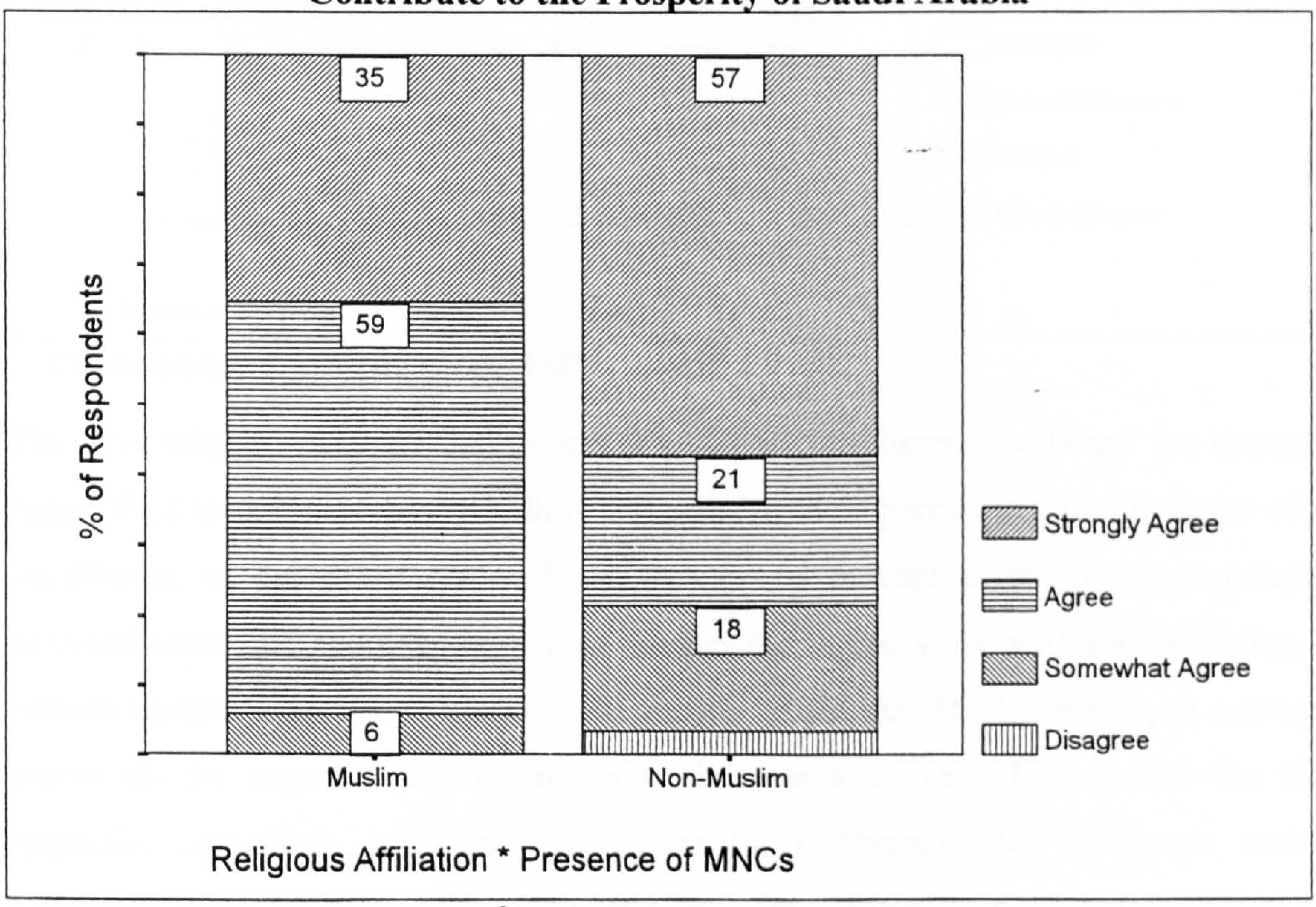
A number of variables have jointly contributed to the prosperity being enjoyed by Saudi Arabia and its people. Local respondents and multinational managers, however, differ in their extent of agreement to the given variables.

Findings: A number of variables have jointly contributed to the prosperity being enjoyed by Saudi Arabia and its people (see Appendix 5b, Tables 6.14a and 6.14b). Local respondents and multinational managers, however, differ in their extent of agreement to the given variables.

The MNC managers generally agreed in the specified variables believed to have jointly contributed to the prosperity being enjoyed by Saudi Arabia and its people. The two variables that got the highest scores (around 7 on the given 7-1 scale) are "Import of technology" and "God-given natural resources". The other variables they agreed to (average score of 6) are: 1) presence of multinational corporations, 2) joint efforts of local industrialists, 3) dynamic trade relations with other countries, 4) presence of expatriates, 5) government's sound policies and supports, and 6) peaceful and conducive business environment. The MNC respondents slightly agreed on "nation's adherence to Islam" as a contributor to the prosperity of Saudi Arabia. The two variables they neither agreed nor disagreed were the "availability of trained local manpower" and "patriotic endeavour of local citizens". As for the MNC customers, they scored highest (around 7) on the variable "God-given natural resources". They also agreed with a mean score of around 6 to the other specified variables. In general, therefore, they agreed that all the given variables contribute to the prosperity being enjoyed by Saudi Arabia and its people.

It is worth noting that both the MNC managers and the customers agreed (with a mean score of around 6) that the presence of MNCs contributes to the Kingdom's prosperity. Their religious backgrounds, educational attainments and periods of residence in Saudi Arabia do not affect their perceptions of the given variables. This finding is based on the resultant chi-square values, which were all non-significant at the .05 level or better (see Appendix 5b, Tables 6.14a and 6.14b).

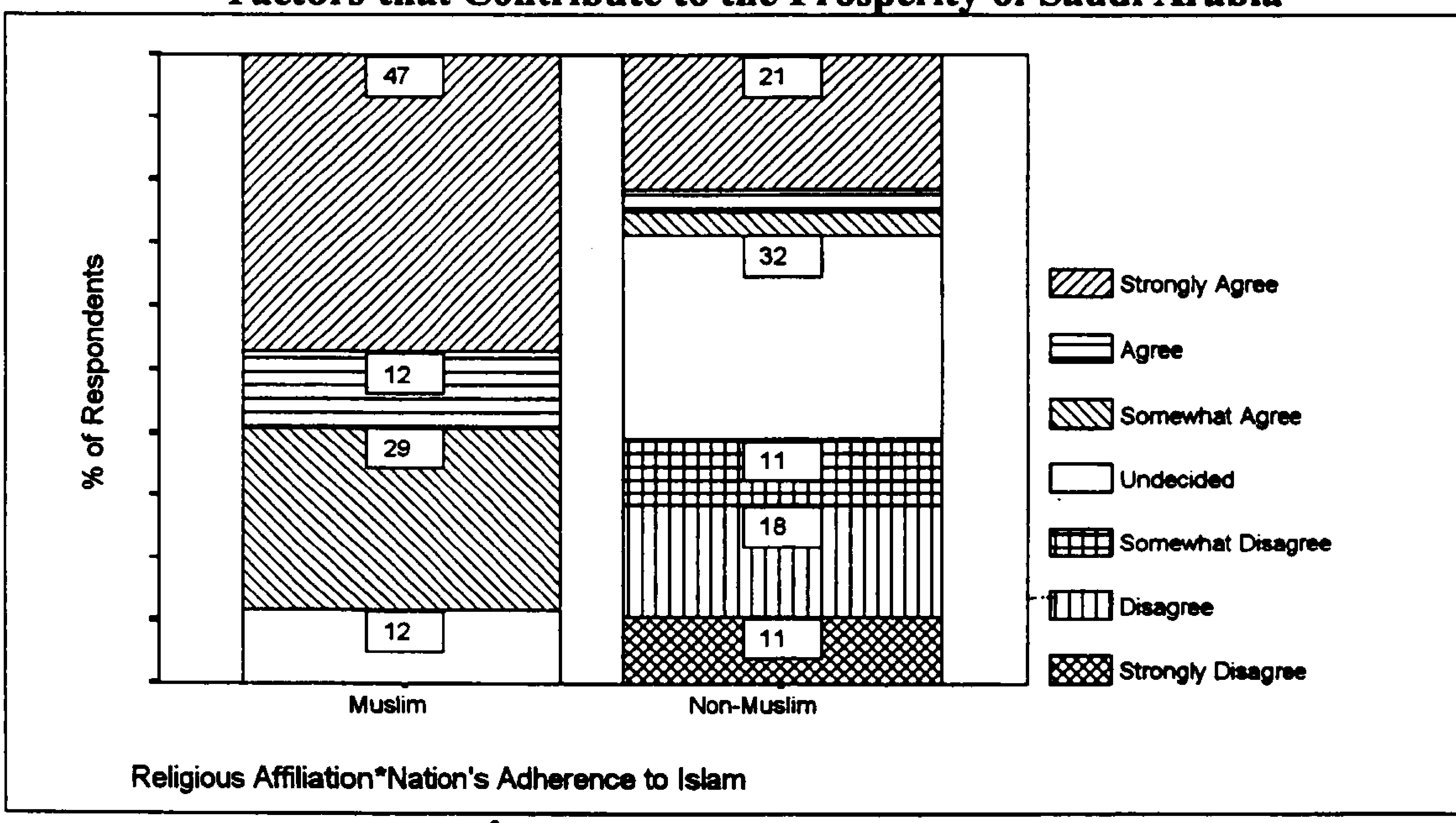
Figure 6.11 Managers' Perceptions: Presence of MNCs as One of the Factors that Contribute to the Prosperity of Saudi Arabia



Chi-Square test: Non-Significant, $\chi^2 = 6.9$ (df=3, N=45), $\rho = .074$.

Figure 6.11 shows the cross-tabular results for the test variable "Presence of MNCs" as perceived by MNC managers in terms of their religious affiliations. The perceptions of all the Muslim managers surveyed fall 100 percent on the positive side of the agree-disagree scale. 35 percent of them strongly agree, 59 percent agree and the remaining 6 percent somewhat agree that multinational firms doing business in Saudi Arabia contribute positively to the nation's prosperity. On the other hand, 96 percent of the non-Muslim managers surveyed scored on the positive side of the agree-disagree scale (See Figure 6.12 for their respective responses, which are self-explanatory). Overall, the Chi-square test is non-significant as it is slightly short of the required .05 significance level.

Figure 6.12 Managers' Perceptions: Nation's Adherence to Islam as One of the Factors that Contribute to the Prosperity of Saudi Arabia



Chi-Square test: Significant, $\chi^2 = 17.1$ (df=6, N=45), $\rho = .009$.

The cross-tabular results for the test variable "Nation's adherence to Islam" are shown in Figure 6.12 to compare how Muslims and non-Muslims perceived Islam in terms of its contribution to the prosperity of Saudi Arabia. 88 percent of the Muslim managers surveyed scored on the positive side of the agree-disagree scale, with the remaining 12 percent unable to decide. In contrast, 40 percent of the non-Muslim managers surveyed scored on the negative side of the agree-disagree scale (See Figure 6.12 for their respective responses, which are self-explanatory). Overall, the Chi-square test is significant at the .01 level. Thus, there are significant differences in the perceptions of the MNC managers, by virtue of their religious backgrounds.

Analyses and Interpretations: The presence of multinational is perceived by both groups of respondents as a contributor to the prosperity of Saudi Arabia. As discussed elsewhere, multinationals have had positive contributions to the socio-economic development of the host-country's economy, in terms of technology transfer, employment and other benefits. By the same token, the presence of expatriates, availability of trained local manpower, patriotic endeavour of local citizens, government's sound policies and supports, peaceful and conducive business environment, and the nation's adherence to Islam have all contributed to the prosperity of Saudi Arabia. All these together, combined with rich natural factor endowments (notably oil), joint efforts of local businessmen, and dynamic trade relations with foreign countries, have directly or indirectly influenced the socio-economic development of the Kingdom.

The prosperity achieved by Saudi Arabia in a relatively short span of time is indeed remarkable, and has been commended by many, both from the East and the West. Pampanini (1997) at the back cover of his book confidently asserts: "Saudi Arabia, undeveloped and pastoral until a few decades ago, has achieved in less than 25 years what required the better part of a century in Europe and America." Viola (1982: 1) considers Saudi Arabia as "the 20th century epitome of the 'boom town' that once characterised the American frontier."

Selected heads of foreign mission in Riyadh have distinguished remarks concerning the development and prosperity of Saudi Arabia as quoted below:

> *"While preserving Islamic values and Arab tradition, the Kingdom has experienced the fastest and most remarkable economic growth the world has ever witnessed."* (Japanese Ambassador Kojiro Takano. *Riyadh Daily*, 23 September 1998: 8)
>
> *Long strives have been taken both in the economic and political fields to bridge the gaps between the past and the present, while at the same time trying to maintain the country's unique cultural and religious features in the face of a fast changing world.* (Ambassador of the Federal Republic of Germany Dr. Eudolf Rapke. Ibid.)
>
> *"Citizens of this large and beautiful country have much to look back on with pride. Their accomplishments, in a wide range of areas and in such a relatively short time, are truly remarkable."* (Canadian Ambassador D.E. Hobson. Ibid.)

> *"The Kingdom has made major advances over recent decades. Since I last served in Riyadh, in the mid-1980s, the progress in infrastructure and in economic progress is clearly visible. Saudi Arabia now has a thriving, modern, free enterprise economy."* (British Ambassador Andrew Green. *Riyadh Daily*, 23 September 1997: 24)

> *"The progress achieved by the Kingdom in various fields in such a short time is astonishing and exemplary for other emerging nations to follow."* (Uzbekistan Ambassador Dr. Salikh R. Inogamov. Ibid.)

> *"Especially in the last 15 years, under the leadership of Custodian of the Two Holy Mosques King Fahad, the Kingdom has enjoyed political stability, social prosperity and economic development."* (Yu Xingzhi Ambassador of the Peoples' Republic of China. Ibid.)

> *"The Kingdom's rapid development over the years helps it to stand out as one of the foremost developing countries in the world."* (Sri Lankan Charge d'Affaires K. Noon. Ibid.)

> *Saudi Arabia since its foundation, and in particular in the last decades, has undergone a tremendous economic and social progress. Its achievements have been impressive and have set an outstanding example for all nations of harmonic and geographically well-balanced development in a very short period of time, as well as a great achievement in the field of protection of environment.* (Italian Ambassador Dr. Marco Sorace Maresca. Ibid)

In the past few decades, Saudi Arabia has prospered tremendously largely as a result of the Saudi nation's ability to optimise the use of plentiful oil and other hydrocarbon resources. The Saudi oil industry is the lifeblood of the Saudi economy. Oil exports have remained the major source of national income and help underpin Saudi Arabia's development. In fact, national annual budgets are prepared with reference always to the international oil price outlook. When oil prices go up, Saudi national income increases and the reverse holds true. For instance, when Saudi crude oil export prices exceeded the $18/barrel in 1996, vis-à-vis a price forecast of $15/barrel, the Kingdom made a windfall oil revenue of as much as $10 billion during that year. Gold, phosphate rock and other mineral deposits have also been discovered in recent years, making the Saudi Arabia's potential for growth even greater for the foreseeable future. Rashid and Shaheen, in their account of the phenomenal progress of Saudi Arabia, remark:

> *The spectacular achievements realized by the Kingdom are truly amazing, especially what has been accomplished in the span of a few years. One cannot help but be fascinated by the great progress that has been realized. Saudi Arabia floats on a sea of oil with proven reserves in excess of 260 billion barrels. The massive income from this great resource was wisely used and invested, bring with it modernization and economic boom.* (Rashid and Shaheen 1995: 119)

Joint efforts of local industrialists and businessmen have also helped the economy prosper. The Council of Saudi Chambers of Commerce and Industry and the regional chambers of commerce in Jeddah, Riyadh and Eastern Province, have come out with various schemes and services to promote national and local industries, including small-scale and medium-scale industries. They provide information services and guidelines for those local entrepreneurs who are keen to start their own business ventures. They also provide foreign investors with good information on the potential business opportunities and prospective partners in Saudi Arabia. Recently the Riyadh Chamber of Commerce and Industry created the Establishments and Investment Development Centre to provide support services to the small-and-medium scale enterprises. New Saudi entrepreneurs or investors will soon have access to an integrated database on small-and-medium scale businesses in Saudi Arabia. End-users of the Centre's services will also have access to information on investment opportunities in the Kingdom, and some guidelines on implementing them (*Saudi Gazette*, 26 August 1998: 13).

Saudi Arabia has also developed over the years dynamic trade relations with other countries, both in the Western and Eastern Hemispheres. In recent years, Saudi Arabian exports of oil, basic chemicals, plastics and fertilisers have been directed virtually to all corners of the world. The industrial countries have historically been the major destinations of Saudi products and, as a whole, they are still taking large but declining share of Saudi Arabian total exports. However, the direction of trade is changing with the developing countries now absorbing good shares of Saudi exports. For instance, as seen earlier in Chapter 2, the total value of Saudi exports in 1996 comprised 53 percent to the industrial countries and 47 percent to the developing countries. In 1986, the developing countries as a whole shared only 29 percent of the total value of Saudi exports.

So far, the United States has been the largest trading partner of Saudi Arabia. U.S. products, such as automobiles, computers, engineering goods, defence infrastructure, communication devices and peripherals, account for significant portions of Saudi imports. Total exports from the United States to Saudi Arabia account for about 25 percent of the Kingdom's total imports. On the other hand, crude oil accounts for the largest share of Saudi exports to the United States.

The United Kingdom is also an important trading and investment partner of Saudi Arabia. Andrew Green, the British Ambassador to Saudi Arabia, remarks:

> *"Britain is a natural trading partner (of Saudi Arabia). We are a world leader in many fields, from advanced technology and engineering to developmental training and financial services. We have 120 joint ventures between Britain and Saudi Arabia." (Riyadh Daily Supplement,* 27 September 1997: 24)

Human resource development, through intensive training and educational programmes, has also contributed to the prosperity being enjoyed by the Saudi society. The Kingdom has many universities, junior colleges and vocational training centres. Junior colleges have been "established mainly to train elementary school teachers" (Al-Omran 1980: 29). The tremendous growth of the number of students enrolled in various educational institutions Kingdom-wide manifests the success of the Government's educational policy and human resource development programmes. One proof in this regard was the phenomenal increase of the total number of male students enrolled in all levels of education to 2.1 million in 1995 from only 673 thousand in 1974. Likewise, the total number of female students increased to nearly 2 million in 1995 from 311 thousand in 1974. The average annual growth rate was 7 percent for male students and 11 percent for female students (Ministry of Planning. Achievements of the Development Plans 1970-1996: 307-311). Indeed, the faster growth of the number of female students reflects the drive of the government to achieve a balanced educational development, as well as the determination of the female population to catch up in the field of education.[8]

On an industry level, Saudi companies have invested heavily in human capital as a means of improving manpower efficiency and productivity. A case in point is SABIC which claims that it is far ahead in the areas of human resource development. It has invested heavily in education, on-the-job training, English language training course for Saudis, and in specialised vocational courses (SABIC News April 1996: 8).

The Saudi nation's adherence to Islam is viewed by many of the respondents, particularly Muslims, as a key contributor to the prosperity being enjoyed by the populace. The Saudis, and in general the Muslims, always cherish Islam as an all-embracing religion, covering all facets of life — economic, physical, religious, political and social. They believe that Islam is a blessing from Allah the Almighty. He has sent down the Qur'an as a complete guide and mercy to all who believe (Qur'an 7:52; 16:89; 31:3). Allah the Almighty has also guided the Muslims with the *Sunnah* of His Messenger. In short, the Qur'an and the Sunnah, as well as the right deductions from these two Islamic scriptures constitute Allah's Mercy to all mankind. Allah the Most Beneficent, the Most Merciful reminds mankind to remember with gratitude His favour that He has bestowed upon them (Qur'an 3:103). The Muslims especially in Saudi Arabia, where *Surahs* (Chapters) and *Ayaat* (Verses) of the Qur'an are frequently read, are always reminded of Allah's commandment to remember with gratitude His favour (Qur'an 55: 1-13). In gratitude to Allah's blessings, the King Fahd, Custodian of the Two Holy Mosques said:

> *3 Jumad Al-Thani (September 23, 1998), which marks both National Day and 100 years since the establishment of the Kingdom, provides a unique occasion to celebrate the many blessings bestowed by Allah on the country ... a modern state that abides by its originality and correct Islamic faith; as manifested in the strict abidance by the Shari'ah and the application of the Holy Qur'an and the Prophet's Tradition (Sunnah). (Saudi Gazette, "National Day Unique Occasion to Celebrate Allah's Blessings: King"*, 22 September 1998: 1)

Muslims express their acknowledgement of Allah's blessings by means of the prescribed prayers, all actions of good deeds and *Dhikr* (remembrance of Allah). One expression of gratitude that is popular among Muslims is this: "Thank Allah for blessing us with Islam." As millions of Muslims all over the world come to Saudi Arabia to perform *Hajj* (pilgrimage) once in a lifetime, they see for themselves the barren and rocky nature of the lands of Makkah. A place like Makkah or in general the Arabian peninsular, which is largely a land of desert, does not appear to have much hope for prosperity. This had been the case up to the 1930s (before the discovery of oil in Saudi Arabia), but man can always hope for Allah's Blessings, Mercy and Benevolence. For instance, Allah has granted the prayer of Prophet Abraham to make Makkah a City of Peace and to feed its People with fruits (Qur'an 2: 126). Those who are familiar with the territory of Makkah must have been surprised how a barren city has become so prosperous, with all kinds of fruits and other good things of material life abundantly available at very competitive prices. Thus, Muslims deeply believe that adherence to Islam is a key factor behind the prosperity of Saudi Arabia and its people.

Non-Muslim MNC managers, in general, did not perceive the Saudi nation's adherence to Islam as a contributor to the prosperity of Saudi Arabia. Their negative perception of Islam's contributions to development is not at all surprising to Muslims as Allah says in the Qur'an that Islam is the right Religion but most people do not know it (Qur'an 12:40: 30:30). Many of them were indifferent concerning this issue because they believe that religion does not at all influence the social, economic and political affairs of the nation. This view could have been an outcome of the non-Muslim respondents' accepted notion of the so-called separation of "church and state" principle. In Saudi Arabia, this does not hold as the constitution of the land is based on the revealed scriptures of the Qur'an, the Sunnah and those deduced from these two revealed scriptures.

For non-Muslims who have good understanding of Islam, they consider it as a key contributor to the prosperity of Saudi Arabia. As this study empirically found, 21 percent of non-Muslim managers strongly concur to this view (Refer back to Figure 6.12). Non-Muslims who have stayed in Saudi Arabia for a long time must have observed how practising Muslims spiritually and materially attached themselves to Islam. As Table 6.14b (Appendix 5b) shows, there is a steady increase in the mean score of agreement by the respondents, in terms of their length of stay in Saudi Arabia, on "Nation's adherence to Islam" as a contributor to the Kingdom's prosperity. By keeping this in mind, non-Muslim investors who wish to do business in Saudi Arabia will be able to avoid committing blunders in their dealings with Saudi or Muslim entrepreneurs, if they have good understanding of Islam.

6.2.5 Success of Multinational Companies Doing Business in Saudi Arabia

6.2.5.1 Hypothesis:

A number of variables have jointly contributed to or resulted in the success of multinationals doing business in Saudi Arabia.

Findings: The study looked into the factors, which have jointly contributed to or resulted in the success of multinational companies operating in Saudi Arabia. These factors (variables) include those that are related to company mission, strategic thinking and planning, such as clarity of corporate mission and objectives, as well as effective strategic analysis and planning. On a functional level, they include effective marketing planning, effective financial planning and budgeting, high degree of product diversification, as well as effective price-setting. Other key success factors specified in the survey are those concerning quality, such as availability of quality assurance system, adoption of total quality management (TQM), emphasis on product quality, focus on supply reliability, availability of responsive customer services, as well as emphasis on customer requirements and satisfaction.

There are also those that are related to technological advancement and innovation, such as the presence of good research and development facilities and resources. Those concerning human resource management are also included in the survey — such as effective recruitment policy, training, manpower development, employee professional development, employee recognition and incentive schemes.

Likewise, the factors behind the success of MNCs in Saudi Arabia include the degree of control over markets, effective use of local traders, degree of autonomy from parent company, degree of manpower multi-nationality, availability of adequate capital, stability of raw material supply, co-operation with local industrialists, good co-ordination and linking of activities, good public relations, fulfilment of social responsibility (service to the country), good knowledge of local culture, high respect to the local populace, as well as responsiveness to local cultural needs.

The survey results prove the hypothesis that the foregoing variables have jointly contributed to or resulted in the success of multinationals doing business in Saudi Arabia. Both the MNC managers and the MNC customers agreed (mean score of 6 on 7-1 scale) that all the specified variables have jointly contributed to or resulted in the success of multinationals doing business in Saudi Arabia. Customer satisfaction has got the highest average score of 6.6 (around 7) in the survey of MNC managers.

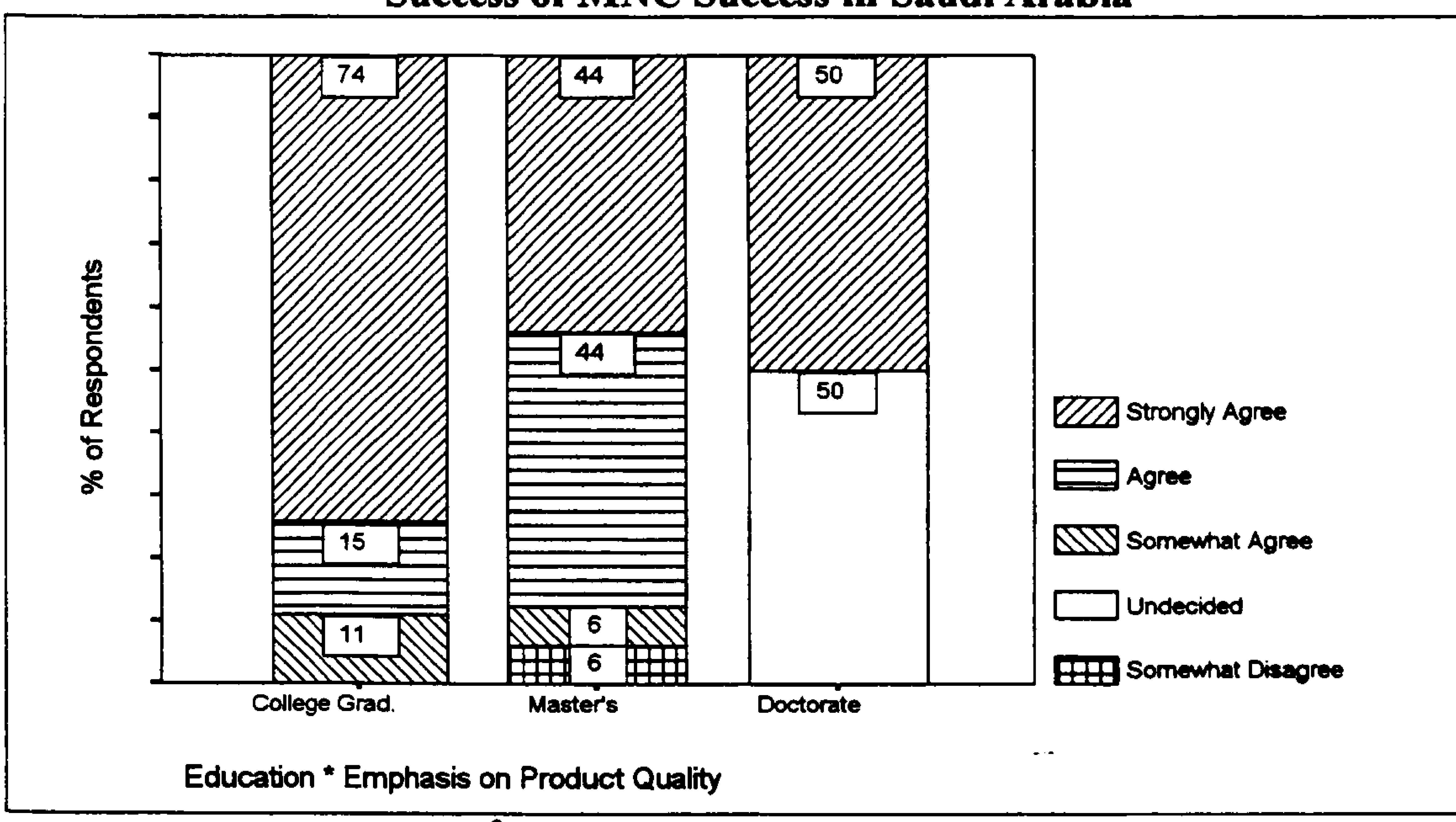
In the other survey (for MNC customers), customer satisfaction, effective marketing planning and effective financial planning and budgeting scored the highest average score of 6.2 on a 7-1 bipolar scale. All other variables specified in the survey got an average score of around 6, which support the stated hypothesis.

A one-sample *t* test was conducted, with the mean on each test variable evaluated to determine whether it is significantly different from the midpoint (4) on the bipolar 7-1 response scale. Both the MNC managers and the customers agreed (mean score of 6) in all the specified test variables (see Appendix 5b, Tables 6.14a and 6.14b).

The empirical survey also found that most of the test variables were not dependent on the respondents' religious affiliations, educational backgrounds and length of stay in Saudi Arabia. In most cases, both the MNC managers and the customers commonly agree that the specified variables generally contribute to the success of MNCs in Saudi Arabia.

Among the given factors that influence the success of the MNCs, product quality Cross-tabular results by education indicate 50 percent of those with PhDs strongly agree that product quality influences the success of multinationals doing business in Saudi Arabia. 44 percent and 74 percent, respectively, of those with college and master's degrees strongly agree on the given proposition. The remaining 50 percent of those with PhD degrees could not decide on the issue in question. The other responses are self-explanatory (See Figure 6.13). Overall, the Chi-square is highly significant, which reflects the significant differences in the perceptions of the MNC managers, by virtue of their educational backgrounds, regarding product quality as one of the explanatory variables behind the MNC success in Saudi Arabia. As for the customers, the Chi-square for religious affiliations is statistically significant. However, the Chi-square is non-significant as far as the customer respondents' educational backgrounds are concerned.

Figure 6.13 Managers' Perception on Product Quality as a Factor Influencing the Success of MNC Success in Saudi Arabia



Chi-Square test: Significant, $\chi^2 = 29.25$ (df=8, N=45), $\rho = .000$.

Analyses and Interpretations: The success of multinationals depends on a number of factors, which are oftentimes inter-related. So, a multinational firm can sustain and enhance its success through proper handling of these factors. First of all, it must have a clear vision for the future. It must have a clearly defined mission statement, which makes everyone in the company work for the company interests, with a sense of shared direction and achievement.

Strategic analysis is also perceived by the respondents as an important variable that influences the success of multinationals operating in a foreign environment like Saudi Arabia. This involves analysing the structure of the industry the company is in, assessing the underlying competitive intensity, as well as assessing its competitive position, in light of some given bases of competition, relative strengths, weaknesses, external threats and opportunities. Based on the analysis, the firm's strategic direction will become clearer, which will serve as the basis of its strategic action plans.

Figure 6.13 shows the survey results on product quality as one of the key factors that bring about multinational success in Saudi Arabia or elsewhere. Given the openness of the Saudi economy, local customers have greater opportunities to enjoy quality goods and services both from domestic and international sources, by virtue of competition. These opportunities are reinforced by the increasing free flow of manufactured goods across borders, which is part of the globalisation trend.

The increasing availability of quality products and services across the borders is also a result of innovations mainly by the multinationals, which have led to significant reductions in transport and communication costs. The information technology adds a new dimension to the globalisation process (Eilertsen 1999: 1). Especially with the advent of the Internet, global networking is becoming available to everybody, and subsequently reducing communication costs dramatically. Thus, with the advent of information technology, multinationals have the opportunity to market quality products and services everywhere in the world.

On the other hand, information technology transfer across national boundaries has also become an increasingly important issue for the industrialisation process across the globe, and as a priority. Many developing countries, including Saudi Arabia, find it necessary to develop and implement policies that place a high priority on technology transfer that includes scientific and technical information transfer (Alogla 1993: 1-8). Indeed, promoting information acquisition in Saudi Arabia is of paramount importance, given the government's commitment to further promote industrialisation, and lessen dependence on the oil economy. The acquisition of scientific and technical information by the Kingdom's industrial sector is made possible through various sources, that include the domestic producers, distributors, multinational companies and the relevant international institutions. For instance, the United Nations Industrial Development Organisation (UNIDO) has recently proposed a program for enhancing industrial competitiveness in Saudi Arabia, with three components: 1) strengthening the capabilities of industrial governance; 2) formulating an industrial strategy and policy framework; and 3) organising decentralised network of support services (UNIDO 1999: 1-42). With all these efforts, the industries in Saudi Arabia are becoming more competitive and quality-conscious. In fact, major companies in Saudi Arabia are now ISO9000 certified, and many more are on the way to obtaining their own quality assurance certification. Thus, given the quality orientation of many domestic industries in Saudi Arabia,, multinational companies operating in the Kingdom recognise the need for further enhancing the quality of their products and services in order to sustain their market shares and competitive position. Thus, MNCs have every reason to regard product quality as one of the explanatory variables behind the MNC success in Saudi Arabia.

6.2.6 Business Success of MNCs in Saudi Arabia in Relation to their Cultural Awareness and Responsiveness

Understanding the nature and influences of culture is central to international business (Lenartowicz and Roth 1999: 781). This has been emphasised recently in the literature, with a number of scholars recognising the need to study international business phenomena across cultures or in light of cross-cultural differences (see Au 1999: 799). As Dunning (1993a: 41) puts it, multinational firms, which are best able to identify and reconcile cultural differences, and utilise them to their gain, are likely to acquire a noticeable competitive advantage in the global marketplace. This will be so considering that cross-border business relationships comprise partners from different countries, either with the same or different cultures (Griffith, Hu and Ryans, Jr. 2000: 305). Neelankavil, Mathur and Zhang (2000: 121) emphasise that the success of firm's diverse multinational activities necessitates a thorough understanding of various cultures across national boundaries, and concerted efforts to handle and improve the process of cross-cultural management.

Based on the survey results and analyses, this study has argued that understanding Islamic culture is important for multinational companies operating in Saudi Arabia. As discussed elsewhere in this chapter, the MNC respondents generally perceive the local social values as important in their planning and decision-making processes. To reinforce this finding, the study has further argued that the business success of MNCs in Saudi Arabia is positively related to their local cultural awareness and responsiveness.

The success indicators used here are sales growth, assets growth, sales/assets ratios and sales/assets growth (see Appendix 6a, Table 6.15). Data constraints, as emphasised under Note 6 of Chapter 1 (Page 12), have precluded the use of other success indicators, such as profits and rates of return on assets. Thus available data on the given measures of MNCs success were cross-tabulated against the Managers' perception of the importance of dos and don'ts in Islam, and local social values in their planning and decision-making. The success indicators were also cross-tabulated against the responsiveness of MNCs to the cultural needs of the local populace.

Table 6.15a Success (Sales Growth) of MNCs vis-à-vis Local Social Values

Success of MNCS * Local Social Values Crosstabulation

			Importance of Local Social Values to MNCs' Planning & Decision-Making							
			Not Important at All	Not Important	Somewhat Not Important	Undecided	Somewhat Important	Important	Very Important	Total
Success of MNCS	1	Count					1	1	1	3
		% of Total					2.2%	2.2%	2.2%	6.7%
	2	Count	1		1					2
		% of Total	2.2%		2.2%					4.4%
	3	Count	1	1		1				3
		% of Total	2.2%	2.2%		2.2%				6.7%
	5	Count		1		1	1	3	4	10
		% of Total		2.2%		2.2%	2.2%	6.7%	8.9%	22.2%
	6	Count				2	2	6	2	12
		% of Total				4.4%	4.4%	13.3%	4.4%	26.7%
	7	Count				2	4	7	2	15
		% of Total				4.4%	8.9%	15.6%	4.4%	33.3%
Total		Count	2	2	1	6	8	17	9	45
		% of Total	4.4%	4.4%	2.2%	13.3%	17.8%	37.8%	20.0%	100.0%

a. Success Scale: 1 = Highly unsuccessful, ... , 7 = Highly successful   Chi-Square = 56.6 (df=30, n=45), Sig. = .002

Table 6.15a shows that more than 80 percent of MNCs surveyed are successful (in terms of sales growth), and most of them consider the local social values as important in their planning and decision-making. The cross-tabulation results are highly statistically significant at better than the 1 percent level, and show a very high Chi-Square value of 56.6. This means that the business successes of multinational companies operating in Saudi Arabia are highly associated with their cultural sensitivity or awareness. This is based on the Managers' perceptions that the local social values are important in their planning and decision-making processes.

In reality, cultural differences are the most troublesome variables for the multinational company. The failure of managers to understand fully these disparities has led to most international business failures. To be successful in a cross-border environment, it is essential to be aware of cross-cultural differences. Knowing what to do is as necessary as knowing what not to do (Ricks 1983: 7-9). In the Middle East, the prevailing Islamic culture is quite important for the MNCs to explore as found in this study and as previously expounded by a number of scholars like Al-Aali (1987), Punnet and Ricks (1992), Al-Salamah (1994), Fatani (1994), Daniels and Radebaugh (1995) and Gullestrup (1996). Any foreign company that is doing or planning to do business in the region will have better opportunities for the future, if it attempts to explore this culture (Alkhafaji 1995: 204). It needs to explore how local culture will affect its plans, strategies and decisions. Such exploration may also result in discovering business opportunities that are directly or indirectly related to the local cultural needs.

As discussed earlier in this section, the MNC respondents generally perceive the dos and don'ts in Islam as important in their planning and decision-making processes. In this regard, the researcher cross-tabulated the data on MNCs success (as measured by the rates of growth of sales) against the Managers' perception of the importance of the dos and don'ts in Islam in their planning and decision-making.

Table 6.15b Success (Sales Growth) of MNCs vis-à-vis Dos and Don'ts in Islam

Success of MNCS * Dos and Don'ts in Islam Crosstabulation

			Importance of Dos and Don'ts in Islam to MNCs' Planning & Decision-Making							
			Not Important at All	Not Important	Somewhat Not Important	Undecided	Somewhat Important	Important	Very Important	Total
Success of MNCS	1	Count					2		1	3
		% of Total					4.4%		2.2%	6.7%
	2	Count	1		1					2
		% of Total	2.2%		2.2%					4.4%
	3	Count	1	1		1				3
		% of Total	2.2%	2.2%		2.2%				6.7%
	5	Count		1		2	1	3	3	10
		% of Total		2.2%		4.4%	2.2%	6.7%	6.7%	22.2%
	6	Count				2	1	6	3	12
		% of Total				4.4%	2.2%	13.3%	6.7%	26.7%
	7	Count				1	7	5	2	15
		% of Total				2.2%	15.6%	11.1%	4.4%	33.3%
Total		Count	2	2	1	6	11	14	9	45
		% of Total	4.4%	4.4%	2.2%	13.3%	24.4%	31.1%	20.0%	100.0%

a. Success Scale: 1 = Highly unsuccessful, ... , 7 = Highly successful Chi-Square = 63.2 (df=30, n=45), Sig. = .000

As shown on Table 6.15b, more than 80 percent of MNCs surveyed are successful, and most of them consider the dos and don'ts in Islam as important in their planning and decision-making. The cross-tabulation results show a very high Chi-Square value of 63.2, which is highly statistically significant at better than the 1 percent level. This means positive interdependence between the success of multinational companies operating in Saudi Arabia and their cultural sensitivity and awareness (in terms of considering the dos and don'ts in Islam in their planning and decision-making processes).

The researcher likewise investigated whether the success of MNCs operating in Saudi Arabia is related to their responsiveness to Islamic culture. Table 6.15c shows a cross-tabulation of the success of MNCs (sales growth) with their responsiveness to local culture. As shown previously, the respondents perceive that the multinationals operating in Saudi Arabia are responsive to the cultural needs and sensitivities of the Saudi people.

Table 6.15c Success (Sales Growth) of MNCs vis-à-vis Responsiveness to Local Culture

Success of MNCs * Responsiveness to Local Culture Crosstabulation

			Responsiveness to Local Culture					
			Not Responsive	Undecided	Somewhat Responsive	Responsive	Very Responsive	Total
Success of MNCs	1	Count		2		1		3
		% of Total		4.4%		2.2%		6.7%
	2	Count		2				2
		% of Total		4.4%				4.4%
	3	Count		2		1		3
		% of Total		4.4%		2.2%		6.7%
	5	Count	1		3	3	3	10
		% of Total	2.2%		6.7%	6.7%	6.7%	22.2%
	6	Count		1	1	7	3	12
		% of Total		2.2%	2.2%	15.6%	6.7%	26.7%
	7	Count			5	8	2	15
		% of Total			11.1%	17.8%	4.4%	33.3%
Total		Count	1	7	9	20	8	45
		% of Total	2.2%	15.6%	20.0%	44.4%	17.8%	100.0%

a. Success Scale: 1 = Highly unsuccessful, ... , 7 = Highly successful   Chi-Square = 36.4 (df=20, n=45), Sig. = .014

Cross-tabulation results show that 22 percent of the MNC respondents are somewhat successful, 27 percent successful and 33 percent highly successful. With regard to cultural responsiveness, 20 percent of the MNC respondents are somewhat responsive, 44 percent responsive and 18 percent highly responsive to local culture. The cross-tabulation results show a high Chi-Square value of 36.4, which is highly statistically significant at better than the 5 percent level.

The same procedure was done for other success indicators vis-à-vis cultural factors. Two sets of cross-tabulations were made to analyse the success/culture relationship in question – one set of 15 SPSS outputs that include MNC parents data for 9 MNCs and another set excluding these 9 proxies. With regard to sales growth as a measure of business success, the cross-tabulation results for the success data without proxies are quite similar to those with proxies (see Tables 6.15d to 6.15f in Appendix 6b). Thus, the results confirm consistently that the rate of growth of sales -- as a measure of MNC business success -- is positively related to the measures of the multinational companies' degree of cultural awareness and responsiveness.

Tables 6.15g and 6.15h in Appendix 6b show the assets growth/culture cross-tabulations that generate positive results. These results hold when the parents data for 9 MNCs were excluded from the calculation. As shown on Table 6.15g, 75 percent of MNCs surveyed are successful (in terms of sales growth), and most of them consider the local social values as important in their planning and decision-making. The cross-tabulation results are statistically significant at about 10 percent level, with a high Chi-Square value of 46.9. Likewise, the cross-tabulations for the assets growth vis-à-vis dos and don'ts in Islam are statistically significant at better than the 10 percent level with a high Chi-Square value of 50 (see Table 6.15h in Appendix 6b). As a matter of caution, one point needs to be borne in mind. Assets growth may not necessarily be a good indicator of business success -- as an MNC might increase its assets a lot through direct foreign investment, but the decision to do so might be very unwise. Nevertheless, this measure does have some virtue, as an MNC is unlikely to increase its assets if it has been unsuccessful. Moreover, the underlying positive results reinforce the sales growth/culture cross-tabulations, which generate very positive results; and, hence, are consistent with the view that MNCs need to be sensitive and responsive to local culture, in order to sustain business success.

The sales/asset ratios and the corresponding sales/assets growth as cross-tabulated with the three cultural factors did not generate statistically significant results. Using the sales/assets ratios as a success indicator may not be appropriate in the light of the underlying disparities from industry to industry. Some MNCs, especially in the service sectors of banking and insurance, have very low sales/assets ratios because their assets are disproportionately larger than their revenues. In the List of the World's Largest Corporations (Fortune, 3 August 1998), very large multinational banks (among the top 150 largest companies) have very low sales/assets ratios ranging from 0.05 to 0.10. Likewise, most of the top insurance companies in the list have very low sales/assets ratios ranging from 0.14 to 0.24. This does not mean, however, that these companies are not successful. In fact, other success indicators will prove that they are very successful, in terms of revenue ranking, profits and rates of return on assets. In the List of the U.S. largest corporations (Fortune, 28 April 1997), more than 50 percent of the top 25 largest U.S. companies have sales/assets ratios in the region of 1.0. A sales/assets ratio of 1.0 means that a dollar of asset invested generates a dollar of sales. The rest of the top 25 U.S. multinational giants in the said Fortune list have sales/assets ratios in the wide range of 0.08 to 2.69. As regards the companies surveyed in this research work, their sales/assets ratios vary from 0.07 to 8.75 in 1990, and from 0.06 to 9.88 in 1996 (see Table 6.15 in Appendix 6b). Thus, sales/assets ratio — along with the corresponding sales/assets growth — is not a good success indicator.

In the real business world, various factors affect the success of MNCs as specified in the questionnaires and in the "Key Factors" components of the Multinational Role Paradigm presented in Chapter 4. MNC strategies and policies, transaction cost economics, local manpower and natural resources, host-country political and economic conditions, as well as cultural factors and conditions, are among the key factors that influence an MNC decision to invest across national boundaries. As expounded in Chapter 3, scholars like Al-Aali (1987) and Christides (1988) had previously studied the relevance of culture in the management and performance of multinational joint ventures (JVs) in Saudi Arabia. This thesis has shown that the business success of multinational companies operating in Saudi Arabia is positively related to their local cultural awareness and responsiveness.

Notes

[1] Cited below manifests Allah's instruction to the believing Muslims to put in writing all future contracts and obligations:

O you who believe! When you deal with each other, in transactions involving future obligations in a fixed period of time reduce them to writing. Let a scribe write down faithfully as between the parties. Let not the scribe refuse to write as Allah has taught him. So let him write. Let him who incurs the liability dictate, but let him fear Allah His Lord and not diminish aught of what he owes. If the party liable is mentally deficient, or weak, or unable himself to dictate, let his guardian dictate faithfully. And get two witnesses, out of your own men. And if there are not two men, then a man and two women, such as you choose, for witnesses, so that if one of them errs the other can remind her. The witnesses should not refuse when they are called on (for evidence). Disdain not to reduce to writing (your contract) for a future period, whether it be small or big; it is more just in the sight of Allah, more suitable as evidence, and more convenient to prevent doubts among yourselves ... So fear Allah; for it is Allah that teaches you. And Allah is well acquainted with all things. (Qur'an 2:282-283; 2:177 and 5:1)

[2] It is worth noting that any interest-bearing loan is tantamount to usury in Islam (Ahmad 1976; Chapra 1992, 1995; and Presley and Sessions 1994). By definition, nominal interest rate is the rate quoted in credit and deposit agreements. It is the proportion of a sum of money that is paid over a specified period of time in payment for its loan. It is the price a borrower has to pay to enjoy the use of cash, which he does not own, and the return a lender enjoys for deferring his consumption or parting with liquidity (Bannock, Baxter and Davis 1998: 347).

Real interest rate, on the other hand, is obtained by deflating the nominal rate. To calculate the real interest rate (for any nominal interest rate and any rate of inflation), the following equation is used:

$r = [(100 + R)/(100 + i) - 1]*100$,

Where: r = real interest rate (in %)
R = nominal interest rate (in %)
i = actual or expected inflation rate (in %)

Source: http://www.cnb.cz/en/_mpolitika/s3.html

Based on the above formula, real interest rate can be higher or lower than the nominal rate depending on the inflation or deflation rate. This can be seen clearly in the case of the Japanese economy, which has been experiencing deflation since September 2001. Deflation further dampens demand by raising real interest rates and worsens companies' profits (Behravesh, Nariman (November 2001) DRI-WEFA Fourth Quarter 2001 Executive Summary: World Outlook, http://www.dri-wefa.com/myWEFA/). Although nominal interest rate in Japan is currently zero (or very close to zero), real interest rate is expected to be positive due to deflationary pressures. This means that Japanese firms are not necessarily encouraged by the current availability of interest-free or almost interest-free loans, being costly in real terms and not commercially viable for investment purposes due to deflationary pressures. Investors are primarily the ones who feel the negative effects of deflation. Even a slight deflationary trend, as in the current case of Japan, can serve to stifle economic activity. This is so because an interest rate of zero percent can still imply an excessive real interest rate for investors (http://www.diw-berlin.de/english/publikationen/bulletin/docs/eb98-10/n98okt_1.htm). However, as the usual experience is inflation, the foregoing formula suggests that savers are at a disadvantage when the nominal rate of interest is zero. Since this issue is beyond the scope of this research work, interested researchers may try to explore it in relation to Islam's prohibition of usury.

[3] The Saudi Arabian government interprets some of the applications of the rules of (The International Human Rights Declaration, and the International Covenant on the Economic, Social and Cultural Rights) in line with Islamic teachings. More specifically, human rights as taught and practised in Saudi Arabia are based on Islamic principles, which embrace the fundamental rights of man as an individual and as a member of the society. Human rights in Islam cover the dignity of man,

fundamental rights between one individual and another, the call for the unity of human race, as well as the call for acquaintance and co-operation for the common good. They also cover religious freedom, prohibition of any compulsion in religion, prohibition of any attack on the property or life of a man, house immunity for the protection of man's freedom and reciprocal responsibility among members of society (Based on the Memorandum 1997, sent to UN Commissions and Agencies by the Government of the Kingdom of Saudi Arabia regarding human rights in Islam and their application in the Kingdom of Saudi Arabia).

[4] In his much-discussed article "Bowling Alone: America's Declining Social Capital", Putnam argued that the most fundamental form of social capital is the family, and the massive evidence of the loosening of bonds within the family is well known and consistent with what he calls "social de-capitalisation" (Putnam 1995: 73). According to him, one possible explanation to the diminishing civic engagement and social connectedness in America in the last two or three decades is the movement of women into the labour force. In this regard, he remarks: "It seems highly plausible that this social revolution should have reduced the time and energy available for building social capital." (Putnam 1995: 74)

[5] The Islamophobia, as defined by Runnymede Commission on British Muslims and Islamophobia, is "the dread or hatred of Islam and of Muslims. It has existed in western countries and cultures for several centuries but in the last twenty years has become more explicit, more extreme and more dangerous. It is an ingredient of all sections of the media, and is prevalent in all sections of the society" (Quoted by Ali, *Islamophobia in America*, p. 1; also expounded in IIIE Da'wah Newsletter, vol. 6. No. 1, winter 1998).

[6] The message revealed to the Prophet Muhammad ﷺ is universal, and is meant for all mankind (Qur'an 10:37; 3:7; 5:48; 6:92;11:1; 12:1-2; 13:36-37; 25:6; 42: 17; 46:2; and 69:43-52). Allah has made it clear that He has chosen Muhammad ﷺ, as the Seal of all the Prophets and the Messenger to humanity at large (Qur'an 33: 40; 34: 28). Prophet Muhammad ﷺ is a Mercy for all creatures, endowed with the best character (Qur'an 21: 107; Al-Bukhari, Vol. 4, Hadith No. 757).

[7] One very brief but striking chapter in the Qur'an states: "Say: 'He is Allah the One. The Eternally besought of all. He begets not nor was He begotten and there is none comparable unto Him.'" (Qur'an 112: 1-4; also 2:163; 14: 52; 27: 26; 31:30; 35:3; 37:4-5; 47: 19).

[8] See also Kingdom of Saudi Arabia Ministry of Planning. Achievements of the Development Plans 1970-1997. Facts and Figures, Fifteenth Issue.

Chapter 7 - Summary and Conclusions

7.1 Summary

This study attempted to investigate the role of multinational companies in the Middle East, particularly the case of Saudi Arabia. In line with this, the researcher developed a schematic framework for understanding the nature, existence, and role of multinational companies in the Middle East, with Saudi Arabia as the case in point.

The study covered five major research issues: 1) cultural issues, 2) competitiveness of MNCs operating in Saudi Arabia, 3) problems caused and faced by multinational companies in Saudi Arabia, 4) contributions of MNCs to the host country, and 5) success of MNCs in Saudi Arabia. Under these major headings, several hypotheses were tested using two sets of structured questionnaires. One set was distributed to key multinational managers and another for multinational customers. Versions 7.0 and 7.5 of SPSS for Windows were finally used for the statistical analysis of the study. SPSS Version 6.0 was also used in the early stage of data entry and processing.

Secondary data were compiled from authentic published sources to support the empirical aspect of the research. More specifically, authentic information on Islamic culture is based on the Qur'an and the *Ahadith/Sunnah* (sayings and traditions of Prophet Muhammad ﷺ). Literature on multinational theories and secondary data on Saudi Arabia and multinational business in the country were gathered from university libraries and public institutions in Saudi Arabia, United Kingdom, Philippines and Denmark. Relevant references were also gathered through the Internet and Compuserve Information System.

In general, the study found that joint ventures are the dominant form of international business in Saudi Arabia. However, it also found that international business activities in the Kingdom are quite broad — covering both manufacturing and service-oriented ventures from small to world-scale in size.

Multinational companies operating in Saudi Arabia pursue business arrangements, mostly outside the domain of international production. Of the total 45 managers surveyed, 60 percent stated that their company products or parts are produced in their respective home countries; and only 13 percent of the respondents reported that their company products or parts are produced in Saudi Arabia. 60 percent of the MNC managers said that their products or parts are produced in affiliates elsewhere. 38 percent of the respondents reported that the products or parts they market in Saudi Arabia are imported from third countries. The respondents generally agreed that local businessmen strongly prefer to do business on their own if they can secure the required foreign technology. Where a technology license is impossible to obtain, Saudi businessmen will attempt to have a joint venture with foreign technology providers.

The study's major findings vis-a-vis the research problems are summarized below:

7.1.1 Cultural Issues

7.1.1.1 The study covers Islamic culture and its implications to multinational business. Both the MNC managers and the other group of respondents agreed that Islamic cultural and ethical values are deemed important to be understood by multinational companies doing business or planning to invest in Saudi Arabia. The customer respondents, however, were more concerned than the MNC managers about the importance of these values to be understood by the MNCs.

7.1.1.2 The MNC respondents claimed that non-Muslim MNC managers based in Saudi Arabia have knowledge of local cultural and ethical values. The customer respondents viewed the non-Muslim MNC managers as having no knowledge of the Kingdom's Islamic religious doctrines and beliefs. They, however, perceived the multinational companies as having some knowledge of the prohibitions in Islam, the Islamic legal system, Islamic economic and financial requirements, as well as the Kingdom's business regulations and procedures.

7.1.1.3 The respondents generally perceived the MNCs as responsive to the cultural needs, values and sensitivities of the Saudi people.

7.1.1.4 The respondents perceived as somewhat positive the impact of western values on the local society. Non-Muslim respondents were more positive in their perceptions than the Muslims concerning the issue in question.

7.1.1.5 Both the MNC managers and the customers perceived that there exists local resistance to foreign cultures. Both groups of respondents agreed that it is risky for the MNCs to have the local culture replaced by western values arising from the influence of multinational companies and their activities.

7.1.1.6 Both groups of respondents perceived the importance of Arabic language to the operations and activities of the multinationals doing business in Saudi Arabia.

7.1.1.7 Local commercial regulations, along with cultural and ethical considerations, are perceived to be important to the policy or strategy formulation, planning and decision-making process of MNCs doing business in Saudi Arabia.

7.1.2 Competitiveness of Multinational Companies

7.1.2.1 The MNC respondents confirmed that the competitiveness of any multinational corporation operating in Saudi Arabia is a function of a number of economic, management, marketing and technological variables. The respondents (managers) rated the MNCs good (mean score of 6) for many of the specified test variables. These include: company image, product quality, technology efficiency, quality of customer services, management system, financial system, employee discipline, management commitment, financial resources and capital assets, bank credibility, access to resources of the parent company and customer relations. The respondents gave the MNCs an average score of 5 (somewhat good) on the following test variables: production system, marketing system, manpower development, marketing research, global information scanning capability, product development, innovation, communication system, production cost management, co-ordination of production and marketing, global marketing management, public relations, knowledge of local culture, as well as responsiveness to local cultural needs. Virtually all of the t-tests are highly significant, implying that the mean scores are statistically different from the midpoint of the given bipolar scale. The only variable that got poor mean score is abundant feedstock. The corresponding t-test value is also non-significant.

7.1.2.2 The MNC respondents perceived as "globalised" many of the given variables like quality specifications, technology design and customer service. The MNC respondents perceived culture as an important factor in the global scanning activities of multinational companies.

7.1.3 Problems Attributed to Multinational Companies and Constraints Facing Them

7.1.3.1 The customers surveyed perceived the multinational companies as causing a number of economic and non-economic problems. The perceptions of multinational managers, however, differ to a great extent from those of customers. Of the specified variables, the multinational managers agreed in only two as caused by multinational companies: greater foreign currency outflow and profit repatriation. On the other hand, the customer respondents agreed in all the specified variables (mean score of 5 on 7-1 scale), except two (unfair access to local bank credit facilities and scarcity of needed labour supply). The 14 problems specified in the study are 1) ecological imbalance/environment pollution, 2) unwanted competition with local industries, 3) greater foreign exchange outflow, 4) exploitation of local resources, 5) profit repatriation, 6) discriminatory employment, 7) favouritism, 8) unfair access to local bank credit facilities, 9) scarcity of needed labour supply, 10) brain drain from local industries to MNCs, 11) materialism/secularism, 12) neo-colonialism, 13) perpetuation of colonial mentality, and 14) distortion of local culture.

7.1.3.2 Except on the "local subsidy to the local industries" and "expropriation of MNC assets", the MNC respondents agreed on all the specified constraints to MNCs operations in the area, namely: 1) competitive threats from other multinationals, 2) fast development of local industries, 3) Saudisation/nationalisation of work force, 4) scarcity of qualified local manpower, 5) local bureaucratic delays/red tape, 6) language barrier/communication problem, 7) local resistance to change, and 8) cultural barriers. The other group of respondents agreed in all the specified variables (mean score of 5 on 7-1 scale).

7.1.4 Success of Multinational Companies Doing Business in Saudi Arabia

7.1.4.1 A number of variables influence the success of multinational companies doing business in Saudi Arabia. These include: Clarity of corporate mission and objectives, effective strategic analysis, effective marketing planning, adoption of total quality management (TQM), effective financial planning and budgeting, high degree of product diversification, effective price-setting, emphasis on product quality, focus on supply reliability, availability of responsive customer services, customer satisfaction, good public relations, good knowledge of local culture and responsiveness to local cultural needs.

7.1.4.2 The study found that the success of multinational companies operating in Saudi Arabia is positively related to their local cultural awareness and responsiveness.

7.1.5 Contributions of Multinational Companies to the Host Country

7.1.5.1 Multinational enterprises, as perceived by the multinational respondents, have contributed positively to Saudi Arabia the following factors: 1) foreign exchange flow, 2) technology transfer, 3) management skills, 4) marketing skills, 5) human resource development, 6) consumer welfare arising from more competition, 7) country's industrialisation thrusts, 8) supply of technologies, 9) employment of local nationals, 10) country's economic growth, 11) investment/capital accumulation, 12) contribution to national infrastructure, and 13) internationalisation of country's image and name. Of the specified variables, the only one that the MNC respondents neither agreed nor disagreed is the development of natural resources. The customers agreed in all the specified variables (mean score of 6 on the given 7-1 scale).

7.1.5.2 The MNC managers agreed that all the specified variables have jointly contributed to or resulted in the success of multinationals doing business in Saudi Arabia. The variable "customer satisfaction" has got the highest score of around 7 on the given 7-1 scale. The other variables (with mean score of 6) are 1) clarity of corporate mission and objectives, 2) effective strategic analysis, 3) effective marketing planning, 4) availability of quality assurance system, 5) adoption of total quality management (TQM), 6) effective financial planning and budgeting, 7) high degree of product diversification, 8) effective price-setting, 9) emphasis on product quality, 10) focus on supply reliability, 11) availability of responsive customer services, 12) presence of good research and development facilities, 13) stability of raw material supplies, 14) effective recruitment policy, 15) training and manpower development, 16) employee professional and academic development, 17) employee recognition and incentive schemes, 18) some degree of control over markets, 19) effective use of local traders or agents, 20) high degree of autonomy from the parent company, 21) high degree of multinationality of manpower, 22) availability of adequate funds and capital, 23) co-operation with local industries, 24) good co-ordination and linking of activities, 25) good public relations, 26) service to the country/community, 27) good knowledge of local culture, 28) high respect given to local culture and 29) responsiveness to local cultural needs. The other group of respondents agreed in all the specified variables.

7.1.5.3 The MNC managers generally agreed in the specified variables believed to have jointly contributed to the prosperity being enjoyed by Saudi Arabia and its people. The two variables that got the highest scores (around 7 on the given 7-1 scale) are "Import of technology" and "God-given natural resources". The other variables they agreed to (averages score of 6) are 1) presence of multinational corporations, 2) joint efforts of local industrialists, 3) dynamic trade relations with other countries, 4) presence of expatriates, 5) government's sound policies and supports, and 6) peaceful and conducive business environment. The variable "nation's adherence to Islam" scored around 5 (slightly agreed); while both "availability of trained local manpower" and "patriotic endeavour of local citizens" scored 4 (undecided). As for the MNC customers, they scored highest (around 7) on the variable "God-given natural resources". They also agreed with a mean score of around 6 to the other specified variables.

7.2 Conclusions

This study has unravelled the fact that multinational theories and paradigms, which have emerged from extensive individual and group researches for more than three decades now, are at best still in the growing stage. No single theory yet, including the so-called eclectic paradigm of international production, has truly captured the nature, existence, growth and intricacies of actual multinational business operations around the world. Contemporary multinational theories, as argued by many scholars, are generally meaningful in explaining the cross-border production activity of international firms operating in Western Europe, North America and in some other parts of the world.

Other cross-border business modalities, like joint ventures, are taken for granted as alternatives to multinational enterprise per se.

As discussed in Chapter 3, the advent of cross-border joint venture or, in general, strategic alliance capitalism has been recognised recently in the literature on international business. However, there is a tendency for some scholars to take it for granted, and claim that it does not require the development of a new multinational theory. So, Dunning (1993, 1995a) has, instead, attempted to incorporate alliance capitalism in his so-called eclectic paradigm of international production. In his relentless attempt to integrate all major multinational theories, he has been firm on making foreign production as the dependent variable. Indeed, he has realised that this new phenomenon of alliance capitalism is now overtaking the global influence of hierarchical capitalism. However, he has narrowed down the scope of alliance capitalism to American-sponsored inter-firm strategic alliances in innovation-led production systems. His attempt to view other forms of joint ventures as insignificant contradicts the nature and scope of international business in the developing world. How does one explain the growing trend and dominance of multinational joint ventures in developing countries, including Saudi Arabia, largely in areas outside the scope of innovation-led production systems? How does one also explain the fact that neither wholly owned subsidiaries nor innovation-led production alliances dominate the multinational enterprise involvement in the Middle East, particularly Saudi Arabia?

It is worth noting that none of the major international firms has any wholly owned or autonomous international production branch in Saudi Arabia. Mobil, Exxon, Chevron, Mitsubishi and other multinational giants have their own joint venture partners or local agents in Saudi Arabia. On a global level, it is also strange to find a multinational enterprise that has no joint ventures across national boundaries.

Based on facts presented in this study, the dominant form of international business in Saudi Arabia is joint venture, which the theory of international production or direct foreign investment does not attempt to explain. The popularity of multinational joint ventures in Saudi Arabia is not surprising, as this business mode has already begun to overtake the influence of wholly owned international production or hierarchical capitalism, particularly in the developing world.

Aside from joint venture or strategic alliance, international trade is another area that is not clearly captured by the contemporary theories of international production. In theory, firms resort to international production by virtue of their ownership-specific advantages, location-specific advantages, as well as internalisation incentives, and in response to imperfections or externalities in the goods or factor markets. There is common view among international business scholars that market imperfections (such as tariff and other import barriers) prevent the efficient operation of international trade, hence the emergence of multinational companies. More specifically, the internalisation theory supposes that multinational firms emerge because market failures or imperfections prevent the efficient operation of international trade. However, when a firm goes multinational by, say, having two or more stages of production processes located in two or more countries, it will not mean the disappearance of international trade and other business modalities. Also, when a firm internalises a market by creating, for example, a wholly owned subsidiary outside its national boundary, transactional imperfections remain albeit to a lower degree than before internalisation. No doubt, external transactional imperfections particularly due to opportunism, information asymmetry and uncertainty remain as long as the internal market has to deal with the external open market system, considering the bounds of its supply chain to the customer ends. Thus, as long as the multinational enterprise has to deal with the external markets, by virtue of the need to market its finished products or services, international trade will continue to exist and grow. Therefore, it is not surprising why, as reported by the United Nations, multinational firms account for the great bulk of international trade volume and growth. Even in the extreme case of fully integrated vertical firms, they must deal with the regular, external markets not only for marketing their finished products, but also for marketing their excess production of raw materials and intermediates.

In practice, however, a firm with intent to expand business operation across national boundaries will have to include in its plans and decisions a number of considerations, in addition to ownership and location-specific advantages, as well as internalisation incentives. For instance, does the government in the host-country target encourage or allow a foreign firm to set up a manufacturing branch without any national equity? In Saudi Arabia, foreign investment is encouraged especially if there is an active local participation.

A multinational firm may not be in a position to establish a wholly owned manufacturing subsidiary in a foreign country, not necessarily because it is prohibited to do so. The foreign government may allow it, but the underlying investment terms, conditions and regulations may be discouraging to multinationals. In the case of Saudi Arabia, the presence of very low import tariff makes it difficult for any firm to contemplate on putting up a wholly owned manufacturing branch locally. So, many multinational companies have settled for joint ventures with Saudi partners. Like a wholly owned subsidiary, a joint venture is subject to transactional imperfections internally and externally. In fact, all supposed alternatives to multinational enterprise are likewise subject to imperfect or conflicting conditions. Joint venturing, international trading, licensing, consulting and other modalities are, in real business life, alternatives to international production — not alternatives to multinational enterprise. This is why multinational companies account for most international forms of business operations.

If imperfect conditions prevent the efficient mode of exporting to a certain country, because of prohibitive tariff and other trade barriers, a multinational company may opt for any of available alternative modalities, and decide to choose the one that best serves its strategic considerations and interests. It may establish a wholly owned subsidiary in a foreign country, in line with its strategic choice for 100 percent ownership as a means of obtaining full control, independence and decision-making. If not allowed by the host country, the same multinational company may resort to a joint venture with a local firm. In this joint venture option, ownership and control are obviously shared with the local counterpart in the host country. However, both wholly owned subsidiary and joint venture are part of the cross-border units that form and add value to a multinational conglomerate.

In general, all other available options (licensing, franchising, consulting, contracting, project management, trading, etc.) will be normally explored before foreign investment decision is taken. The investment option that is chosen (joint venture, wholly owned subsidiary, etc.) is supposed to add value to the multinational value chain. With reference to wholly owned subsidiary and joint venture options, they differ primarily in terms of ownership control and, hence, the degree of authority and decision-making.

This study, as part of its contribution to knowledge, identifies the core roles of multinational companies in Saudi Arabia, including international trade, collaborative production (joint venture) between multinational and national firms, project management, consulting, marketing, agency representation, franchising and supplying of technology via licensing. Aside from these core roles, multinationals play the auxiliary roles of managerial, marketing and technical skills, research and development activities (for the host-country's technological advancement), contribution to the industrial and economic growth of the host country (including infrastructure development), foreign exchange flows, consumer welfare, employment, human resource development, environment protection, as well as cultural understanding and preservation. In particular, multinational firms with better understanding of Islam are expected to acquire a noticeable competitive advantage in the Saudi marketplace.

One major conclusion of the study is that a multinational firm's cross-border business embraces various modes other than international production. In other words, equating multinational enterprise to international production, as seen in the literature, is not at all meaningful to the Middle East setting. In practice, various multinational business activities particularly in the Saudi Arabian setting can be seen in the areas of international trade, strategic alliances, consulting, licensing and many more.

Another very pertinent conclusion of the study is that there are, indeed, practical problems that need to be addressed by both the multinationals and the host country's concerned businessmen and decision-makers. Mutual trust and understanding each other's problems and interests would be crucial to achieving a peaceful and stable business environment for multinationals. One thing is certain — it is for the long-term interest of multinationals to have a peaceful business environment, so they will be able to achieve and sustain their business goals.

The findings of this study significantly show that the respondents, both MNC managers and MNC customers, regardless of their educational and religious backgrounds, as well as periods of residence in Saudi Arabia, consider the importance of Islamic cultural and ethical values to be understood by Multinational corporations. This perception is very much in line with the need of MNCs to understand foreign culture, which should help them acquire a noticeable cultural competitive advantage in the global marketplace. Thus, those multinational companies that have better understanding of Islamic culture are expected to gain greater competitive advantages in the Saudi marketplace.

One very encouraging result of this study is that both the MNC managers and the customers perceived that MNCs are responsive to the cultural needs, values and sensitivities of the Saudi people. It shows that on the whole, multinationals operating in Saudi Arabia understand the needs, values and nature of the local people. It also indicates that Muslims in general are contented with the goods and services or businesses of the multinationals based in the Kingdom. This further indicates that, in Saudi Arabia, non-Muslims work and live peacefully with the Muslims. This is so because the Kingdom implements the *Shari'ah* or Islamic law, which gives due justice to all residents, including expatriates.

All respondents, Muslims and non-Muslims, perceived it risky for the MNCs if local culture is replaced by Western cultural values, arising from the influence of those companies and their activities. Muslims, notably the devout ones, are expected to resist any adulteration of their culture, as they believe that Islam is perfect (Qur'an 5:3; 3:85). Moreover, the respondents generally viewed Arabic language as important to the operations and activities of the multinationals doing business in Saudi Arabia. As such, multinational companies are expected to employ enough number of Arab personnel or Arabic speaking staff to do required Arabic related and other company works.

In this research work, Muslims and non-Muslims in both respondent-groups see the importance of not only understanding the local culture but also the need for MNCs to consider them in their planning and decision-making. MNCs who want to operate successfully and avoid any possible conflict/problem with the government and people of the host country have to abide by the local commercial regulations, along with cultural and ethical considerations. In fact, this research work found that the success of multinational companies operating in Saudi Arabia is positively related to their local cultural awareness and responsiveness. For the long-term success of multinational business in Saudi Arabia and other Muslim countries, MNCs need to understand Islamic culture on the basis of the Qur'an and the Sunnah. See Appendix 8 for the respondents' views and recommendations and Appendix 9 for the author's recommendations related to the role of multinational companies and foreign investment in Saudi Arabia.

7.3 Areas of Future Research

A number of areas of concern relating to research and sampling methods need to be properly addressed in future work. These include the problem of obtaining the required data or information. As noted in Chapter 1 (Note 6), this issue is not new and not confined to multinationals operating in Saudi Arabia. There is, however, a growing keenness by the Saudi Arabian government to create an attractive environment for foreign investment. This is evident in the recent creation of the Supreme Economic Council (SEC), the new Foreign Investment Act and the Saudi Arabian General Investment Authority (SAGIA). One important function of SAGIA is to provide to all would-be investors, and to interested researchers, available information and statistics. The possibility of obtaining a supporting cover letter (an integral part of the mail survey) from SAGIA or any other appropriate Saudi government institution will be an added advantage to encourage would-be respondents to cooperate.

Another area of concern is the possibility of bias due to the fact that some required data or information might not be obtained for some units of a sample, totally or partially. Unit non-response refers to the complete loss of a sample unit, while item non-response refers to missing answers to individual questions in the questionnaire. Non-response is an especially crucial issue when unknown characteristics or attributes of non-respondents could bring about bias in the survey results. Thus, one may attempt to minimise non-response bias by increasing the number of cases surveyed, hoping that the response rate will be good enough. In order to maximise questionnaire return, one may require the assistance of skilled data gatherers. Any future work to replicate the study, therefore, needs to be well funded — if possible, with financial grant, research fellowship or some other support from prominent institutions like the United Nations Centre on Transnational Corporations.

As any individually initiated research in this subject will be too costly, based on the researcher's experience, some kind of group research will be encouraged with possible funding or grants from multinational companies, international institutions or government agencies. This is important to overcome the issues of sampling, survey design and getting maximum questionnaire return, which in the case of Saudi Arabia as emphasised by Viola (1982) proved to be a difficult task.

One area of future research is to replicate the cultural aspect of this study, on a comparative basis, using other Middle East countries (like Oman, Kuwait, Libya) or other Muslim developing countries elsewhere (like Indonesia). These countries have both oil resource and Islamic culture — the two common factors that make them similar to the case of Saudi Arabia. This will help generalise the conclusion that multinational firms with better understanding of Islam are expected to acquire a noticeable competitive advantage in the Muslim-dominated markets. The study can also be replicated using the case of an oil-rich country like Venezuela with a different (non-Islamic) culture.

Another interesting research area is to conduct an in-depth empirical work on the success indicators of multinational enterprises operating in the Middle East or elsewhere. One relevant objective in this regard is to investigate deeply the correlation between the various positive aspects of cultural responsiveness and the indices of multinational business success.

Finally, future researches will be more meaningful if they cover the broad and diverse value chain of multinational business, the phenomenal growth of inter-firm mergers, acquisitions and cross-border alliances. For instance, empirical work on the advent of alliance capitalism (notably with reference to mergers and joint ventures) vis-à-vis hierarchical capitalism (international production) would be interesting and worth pursuing. Indeed, the study of international business will become even more challenging and rewarding, as newer cross-border modes of operations emerge in the years to come.

Appendices

Appendix 1

UNIVERSITY OF WESTMINSTER

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24 June 1996

Multinational Companies in the Middle East

Research by Mr Mamarinta Mababaya

Mr Mababaya is enrolled as a Research Student in the Faculty of Business, Management and Social Studies at the University of Westminster, on a programme leading to a PhD.

The University will greatly appreciate any help and cooperation you are able to extend Mr Mababaya. I can assure you that all the information you provide will be strictly confidential.

Thank you for your help.

Michael Hodd

Michael Hodd
Senior Lecturer in Economics

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THE ROLE OF MULTINATIONAL COMPANIES IN THE MIDDLE EAST
As Perceived by Key Multinational Managers

This survey is part of an academic research project leading to a Ph.D. degree in Economics at the University of Westminster, London. The underlying objective is to determine the role and prospects of multinational companies in the Middle East.

The study covers, among others, the cultural and social values prevailing in the Middle East, hoping that it will contribute new knowledge to the economics and management of multinational companies in the region. The findings of the study shall give invaluable guide to multinational managers and decision makers in managing the culture related aspects of their operations and activities. This, in turn, may help them overcome their problems and tap further economic opportunities in the region, which otherwise would be out of their reach without deep research and empirical investigation.

The success of the study depends very much on your cooperation to provide your honest-to-goodness answers to the given questions. Rest assured that your answers will be kept confidential and will not have any negative effect on you or your company.

Thank you very much for your kind cooperation, and I look forward to getting back the questionnaire duly filled in at the earliest possible time.

The Researcher

Directions:
A. Please provide appropriate answers to the required personal information by filling up the spaces provided. Where options are given, kindly check the appropriate boxes that correspond to your answers. Rest assured that the personal data will be used for classification and statistical analysis only.
B. Other than the classification data, all other items require only checking the appropriate boxes that accurately reflect your best perceptions or beliefs concerning the given issues in question. For instance, the 7-point interval scale for the agree-disagree bipolar adjective means: 7- strongly agree, 6- agree, 5- slightly agree, 4- neither agree nor disagree (undecided), 3- slightly disagree, 2- disagree, 1- strongly disagree.
C. To successfully analyze the results of this study, please do not leave any question unanswered. Please feel free to use the space provided at the last page of the questionnaire if you have any suggestions on improving the role of multinational companies in Saudi Arabia with respect to their activities, products, services and socio-cultural responsibilities.

Company: ____________________

Company's home country: ____________________

Location in S. Arabia ____________________

Job title: ____________________

Nationality: ____________________

Religion: ____________________

Number of years in Saudi Arabia ____________________

Education:		**Age:**	
High school & below	☐	Under 30	☐
Undergraduate	☐	30-39	☐
College graduate	☐	40-49	☐
Master's degree	☐	50-59	☐
Doctorate	☐	60 & over	☐

Total monthly salary/income: (In Saudi Riyals)

SR. 4,999 & below	☐	15,000-19,999	☐
5,000-9,999	☐	20,000-24,999	☐
10,000-14,999	☐	25,000-29,999	☐
		30,000 & over	☐

Code ***A1. What type of business arrangement does your company have in Saudi Arabia?***

Code		
AA01	Joint venture with a local partner/national company	☐
AA02	Fully-owned production branch in the Kingdom	☐
AA03	Marketing/sales distribution branch only	☐
AA04	Consultancy/professional services office	☐
AA05	Project under the Saudi Arabian Economic Offset Program	☐
AA06	Technology/product franchising only	☐
	Other(s), please specify: ____________________	☐
	____________________	☐

A2. Why do you think your company chose the kind of business arrangement it has in Saudi Arabia?

Code		Agree 7	6	5	4	3	2	1 Disagree
AB01	To maintain, gain or improve local market share							
AB02	To enjoy location-specific advantages, such as abundant raw material and others							
AB03	To enjoy other investment related opportunities prevailing in Saudi Arabia							
AB04	To make the host country import-dependent							
AB05	To protect technology & other MNC secrets							
	Other(s), please specify and rate:							

A3. Which of the following best describe(s) your company's global production/operation network?

Code		Yes	No
AC01	Product components or parts marketed locally are produced in Saudi Arabia		
AC02	Product components or parts marketed locally are produced in the home country		
AC03	Product components or parts marketed locally are produced in our affiliates elsewhere		
AC04	Product components or parts marketed locally are imported by us from other countries		
	Other(s), please specify:		

B1. What influence your company to invest in Saudi Arabia?

Rating Scale

Code		Agree 7	6	5	4	3	2	1 Disagree
BA01	Tax incentive (attractive tax holiday)							
BA02	Availability of abundant & low-cost raw materials							
BA03	Presence of world-class basic industries							
BA04	Availability of improved communication services							
BA05	Presence of modern seaport and logistic facilities							
BA06	Presence of modern airports and aviation facilities							
BA07	Presence of all other basic infrastructure facilities							
BA08	Stable & fully convertible local currency							
BA09	Free inflow & outflow of foreign currencies							
BA10	No rigid government regulation on transfer pricing							
BA11	Low-cost loans & good banking services							
BA12	Growing local market for various goods/services							
BA13	Poor/declining demand in the home country							
BA14	Kingdom's strategic location, providing good access to major markets in the East and West							
BA15	Available cheap labour from Asia/Africa & M. East							
BA16	Peaceful business environment							
BA17	Government's promotional role in supporting new ventures, including joint ventures with MNCs							
BA18	Increasing role of the domestic private sector							
BA19	Need for overcoming/minimizing uncertainties in the stability of required raw material supply							
BA20	Need for minimizing transaction costs involved in searching for & procurement of raw materials							
BA21	Need for minimizing uncertainties pertaining to post-procurement servicing & maintenance							

Code	Item		7	6	5	4	3	2	1	
BA22	Need for minimizing costs of coordinating inputs	Agree								Disagree
BA23	Need for gaining or improving market share	Agree								Disagree
BA24	Avoid cost of broken contract & ensuing litigation	Agree								Disagree
BA25	Need for controlling supplies & conditions of sale of inputs (including technology)	Agree								Disagree
BA26	Kingdom's free market economy/conditions	Agree								Disagree
	Other(s), please specify and rate:									
		Agree								Disagree
		Agree								Disagree

BB01 ***B2. Do you agree that your company's decision to invest in any venture whether in Saudi Arabia or elsewhere is dictated by the corresponding profitability or return on investment?***

	7	6	5	4	3	2	1	
Agree								Disagree

B3. How do you perceive and rate the following transaction cost considerations that influence your company to undertake direct investment in Saudi Arabia?

Rating Scale

Code		Favourable	7	6	5	4	3	2	1	Unfavourable
BC01	The costs of coordinating the procurement and disposition of inputs	Favourable								Unfavourable
BC02	Costs pertaining to production scheduling	Favourable								Unfavourable
BC03	Costs pertaining to inventory control	Favourable								Unfavourable
BC04	Costs of monitoring, controlling and inspecting performance and product quality	Favourable								Unfavourable
BC05	Cost of establishing networks of suppliers	Favourable								Unfavourable
BC06	Cost of managing industrial relations	Favourable								Unfavourable
BC07	Cost of establishing networks of customers	Favourable								Unfavourable
BC08	Logistic costs of moving people/assets/materials	Favourable								Unfavourable
BC09	Costs of final product marketing activities	Favourable								Unfavourable
BC10	Costs of post-sales activities and services	Favourable								Unfavourable
BC11	Costs of acquiring/using/maintaining information	Favourable								Unfavourable
BC12	Costs of managing & minimizing risks	Favourable								Unfavourable
BC13	Search costs for the appropriate production inputs	Favourable								Unfavourable
BC14	Monitoring costs for the quality of raw materials and intermediate products	Favourable								Unfavourable
BC15	Costs of minimizing disturbances to the flow of output and managing market uncertainties	Favourable								Unfavourable
BC16	Costs of labour disputes & legal litigations	Favourable								Unfavourable
	Other(s), please specify and rate:									
		Favourable								Unfavourable
		Favourable								Unfavourable

B4. How do you assess your company's competitive advantages in the area using the following criteria?

Rating Scale

Code			7	6	5	4	3	2	1	
BD01	Company image	Good								Poor
BD02	Product quality	Good								Poor
BD03	Technological efficiency	Good								Poor
BD04	Quality of customer services	Good								Poor
BD05	Production system	Good								Poor
BD06	Management system	Good								Poor
BD07	Financial system	Good								Poor
BD08	Marketing system	Good								Poor

Code	Item		7	6	5	4	3	2	1	
BD09	Manpower training and development	Good								Poor
BD10	Employee discipline	Good								Poor
BD11	Management commitment	Good								Poor
BD12	Financial resources and capital assets	Good								Poor
BD13	Bank credibility	Good								Poor
BD14	Marketing research & customer intelligence	Good								Poor
BD15	Global information scanning capability	Good								Poor
BD16	Product development, research & innovation	Good								Poor
BD17	Communication system/facility	Good								Poor
BD18	Production cost management	Good								Poor
BD19	Coordination of production & marketing	Good								Poor
BD20	Global marketing management	Good								Poor
BD21	Access to resources of the parent company	Good								Poor
BD22	Availability of abundant & cheap feedstock	Good								Poor
BD23	Customer relations	Good								Poor
BD24	Public relations	Good								Poor
BD25	Knowledge of local cultural values	Good								Poor
BD26	Responsiveness to local cultural needs	Good								Poor

Other(s), please specify and rate:

		7	6	5	4	3	2	1	
	Good								Poor
	Good								Poor

CC01 ***C1. Do you agree that local industrialists prefer to do business on their own if they can viably secure the required foreign technology?***

	7	6	5	4	3	2	1	
Agree								Disagree

CC02 ***C2. How do you perceive the terms & conditions your company requires from local parties concerning technology transfer or other related issues?***

	7	6	5	4	3	2	1	
Fair								Unfair

CC03 ***C3. Do you agree that local businessmen succumb to MNC pressures, unfair terms and conditions because of their need for foreign technology?***

	7	6	5	4	3	2	1	
Agree								Disagree

CC04 ***C4. Do you agree that local industrialists will opt for some collusion or joint venture with multinationals only as an alternative option because of the difficulty of obtaining foreign technology?***

	7	6	5	4	3	2	1	
Agree								Disagree

D1. Please rate the features of your company operations, product(s) and services in terms of the following:

Code	Item		7	6	5	4	3	2	1	
DP01	Product & quality specifications	Standardized for all markets								Market-specific
DP02	Product differentiation	Differentiated								Undifferentiated
DP03	Scope of product range	Diversified products								Single product
DP04	Quality specifications	Globalized								Localized
DP05	Customer Services	Globalized								Localized
DP06	Technology standard/design	Globalized								Localized
DP07	Technology position/ranking	Leading								Lagging
DP08	Product coordination	Globalized								Market specific
DP09	Product strategy	Globalized								Market specific
DP10	Pricing strategy	Globalized								Market specific
DP11	Channels of distribution strategy	Globalized								Market specific
DP12	Promotion strategy	Globalized								Market specific
DP13	Information strategy	Centralized								Decentralized
DP14	Production planning	Centralized								Decentralized

Code	Item		7	6	5	4	3	2	1	
DP15	Cost control	Centralized								Decentralized
DP16	Inventory control	Centralized								Decentralized
DP17	Logistics	Centralized								Decentralized
DP18	Treatment of customers worldwide	Similar								Different
DP19	Raw material movement/flow	Inter-branch								Branch specific
DP20	Semifinished product movement/flow	Inter-branch								Branch specific
DP21	Finished product movement/flow	Inter-branch								Branch specific
DP22	Manufacturing scale/plant size	Large scale								small scale
DP23	Market structure	Competitive								Monopolistic
DP24	Product & process development	Many locations								Single location
DP25	Dependence of your company's operations on the parent company	Dependent								Independent
	Other(s), please specify and rate:									

D2. How is the impact of the following variables on your company's global information scanning capability?

Code	Item		7	6	5	4	3	2	1	
DS01	Improved global communication services	Positive								Negative
DS02	Improved global transportation services	Positive								Negative
DS03	Improved global computer and network services	Positive								Negative
DS04	Company's own information technology	Positive								Negative
	Other(s), please specify and rate:									
		Positive								Negative
		Positive								Negative

Code	Question									
DS05	***D3. How important are local cultural and ethical values to your company's global information scanning capability in Saudi Arabia?***	Important								Not important
DS06	***D4. How do you perceive the impact of your company's global information scanning capability on its direct foreign investment in Saudi Arabia or elsewhere?***	Positive								Negative

E. Which of the following given problems do you perceive as caused by multinational companies?

Rating Scale

Code	Item	Agree	7	6	5	4	3	2	1	Disagree
EP01	Ecological imbalance/environmental pollution	Agree								Disagree
EP02	Unwanted competition with local industries	Agree								Disagree
EP03	Greater foreign exchange outflow	Agree								Disagree
EP04	Exploitation of local resources	Agree								Disagree
EP05	Profit repatriation	Agree								Disagree
EP06	Discriminatory employment	Agree								Disagree
EP07	Favouritism	Agree								Disagree
EP08	Unfair access to local bank credit facilities	Agree								Disagree
EP09	Scarcity of needed labour supply	Agree								Disagree
EP10	Brain drain from local industries to MNCs	Agree								Disagree
EP11	Materialism/secularism	Agree								Disagree
EP12	Neocolonialism	Agree								Disagree
EP13	Perpetuation of colonial mentality	Agree								Disagree
EP14	Distortion of local culture	Agree								Disagree
	Other(s), please specify:									
		Agree								Disagree
		Agree								Disagree

F. Which of the following do you perceive as constraints to your company's operations in the area?

Rating Scale

Code			7	6	5	4	3	2	1	
		Agree	7	6	5	4	3	2	1	Disagree
FC01	Competitive threats from other multinationals	Agree								Disagree
FC02	Fast development of local industries	Agree								Disagree
FC03	Local subsidy/support to the local industries	Agree								Disagree
FC04	Expropriation/nationalization of MNC assets	Agree								Disagree
FC05	Saudization/nationalization of work force	Agree								Disagree
FC06	Scarcity of qualified local manpower	Agree								Disagree
FC07	Local bureaucratic delays/red tape	Agree								Disagree
FC08	Language barrier/communication problem	Agree								Disagree
FC09	Local resistance to change	Agree								Disagree
FC10	Cultural barriers	Agree								Disagree
	Other(s), please specify and rate:									
		Agree								Disagree
		Agree								Disagree

G1. How important are the following cultural and ethical values to be understood by you and your company while doing business in Saudi Arabia?

Rating Scale

Code		Important	7	6	5	4	3	2	1	Not important
G01	Fair/honest dealing in trading, buying and selling	Important								Not important
G02	Documentation & fulfillment of contract	Important								Not important
G03	Paying workers on time	Important								Not important
G04	Obligatory payment of debts	Important								Not important
G05	Moderation/wise spending	Important								Not important
G06	Discouragement of miserliness	Important								Not important
G07	Discouragement of conspicuous consumption	Important								Not important
G08	Emphasis on hard work	Important								Not important
G09	Patience/perseverance	Important								Not important
G10	Value of time	Important								Not important
G11	Deliberation/consultation instead of haste	Important								Not important
G12	Protection of the environment	Important								Not important
G13	Balance between material & spiritual life	Important								Not important
G14	Truthfulness	Important								Not important
G15	Prohibition of usury (interest)	Important								Not important
G16	Encouragement of trading instead of usury	Important								Not important
G17	Encouragement of partnership	Important								Not important
G18	Prohibition of monopoly	Important								Not important
G19	Prohibition of hoarding	Important								Not important
G20	Prohibition of excessive profiteering	Important								Not important
G21	Prohibition of land grabbing	Important								Not important
G22	Prohibition of gambling	Important								Not important
G23	Avoidance of begging	Important								Not important
G24	Prohibition of cheating	Important								Not important
G25	Prohibition of bribery	Important								Not important
G26	Prohibitions of all intoxicants (e.g. liquors)	Important								Not important
G27	Avoidance of smoking	Important								Not important
G28	Prohibition of pork	Important								Not important
G29	Prohibition of adultery & prostitution	Important								Not important
G30	Prohibition of drug abuse and drug trafficking	Important								Not important
G31	Prohibition of murder & other crime	Important								Not important
G32	Prohibition of suicide	Important								Not important
G33	Prohibition of homosexuality	Important								Not important
G34	Protection given to the orphans & widows	Important								Not important

			7 6 5 4 3 2 1	
G35	Care for the elderly, the weak and the poor	Important		Not important
G36	Love & care for children	Important		Not important
G37	Respect to the eminent personalities	Important		Not important
G38	Respect and kindness to women	Important		Not important
G39	Respect to non-Muslims	Important		Not important
G40	Enjoining the right and forbidding the wrong	Important		Not important
G41	Kindness to people and animals	Important		Not important
G42	Obedience to the authorities	Important		Not important
G43	Obligation to family, parents and relatives	Important		Not important
G44	Close family ties	Important		Not important
G45	Social responsibility to the community	Important		Not important
G46	Obligation to acquire right education	Important		Not important
G47	Supremacy of human life	Important		Not important
G48	Law of equality and justice	Important		Not important
G49	Proper slaughtering of animal for food	Important		Not important
G50	Modest dress & veil for women in public	Important		Not important
G51	Male-female segregation in some occasions	Important		Not important
G52	Belief in the Oneness of God (Allah)	Important		Not important
G53	Belief that Allah alone deserves to be worshipped	Important		Not important
G54	Belief in the Names/Attributes of Allah	Important		Not important
G55	Prayer/Salah on time	Important		Not important
G56	Charity/Zakat	Important		Not important
G57	Fasting/Sawm	Important		Not important
G58	Pilgrimage/Hajj	Important		Not important
G59	Eid holidays (Ramadan & Hajj)	Important		Not important
G60	Universal Islamic greeting (Assalamo Alaikum)	Important		Not important
G61	Avoidance of clothing & house decorations with human & animal figures	Important		Not important
	Other(s), please specify and rate the importance:			
		Important		Not important
		Important		Not important

			7 6 5 4 3 2 1	
G62	How responsive is your company to the local culture related needs and values?	Responsive		Not responsive
G63	How sensitive is your company to the local culture related prohibitions as mentioned above?	Sensitive		Not sensitive
G64	Importance of the Arabic language to your company's operations and activities	Important		Not important
G65	Presence of Arab personnel or Arabic speaking staff in your company to do Arabic related company works	Many		None
G66	Usefulness to the company of Arab personnel or Arabic speaking staff in doing Arabic related and other company works	Useful		Not useful
G67	What do you think of the impact on the local society of the western values brought in as a result of the presence of multinational companies and their activities?	Positive		Negative
G68	Resistance by some local constituents or groups to changes in the local culture arising from the influence of multinational companies and their activities	Resistant		Not resistant
G69	Is it risky to have the local culture adulterated or replaced by western values arising from the influence of multinational companies and their activities?	Risky		Not risky

G2. Importance to your company's planning, strategy formulation and decision-making process of the following:

Code			7	6	5	4	3	2	1	
GM01	Local commercial regulations	Important								Not important
GM02	Dos and don'ts in Islam	Important								Not important
GM03	Local social values and customs	Important								Not important
GM04	Islamic religious doctrines & beliefs	Important								Not important

G3. How do you rate your knowledge of the following:

Code		Know well	7	6	5	4	3	2	1	Do not know
GN01	Kingdom's business regulations/procedure	Know well								Do not know
GN02	Islamic economic and financial systems	Know well								Do not know
GN03	Islamic legal system	Know well								Do not know
GN04	Prohibitions in Islam	Know well								Do not know
GN05	Local social values and customs	Know well								Do not know
GN06	Islamic religious doctrines & beliefs	Know well								Do not know

H. Please indicate your extent of agreement on the following variables perceived to influence the success of your company operations in the Kingdom.

Rating Scale

Code		Agree	7	6	5	4	3	2	1	Disagree
HS01	Clarity of corporate mission and objectives	Agree								Disagree
HS02	Effective strategic analysis	Agree								Disagree
HS03	Effective marketing planning	Agree								Disagree
HS04	Availability of quality assurance system	Agree								Disagree
HS05	Adoption of total quality management	Agree								Disagree
HS06	Effective financial planning & budgeting	Agree								Disagree
HS07	High degree of product diversification	Agree								Disagree
HS08	Effective price-setting	Agree								Disagree
HS09	Emphasis on product quality	Agree								Disagree
HS10	Focus on supply reliability	Agree								Disagree
HS11	Availability of responsive customer services	Agree								Disagree
HS12	Customer satisfaction	Agree								Disagree
HS13	Presence of good research & dev. facilities	Agree								Disagree
HS14	Stability of raw material supply	Agree								Disagree
HS15	Effective recruitment policy	Agree								Disagree
HS16	Training & manpower development	Agree								Disagree
HS17	Employee professional & academic dev.	Agree								Disagree
HS18	Employee recognition & incentive schemes	Agree								Disagree
HS19	Some degree of control over markets	Agree								Disagree
HS20	Effective use of local traders or agents	Agree								Disagree
HS21	High degree of autonomy from parent co.	Agree								Disagree
HS22	High degree of multinationality of manpower	Agree								Disagree
HS23	Availability of adequate funds and capital	Agree								Disagree
HS24	Cooperation with local industrialists	Agree								Disagree
HS25	Good coordination and linking of activities	Agree								Disagree
HS26	Good public relations	Agree								Disagree
HS27	Service to the country/community	Agree								Disagree
HS28	Good knowledge of local culture	Agree								Disagree
HS29	High respect given to local culture	Agree								Disagree
HS30	Responsiveness to local cultural needs	Agree								Disagree
	Other(s), please specify and rate your agreement:									
		Agree								Disagree
		Agree								Disagree

I. How do you rate your company's contributions to the socio-economic developments of the host country?

Code		Significant	7	6	5	4	3	2	1	Insignificant
R01	Foreign exchange inflow	Significant								Insignificant
R02	Technology transfer	Significant								Insignificant
R03	Managerial skills	Significant								Insignificant
R04	Marketing skills	Significant								Insignificant
R05	Human resource development	Significant								Insignificant
R06	Consumer welfare arising from more competition	Significant								Insignificant
R07	Country's industrialization thrust	Significant								Insignificant
R08	Supply of technologies	Significant								Insignificant
R09	Employment of local nationals	Significant								Insignificant
R10	Country's economic growth	Significant								Insignificant
R11	Investment/capital accumulation	Significant								Insignificant
R12	Development of natural resources	Significant								Insignificant
R13	Contribution to national infrastructure	Significant								Insignificant
R14	Internationalization of country's name & image	Significant								Insignificant
	Other(s), please specify and rate:									
		Significant								Insignificant
		Significant								Insignificant

Rating Scale

Code			7	6	5	4	3	2	1	
JE01	***J. Overall effect of MNCs' operations and activities on the Saudi economy***	Positive								Negative

K. Please rate your agreement on the following variables which are believed to have contributed to the prosperity of Saudi Arabia.

Code			7	6	5	4	3	2	1	
KP01	Presence of multinational corporations	Agree								Disagree
KP02	Import of foreign technology	Agree								Disagree
KP03	God-given natural resources (notably oil)	Agree								Disagree
KP04	Joint efforts of local industrialists	Agree								Disagree
KP05	Dynamic trade relations with other countries	Agree								Disagree
KP06	Presence of expatriates	Agree								Disagree
KP07	Availability of trained local manpower	Agree								Disagree
KP08	Patriotic endeavour of local citizens	Agree								Disagree
KP09	Government's sound policies and supports	Agree								Disagree
KP10	Peaceful & conducive business environment	Agree								Disagree
KP11	Nation's adherence to Islam	Agree								Disagree
	Other(s), please specify and rate:									
		Agree								Disagree
		Agree								Disagree

Please write below any suggestions you may have on improving the role of multinational companies in Saudi Arabia, in terms of the need for a mutual existence, cooperation and understanding between them and the local partners. Use a separate sheet if necessary.

Again, thank you very much for your cooperation.

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UNIVERSITY OF WESTMINSTER

Appendix 2

Michael Hodd
Economic & Business Studies

Email hoddm@westminster.ac.uk

24 June 1996

Multinational Companies in the Middle East

Research by Mr Mamarinta Mababaya

Mr Mababaya is enrolled as a Research Student in the Faculty of Business, Management and Social Studies at the University of Westminster, on a programme leading to a PhD.

The University will greatly appreciate any help and cooperation you are able to extend Mr Mababaya. I can assure you that all the information you provide will be strictly confidential.

Thank you for your help.

Michael Hodd

Michael Hodd
Senior Lecturer in Economics

School of Economic and Business Studies Head Nicos Zafiris BA MSc PhD
Faculty of Business, Management and Social Studies 309 Regent Street London W1R 8AL Telephone 0171 911 5000 Fax 0171 911 5832

THE ROLE OF MULTINATIONAL COMPANIES IN THE MIDDLE EAST

As Perceived by Customers

This survey is part of an academic research project leading to a Ph.D. degree in Economics at the University of Westminster, London. The underlying objective is to determine the role and prospects of multinational companies in the Middle East.

The study covers, among others, the cultural and social values prevailing in the Middle East, hoping that it will contribute new knowledge to the economics and management of multinational companies in the region. The findings of the study shall help determine the extent of responsiveness of multinational companies to the cultural sensitivities and needs of the local populace and the Muslims in general.

The success of the study depends very much on your cooperation to provide your honest-to-goodness answers to the given questions. Rest assured that your answers will be kept confidential and will not have any negative effect on you or your company.

Thank you very much for your kind cooperation, and I look forward to getting back the questionnaire duly filled in at the earliest possible time.

The Researcher

Directions:

A. Please provide appropriate answers to the required personal information by filling up the spaces provided. Where options are given, kindly check the appropriate boxes that correspond to your answers. Rest assured that the personal data will be used for classification and statistical analysis only.

B. Other than the classification data, all other items require only checking the appropriate boxes that accurately reflect your best perceptions or beliefs concerning the given issues in question. For instance, the 7-point interval scale for the agree-disagree bipolar adjective means: 7- strongly agree, 6- agree, 5- slightly agree, 4- neither agree nor disagree (undecided), 3- slightly disagree, 2- disagree, 1- strongly disagree.

C. To successfully analyze the results of this study, please do not leave any question unanswered. Please feel free to use the space provided at the last page of the questionnaire if you have any suggestions on improving the role of multinational companies in Saudi Arabia with respect to their activities, products, services and socio-cultural responsibilities.

Company/Institution: ______________________________

Location/City: ______________________

Job title: ________________

Nationality: ________________

Religion: ________________

Number of years in Saudi Arabia ________

Education:
- High school & below ☐
- Undergraduate ☐
- College graduate ☐
- Master's degree ☐
- Doctorate ☐

Age:
- Under 30 ☐
- 30-39 ☐
- 40-49 ☐
- 50-59 ☐
- 60 & over ☐

Total monthly salary/income: (In Saudi Riyals)
- SR. 4,999 & below ☐
- 5,000-9,999 ☐
- 10,000-14,999 ☐
- 15,000-19,999 ☐
- 20,000-24,999 ☐
- 25,000-29,999 ☐
- 30,000 & over ☐

A. When dealing with a multinational company (MNC) which type of business arrangement do you think is more favourable, considering host country's interests?

Rating Scale

Code			7	6	5	4	3	2	1	
		Favourable								**Unfavourable**
AA01	Joint venture with a multinational company	Favourable	☐	☐	☐	☐	☐	☐	☐	Unfavourable
AA02	Allow MNC's autonomous manufacturing branch to operate without local partner(s)	Favourable	☐	☐	☐	☐	☐	☐	☐	Unfavourable
AA03	Allow MNC's marketing/distribution branch only	Favourable	☐	☐	☐	☐	☐	☐	☐	Unfavourable

Code	Item		7	6	5	4	3	2	1	
AA04	Allow MNC's consultancy/professional services office to operate locally as per regulations	Favourable								Unfavourable
AA05	Invite MNCs to join the Saudi Offset Program	Favourable								Unfavourable
AA06	Obtain technology/product franchise only	Favourable								Unfavourable
	Other(s), please specify and rate:									
		Favourable								Unfavourable
		Favourable								Unfavourable

B1. Please rate your agreement on why multinational companies invest in Saudi Arabia, with reference to the following variables.

Rating Scale

Code		Agree	7	6	5	4	3	2	1	Disagree
BA01	Tax incentive (attractive tax holiday)	Agree								Disagree
BA02	Availability of abundant & low-cost raw materials	Agree								Disagree
BA03	Presence of world-class basic industries	Agree								Disagree
BA04	Availability of improved communication services	Agree								Disagree
BA05	Presence of modern seaport and logistic facilities	Agree								Disagree
BA06	Presence of modern airports and aviation facilities	Agree								Disagree
BA07	Presence of all other basic infrastructure facilities	Agree								Disagree
BA08	Stable & fully convertible local currency	Agree								Disagree
BA09	Free inflow & outflow of foreign currencies	Agree								Disagree
BA10	No rigid government regulation on transfer pricing	Agree								Disagree
BA11	Low-cost loans & good banking services	Agree								Disagree
BA12	Growing local market for various goods/services	Agree								Disagree
BA13	Poor/declining demand in MNCs' home countries	Agree								Disagree
BA14	Kingdom's strategic location, providing good access to major markets in the East and West	Agree								Disagree
BA15	Available cheap labour from Asia/Africa & M. East	Agree								Disagree
BA16	Peaceful business environment	Agree								Disagree
BA17	Government's promotional role in supporting new ventures, including joint ventures with MNCs	Agree								Disagree
BA18	Increasing role of the domestic private sector	Agree								Disagree
BA19	Need for overcoming/minimizing uncertainties in the stability of required raw material supply	Agree								Disagree
BA20	Need for minimizing transaction costs involved in searching for & procurement of raw materials	Agree								Disagree
BA21	Need for minimizing uncertainties pertaining to post-procurement servicing & maintenance	Agree								Disagree
BA22	Need for minimizing costs of coordinating inputs	Agree								Disagree
BA23	Need for gaining or improving market share	Agree								Disagree
BA24	Avoiding cost of broken contract/ensuing litigation	Agree								Disagree
BA25	Need for controlling supplies & conditions of sale of inputs (including technology)	Agree								Disagree
BA26	Kingdom's free market economy/conditions	Agree								Disagree
	Other(s), please specify and rate:									
		Agree								Disagree
		Agree								Disagree

BB01 ***B2. The decision of MNCs to invest in any venture whether in S. Arabia or elsewhere is dictated by the underlying profitability or return on investment.***

	7	6	5	4	3	2	1	
Agree								Disagree

CC01 ***C1. Do you agree that local industrialists prefer to do business on their own if they can viably secure the required foreign technology?***

	7	6	5	4	3	2	1	
Agree								Disagree

CC02 ***C2. How do you perceive the terms & conditions multinationals impose on local parties concerning import of foreign technology into Saudi Arabia?***

	7	6	5	4	3	2	1	
Fair								Unfair

CC03 ***C3. Do you agree that local businessmen succumb to MNC pressures, unfair terms and conditions because of their need for foreign technology?***

	7	6	5	4	3	2	1	
Agree								Disagree

CC04 ***C4. Do you agree that local industrialists will opt for some collusion or joint venture with multinationals only as an alternative option because of the difficulty of obtaining foreign technology?***

	7	6	5	4	3	2	1	
Agree								Disagree

D1. Please rate your agreement on why a national company enters into partnership with a multinational company instead of doing business alone.

Rating Scale

Code		**Agree**	**7**	**6**	**5**	**4**	**3**	**2**	**1**	**Disagree**
DF01	Need for foreign technology	Agree								Disagree
DF02	Need for technical skills	Agree								Disagree
DF03	Need for managerial skills	Agree								Disagree
DF04	Need for marketing skills	Agree								Disagree
DF05	Need for additional capital	Agree								Disagree
DF06	To minimize overall market uncertainties	Agree								Disagree
DF07	To tap market opportunities abroad	Agree								Disagree
	Other(s), please specify and rate:									
		Agree								Disagree
		Agree								Disagree

D2. Please rate the following variables that need to be considered or negotiated by local industrialists, businessmen or authorities in doing business with any multinational company.

Rating Scale

Code			7	6	5	4	3	2	1	
DN01	Technology offered by the foreign company	Agree								Disagree
DN02	National company's ownership share	Agree								Disagree
DN03	Sharing/exchange of market information	Agree								Disagree
DN04	Pricing of raw materials	Agree								Disagree
DN05	Pricing of finished products	Agree								Disagree
DN06	Scope of product range	Agree								Disagree
DN07	Plant size (economies of scale)	Agree								Disagree
DN08	Scope and duration of marketing agreement	Agree								Disagree
DN09	Management set-up and board membership	Agree								Disagree
DN10	Financial system and control	Agree								Disagree
DN11	Training for local personnel	Agree								Disagree
DN12	Location of the new venture	Agree								Disagree
DN13	Repatriation of profit	Agree								Disagree
DN14	Financial resources and capital assets	Agree								Disagree
DN15	Marketing research & customer intelligence	Agree								Disagree
DN16	Competitor intelligence & counterintelligence	Agree								Disagree
DN17	Product development, research & innovation	Agree								Disagree
DN18	Communication system and flow	Agree								Disagree
DN19	Production cost management	Agree								Disagree
DN20	Coordination of production & marketing	Agree								Disagree
DN21	Respect for local culture	Agree								Disagree
	Other(s), please specify and rate:									
		Agree								Disagree
		Agree								Disagree

DS05 ***D3. How important are local cultural and ethical values to multinationals' global information scanning capability in Saudi Arabia?***

	7	6	5	4	3	2	1	
Important								Not important

E. Which of the following given problems do you perceive as caused by multinational companies?

Rating Scale

Code		Agree	7	6	5	4	3	2	1	Disagree
EP01	Ecological imbalance/environmental pollution	Agree								Disagree
EP02	Unwanted competition with local industries	Agree								Disagree
EP03	Greater foreign exchange outflow	Agree								Disagree
EP04	Exploitation of local resources	Agree								Disagree
EP05	Profit repatriation	Agree								Disagree
EP06	Discriminatory employment	Agree								Disagree
EP07	Favouritism	Agree								Disagree
EP08	Unfair access to local bank credit facilities	Agree								Disagree
EP09	Scarcity of needed labour supply	Agree								Disagree
EP10	Brain drain from local industries to MNCs	Agree								Disagree
EP11	Materialism/secularism	Agree								Disagree
EP12	Neocolonialism	Agree								Disagree
EP13	Perpetuation of colonial mentality	Agree								Disagree
EP14	Distortion of local culture	Agree								Disagree
	Other(s), please specify and rate:									
		Agree								Disagree
		Agree								Disagree

F. Which of the following do you perceive as constraints to a multinational company's operations in the area?

Rating Scale

Code		Agree	7	6	5	4	3	2	1	Disagree
FC01	Competitive threats from other multinationals	Agree								Disagree
FC02	Fast development of local industries	Agree								Disagree
FC03	Local subsidy/support to the local industries	Agree								Disagree
FC04	Expropriation/nationalization of MNC assets	Agree								Disagree
FC05	Saudization/nationalization of work force	Agree								Disagree
FC06	Scarcity of qualified local manpower	Agree								Disagree
FC07	Local bureaucratic delays/red tape	Agree								Disagree
FC08	Language barrier/communication problem	Agree								Disagree
FC09	Local resistance to change	Agree								Disagree
FC10	Cultural barriers	Agree								Disagree
	Other(s), please specify and rate:									
		Agree								Disagree
		Agree								Disagree

G1. How important are the following cultural and ethical values to be understood by MNCs doing business or planning to invest in Saudi Arabia?

Rating Scale

Code		Important	7	6	5	4	3	2	1	Not important
GI01	Fair/honest dealing in trading, buying and selling	Important								Not important
GI02	Documentation & fulfillment of contract	Important								Not important
GI03	Paying workers on time	Important								Not important
GI04	Obligatory payment of debts	Important								Not important
GI05	Moderation/wise spending	Important								Not important
GI06	Discouragement of miserliness	Important								Not important
GI07	Discouragement of conspicuous consumption	Important								Not important
GI08	Emphasis on hard work	Important								Not important

			7	6	5	4	3	2	1	
GI09	Patience/perseverance	Important								Not important
GI10	Value of time	Important								Not important
GI11	Deliberation/consultation instead of haste	Important								Not important
GI12	Protection of the environment	Important								Not important
GI13	Balance between material & spiritual life	Important								Not important
GI14	Truthfulness	Important								Not important
GI15	Prohibition of usury (interest)	Important								Not important
GI16	Encouragement of trading instead of usury	Important								Not important
GI17	Encouragement of partnership	Important								Not important
GI18	Prohibition of monopoly	Important								Not important
GI19	Prohibition of hoarding	Important								Not important
GI20	Prohibition of excessive profiteering	Important								Not important
GI21	Prohibition of land grabbing	Important								Not important
GI22	Prohibition of gambling	Important								Not important
GI23	Avoidance of begging	Important								Not important
GI24	Prohibition of cheating	Important								Not important
GI25	Prohibition of bribery	Important								Not important
GI26	Prohibitions of all intoxicants (e.g. liquors)	Important								Not important
GI27	Avoidance of smoking	Important								Not important
GI28	Prohibition of pork	Important								Not important
GI29	Prohibition of adultery & prostitution	Important								Not important
GI30	Prohibition of drug abuse and drug trafficking	Important								Not important
GI31	Prohibition of murder & other crimes	Important								Not important
GI32	Prohibition of suicide	Important								Not important
GI33	Prohibition of homosexuality	Important								Not important
GI34	Protection given to the orphans & widows	Important								Not important
GI35	Care for the elderly, the weak and the poor	Important								Not important
GI36	Love & care for children	Important								Not important
GI37	Respect to the eminent personalities	Important								Not important
GI38	Respect and kindness to women	Important								Not important
GI39	Respect to non-Muslims	Important								Not important
GI40	Enjoining the right and forbidding the wrong	Important								Not important
GI41	Kindness to people and animals	Important								Not important
GI42	Obedience to the authorities	Important								Not important
GI43	Obligation to family, parents and relatives	Important								Not important
GI44	Close family ties	Important								Not important
GI45	Social responsibility to the community	Important								Not important
GI46	Obligation to acquire right education	Important								Not important
GI47	Supremacy of human life	Important								Not important
GI48	Law of equality and justice	Important								Not important
GI49	Proper slaughtering of animal for food	Important								Not important
GI50	Modest dress & veil for women in public	Important								Not important
GI51	Male-female segregation in some occasions	Important								Not important
GI52	Belief in the Oneness of God (Allah)	Important								Not important
GI53	Belief that Allah alone deserves to be worshipped	Important								Not important
GI54	Belief in the Names/Attributes of Allah	Important								Not important
GI55	Prayer/Salah on time	Important								Not important
GI56	Charity/Zakat	Important								Not important
GI57	Fasting/Sawm	Important								Not important
GI58	Pilgrimage/Hajj	Important								Not important
GI59	Eid holidays (Ramadan & Hajj)	Important								Not important
GI60	Universal Islamic greeting (Assalamo Alaikum)	Important								Not important

Code	Item		7	6	5	4	3	2	1	
GI61	Avoidance of clothing & house decorations with human & animal figures	Important								Not important
	Other(s), please specify and rate the importance:									
		Important								Not important
		Important								Not important
		Important								Not important
GI62	How responsive are MNCs to the local culture related needs and values?	Responsive								Not responsive
GI63	How sensitive are MNCs to the local culture related prohibitions as mentioned above?	Sensitive								Not sensitive
GI64	Importance of the Arabic language to MNCs operations and activities	Important								Not important
GI65	Presence of Arab personnel or Arabic speaking staff in MNCs to do Arabic related company works	Many								None
GI66	Usefulness to MNCs of Arab personnel or Arabic speaking staff in doing Arabic related and other company works	Useful								Not useful
GI67	What do you think of the impact on the local society of the western values brought in as a result of the presence of multinational companies and their activities?	Positive								Negative
GI68	Resistance by some local constituents or groups to changes in the local culture arising from the influence of multinational companies and their activities	Resistant								Not resistant
GI69	Is it risky to have the local culture adulterated or replaced by western values arising from the influence of multinational companies and their activities?	Risky								Not risky

G2. Importance to MNCs' planning, strategy formulation and decision-making process of the following:

Code			7	6	5	4	3	2	1	
GM01	Local commercial/business guides/regulations	Important								Not important
GM02	Dos and don'ts in Islam	Important								Not important
GM03	Local social values and customs	Important								Not important
GM04	Islamic religious doctrines & beliefs	Important								Not important

G3. How do you rate MNCs knowledge of the following?

Code			7	6	5	4	3	2	1	
		Know well								Do not know
GN01	Kingdom's business regulations and procedures	Know well								Do not know
GN02	Islamic economic and financial systems	Know well								Do not know
GN03	Islamic legal system	Know well								Do not know
GN04	Prohibitions in Islam	Know well								Do not know
GN05	Local social values and customs	Know well								Do not know
GN06	Islamic religious doctrines & beliefs	Know well								Do not know

H. Please indicate your extent of agreement on the following variables perceived to influence the success of multinational companies operating in the Kingdom.

Rating Scale

Code		Agree	7	6	5	4	3	2	1	Disagree
HS01	Clarity of corporate mission and objectives	Agree								Disagree
HS02	Effective strategic analysis	Agree								Disagree
HS03	Effective marketing planning	Agree								Disagree
HS04	Availability of quality assurance system	Agree								Disagree
HS05	Adoption of total quality management (TQM)	Agree								Disagree

Code	Item		7	6	5	4	3	2	1	
HS06	Effective financial planning & budgeting	Agree								Disagree
HS07	High degree of product diversification	Agree								Disagree
HS08	Effective price-setting	Agree								Disagree
HS09	Emphasis on product quality	Agree								Disagree
HS10	Focus on supply reliability	Agree								Disagree
HS11	Availability of responsive customer services	Agree								Disagree
HS12	Customer satisfaction	Agree								Disagree
HS13	Presence of good research & development facilities	Agree								Disagree
HS14	Stability of raw material supply	Agree								Disagree
HS15	Effective recruitment policy	Agree								Disagree
HS16	Training & manpower development	Agree								Disagree
HS17	Employee professional & academic development	Agree								Disagree
HS18	Employee recognition & incentive schemes	Agree								Disagree
HS19	Some degree of control over markets	Agree								Disagree
HS20	Effective use of local traders or agents	Agree								Disagree
HS21	High degree of autonomy from parent company	Agree								Disagree
HS22	High degree of multinationality of manpower	Agree								Disagree
HS23	Availability of adequate funds and capital	Agree								Disagree
HS24	Cooperation with local industrialists	Agree								Disagree
HS25	Good coordination and linking of activities	Agree								Disagree
HS26	Good public relations	Agree								Disagree
HS27	Service to the country/community	Agree								Disagree
HS28	Good knowledge of local culture	Agree								Disagree
HS29	High respect given to local culture	Agree								Disagree
HS30	Responsiveness to local cultural needs	Agree								Disagree
	Other(s), please specify and rate your agreement:									
		Agree								Disagree
		Agree								Disagree

I. How do you rate the contributions of multinational companies to the socio-economic developments of the host country?

Rating Scale

Code		Significant	7	6	5	4	3	2	1	Insignificant
IR01	Foreign exchange inflow	Significant								Insignificant
IR02	Technology transfer	Significant								Insignificant
IR03	Managerial skills	Significant								Insignificant
IR04	Marketing skills	Significant								Insignificant
IR05	Human resource development	Significant								Insignificant
IR06	Consumer welfare arising from more competition	Significant								Insignificant
IR07	Country's industrialization thrust	Significant								Insignificant
IR08	Supply of technologies	Significant								Insignificant
IR09	Employment of local nationals	Significant								Insignificant
IR10	Country's economic growth	Significant								Insignificant
IR11	Investment/capital accumulation	Significant								Insignificant
IR12	Development of natural resources	Significant								Insignificant
IR13	Contribution to national infrastructure	Significant								Insignificant
IR14	Internationalization of country's name & image	Significant								Insignificant
	Other(s), please specify and rate:									
		Significant								Insignificant
		Significant								Insignificant

Code			7	6	5	4	3	2	1	
JE01	***J. Overall effect of MNCs' operations and activities on the economy of the host country***	Positive								Negative

K. Please rate your agreement on the following variables which are believed to have contributed to the prosperity of the Kingdom.

Code	Variable		Rating Scale 7	6	5	4	3	2	1	
KP01	Presence of multinational corporations	Agree								Disagree
KP02	Import of foreign technology	Agree								Disagree
KP03	God-given natural resources (notably oil)	Agree								Disagree
KP04	Joint efforts of local industrialists	Agree								Disagree
KP05	Dynamic trade relations with other countries	Agree								Disagree
KP06	Presence of expatriates	Agree								Disagree
KP07	Availability of trained local manpower	Agree								Disagree
KP08	Patriotic endeavour of local citizens	Agree								Disagree
KP09	Government's sound policies and supports	Agree								Disagree
KP10	Peaceful & conducive business environment	Agree								Disagree
KP11	Nation's adherence to Islam	Agree								Disagree
	Other(s), please specify and rate:									
		Agree								Disagree
		Agree								Disagree

Please write below any ideas or suggestions you may have on improving the role of multinational companies in Saudi Arabia with respect to their activities, products, services and socio-cultural responsibilities. Your ideas or suggestions should reflect the need for a mutual existence, co-operation and understanding between the multinationals and the host country.

Again, thank you very much for your cooperation.

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Appendix 3

COMPILATION OF SOME ISLAMIC ECONOMIC, SOCIAL AND OTHER CULTURAL VALUES

INTRODUCTION

Muslims believe that Islam is the ultimate and complete way of life for mankind. This belief is based on the Divine Book of Allah, the Qur'an and the Sunnah/*Ahadith* (tradition and sayings or teachings of Prophet Muhammad ﷺ (*sallallaahu 'alayhi wa sallam* — May the peace and blessings of Allah be upon him). Islamic teachings are full of truth, wisdom and virtues; and taken altogether they are a perfect guide to mankind of all ages, generations, races and social strata. They are simple, yet very practical. If implemented as a way of life, Islam will be the ultimate solution to all sorts of perplexing problems affecting mankind.

It is worth recalling that towards the middle of the sixth century AD, mankind had lived in pain, oppression, cruelty and chaos. Before this, messengers had come in regular succession, but for 600 years no message had come from Allah. The absence of divine guidance for so long a time was itself a manifestation of Allah's chastisement to mankind for doing all kinds of evil deeds on earth. Then one day Allah sent Muhammad ﷺ and chose him as a universal Messenger to all mankind (Qur'an 34:28), as a Mercy for all creatures (Qur'an 21: 107) and as the Seal of the Prophets (Qur'an 33:40).

Allah sent down the Qur'an to His Messenger ﷺ as a guide to mankind (Qur'an 2:185). It is a complete divine guidance, with nothing omitted from it (Qur'an 6:38). It is a confirmation of (revelations) that went before it, and a fuller explanation of the Book — wherein there is no doubt — from the Creator of the Worlds (Qur'an 10:37). Allah assuredly guards it (from corruption). (Qur'an 15:9) It is verily a Message for the God-fearing, a Truth of assured certainty (Qur'an 69:43-52).

For the sake of clarity, Islam and other relevant terms are briefly highlighted here. The researcher has tried as best as possible to gather and present authentic information on Islam, primarily from the Qur'an — the Glorious book that Allah the Almighty revealed to His Messenger (Muhammad ﷺ) through Angel Gabriel — and the Sunnah of the Prophet ﷺ.

Islam means peaceful and complete submission to the Will of Allah and obedience to His Law (the *Shari'ah*). A **Muslim** is one who peacefully and sincerely submits to the Will of Allah. Islam is not "Mohammedanism" as wrongly perceived by many non-Muslims. They often construe or present in their own writings that Muhammad ﷺ was the founder of Islam. Muslims categorically reject this misconception for they do not consider him as such nor do they worship him.

Muslims worship **Allah** the One and Only True God. The Islamic concept of God is crystal clear, and it is not based on human conjecture. Man, with all his senses, sees Allah's creations around him — both animate and inanimate objects. These include the heavens and the earth, and all between them — mankind, the sun, the moon, the stars, the rains, the mountains, animals, trees, vegetables and all other creatures (See the Holy Qur'an 16:1-21). All of them belong to the One and only True God — Allah the Almighty — who is absolutely the Supreme Creator. In the Qur'an Allah has asked mankind to reflect on those signs, in order to realize that every creation has a definite purpose — not accidental nor a mere idle sport. Allah says: "Not for (idle sport) did We create the heavens and the earth and all that is between!" (Qur'an 21:16; See also Qur'an 30: 20-27). Allah is the true God of mankind as clearly stated in the following Qur'anic verses:

> *"Praise be to Allah, the Cherisher and Sustainer of the Worlds."* (Qur'an 1:2)
>
> *"Say, I seek refuge with the Lord and Cherisher of Mankind, the King of Mankind, the God of Mankind."* (Qur'an 114: 1-3)

The term *Allah* — the One and Only Supreme Being — has no plural unlike the word *god*. Hence, Muslim scholars strongly advise Muslims to say Allah instead of God to emphasise His Oneness and unique attributes.

Islam covers all facets of life — economic, physical, religious, political and social. Like a building, it has its own foundation and pillars, which are essential requisites to understanding the overall Islamic worldview. The foundation, pillars and the entire structure of Islam need to be understood and implemented in their totality.

The following are some Qur'anic verses and Ahadith/Sunnah (Prophet's sayings and traditions) which reflect the comprehensiveness of Islamic economic, social, religious and cultural values. These are compiled mostly from Alim for Windows Version 4.5.

SOME QUR'ANIC VERSES AND AHADITH/SUNNAH ON ECONOMIC VALUES AND ETHICS

Fair/Honest Dealing in Trading, Buying and Selling

"O you who believe! Stand out firmly for Allah, as witnesses to fair dealing, and let not the hatred of others to you make you swerve to wrong and depart from justice. Be just: and fear Allah. For Allah is well-acquainted with all that you do." (Qur'an 5:8)

Hakim bin Hizam رضي الله عنه[1] *narrated that Allah's Messenger* ﷺ[2] *said: "The seller and the buyer have the right to keep or return goods as long as they have not parted or till they part; and if both the parties spoke the truth and betrayed in purchasing." The Prophet* ﷺ *told him to say at the time of buying, "No cheating." (i.e., he has the right to return it if found undesirable).* (Al-Bukhari Vol. 3 Hadith 328)

Abu Hurairah narrated that Allah's Messenger ﷺ *said: "If one gives in charity what equals one date-fruit from the honestly earned money and Allah accepts only the honestly earned money — Allah takes it in His Right (hand); and then enlarges its reward for that person (who has given it), as anyone of you brings up his baby horse, so much so that it becomes as big as a mountain described the defects and qualities (of the goods), then they would be blessed in their transaction. And if they told lies or hid something, then the blessings of their transaction would be lost."* (Al-Bukhari Vol. 3 Hadith 293)

Hakim ibn Hizam رضي الله عنه *narrated that Allah's Messenger* ﷺ *said: "The seller and the buyer have the right to keep or return goods as long as they have not parted or till they part; and if both the parties spoke the truth and described the defects and qualities (of the goods), then they would be blessed in their transaction, and if they told lies or hid something, then the blessings of their transaction would be lost."* (Al-Bukhari Vol. 3 Hadith 293)

(For other relevant Qur'anic verse and Hadith see: Qur'an 3:161 and Al-Bukhari Vol. 2 Hadith 491 Vol. 3 Hadith 293 Vol. 3 Hadith 597, Abu Dawud Hadith 3527, Tirmidhi Hadith 2799, Ibn Majah and Darimi)

Weighing/Measuring of Goods for Business

"Give full measure when you measure, and weigh with a balance that is straight. That is better and fairer in the final determination." (Qur'an 17:35)

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[1] رضي الله عنه Symbol for "*Radiallahu anhu*" which means "May Allah be pleased with him".

[2] ﷺ Symbol for "*Salallahu 'alayhi wa sallam*" which means "May the peace and blessings of Allah be upon him."

"So establish weight with justice and fall not short in the balance." (Qur'an 55:9)

Al-Miqdam bin Ma'dikarib ﷺ *narrated that the Prophet* ﷺ *said: "Measure your foodstuff and you will be blessed."* (Al-Bukhari Vol. 3 Hadith 338)

(For other relevant Qur'anic verse and Ahadith see: Qur'an 83:1-3, Al-Bukhari Vol. 3 Hadith 334 Vol. 3 Hadith 341 Vol. 3 Hadith 345, Vol. 3 Hadith 345 and Vol. 3 Hadith 385.)

Documentation and Fulfilment of Contracts/Obligations

"... Fulfil the contracts which you have made; and to be firm and patient, in pain (or suffering) and adversity, and throughout all periods of panic. Such are the people of truth, the God-fearing." (Qur'an 2:177)

"O you who believe! When you deal with each other, in transactions involving future obligations in a fixed period of time reduce them to writing. Let a scribe write down faithfully as between the parties. Let not the scribe refuse to write as Allah has taught him. So let him write. Let him who incurs the liability dictate, but let him fear Allah His Lord and not diminish aught of what he owes. If the party liable is mentally deficient, or weak or unable himself to dictate; let his guardian dictate faithfully. And get two witnesses, out of your own men. And if there are not two men, then a man and two women, such as you choose, for witnesses, So that if one of them errs the other can remind her. The witnesses should not refuse when they are called on (for evidence). Disdain not to reduce to writing (your contract) for a future period, whether it be small or big; it is more just in the sight of Allah, more suitable as evidence, and more convenient to prevent doubts among yourselves. But if it be a transaction which you carry out on the spot among yourselves, there is no blame on you if you reduce it not to writing. But take witnesses whenever you make a commercial contract; and let neither scribe nor witness suffer harm. If you do (such harm), it would be wickedness in you. So fear Allah; for it is Allah that teaches you. And Allah is well acquainted with all things. If you are on a journey and cannot find a scribe a pledge with possession (may serve the purpose). And if one of you deposits a thing on trust with another, let the trustee (faithfully) discharge His trust, and let him Fear Allah his Lord. Conceal not evidence; for whoever conceals it- His heart is tainted with sin. And Allah knows all that you do. (Qur'an 2:282-283)

"O you who believe! Fulfil (all) obligations..." (Qur'an 5:1)

"And take not your oaths, to practice deception between yourselves with the result that someone's foot may slip after it was firmly planted, and you may have to taste the evil (consequences) of having hindered (men) from the Path of Allah, and a mighty Wrath descend on you." (Qur'an 16:94)

It is narrated on the authority of Abu Umama ﷺ *that Allah's Messenger* ﷺ *said: "He who appropriated the right oft a Muslim by (swearing a false) oath, Allah would make Hell-fire necessary for him and would declare Paradise forbidden for him."* (Muslim Vol. 1 Hadith 252)

(For other relevant verses and Ahadith see: Qur'an 5:89; 16:92; 16:94; Muslim Vol. 1 Hadith 252; Hadith 4056; Al-Bukhari Vol.8 Hadith 668 and Abu Dawud Hadith 3237; Al-Bukhari Vol.6 Hadith 138; Abu Dawud, Hadith 3316; Al-Bukhari Vol.8 Hadith 622 and Vol.9 Hadith 538.)

Obligatory Payment of Debts

"If the debtor is in a difficulty, grant him time till it is easy for him to repay. But if you remit it by way of charity, that is best for you, if you only knew. And fear the Day when you shall be brought back to Allah. Then shall every soul be paid what it earned, and none shall be dealt with unjustly." (Qur'an 22:280-281)

Abu Hurairah ﷺ *narrated that a dead man in debt to others used to be brought to Allah's Messenger* ﷺ *who would ask, "Has he left anything to repay his debts?" If he was informed that he had left something to cover his debts, the Prophet would offer the funeral prayer for him; otherwise he would say to the Muslims (present there), "Perform the funeral for your friend," But when Allah helped the Prophet to gain victory (o his expeditious) he said: "I am closer to the Believers than themselves, so, if one of the Believers dies in debt, I will repay it, but if he leaves wealth, it will be for his heirs.* (Al-Bukhari Vol. 7 Hadith 284)

Abu Hurairah ﷺ narrated that Allah's Messenger ﷺ said: "If I had a gold equal to the mountain of Uhud, it would not please me that anything of it should remain with me after three nights (i.e., I would spend all of it in Allah's Cause) except what I would keep for repaying debts." (Al-Bukhari Vol. 8 Hadith 452)

(For other relevant Qur'anic verses and Ahadith, see: Qur'an 4:12, 24:11, Al-Bukhari Vol. 3 Hadith 502 Vol. 8 Hadith 452, Muslim Hadith 3896, Tirmidhi Hadith 2926, Nasa'I and Abu Dawud Hadith 3558.)

'Aishah ﷺ narrated that Allah's Messenger ﷺ used to invoke Allah in the prayer saying, "O Allah, I seek refuge with you from all sins, and from being in debt." Someone said: "O Allah's Messenger, (see you) very often you seek refuge with Allah from being in debt. He replied, "If a person is in debt, he tells lies when he speaks, and breaks his promises when he promises." (Al-Bukhari Vol. 3 Hadith 582 and Abu Dawud Hadith 879)

Amr bin Al-As ﷺ narrated that Allah's Messenger ﷺ said: "All the sins of a Shahid (martyr) are forgiven except debt." (Muslim Vol. 3 Hadith 4649)

(For other relevant Ahadith, see Al-Bukhari Vol. 3 Hadith 487 and Abu Dawud Hadith 3336.)

Prohibition of Usury

"Allah will deprive usury of all blessing, but will give increase for deeds of charity: for He loves not creatures ungrateful and sinner." (Qur'an 2: 276)

"O you who believe! Fear God, and give up what remains of your demand for usury, if you are indeed believers." (Qur'an 2: 278)

"O you who believe! Devour not usury, doubled and multiplied, but fear God that you may (really) prosper." (Qur'an 3:130)

Abdullah ibn Mas'ud ﷺ narrated that Allah's Messenger ﷺ cursed the one who accepted usury, the one who paid it, the witness to it, and the one who recorded it." (Abu Dawud Hadith 3327)

(For other relevant Qur'anic verses and Ahadith see: Qur'an 2:275, 4:161 and 30:39; Al-Bukhari Vo.l. 3 Hadith 379, Vo.l. 7 Hadith 829, Muslim Hadith 3854, Tirmidhi Hadith 2829 and Nasa'i, Hadith 2827, Ibn Majah, Bayhaqi and Ahmad.)

Prohibition of Bribery

"And do not eat up your property among yourselves for vanities, nor use it as a bait (bribe) for the judges, with intent that you may eat up a little of (other) people's property." (Qur'an 2:188)

'Abdullah ibn Amr ibn al-'As ﷺ narrated that he heard Allah's Messenger ﷺ saying, "Fornication will not appear among any people without their being punished by famine, and bribery will not appear among any people without their being punished by terror." (Tirmidhi Hadith 3582 and Ahmad)

'Abdullah ibn Amr ibn al-'As ﷺ narrated that Allah's Messenger ﷺ cursed the one who bribes and the one who takes bribe. (Abu Dawud Hadith 3573)

Avoidance of Hoarding and Monopoly

"On the Day when heat will be produced out of that (wealth) in the fire of Hell, and with it will be branded their foreheads, their flanks, and their backs. 'This is the (treasure) which you buried for yourselves: Taste you, then the (treasures) you buried.'" (Qur'an 9:35)

Abda ﷺ narrated that the Prophet ﷺ said: "Do not withhold your money by counting it (i.e. hoarding it), (for if you did so), Allah would also withhold His blessings from you." (Al-Bukhari Vo.l. 2 Hadith 514)

Ya'la ibn Umayyah ﷺ narrated that the Prophet ﷺ said: "Hoarding up food (to sell it at a high price) in the sacred territory is a deviation (from right to wrong)." (Abu Daud Hadith 2015)

Malmar bin Abdullah ﷺ, the son of Nadla ﷺ reported that Allah's Messenger ﷺ said, "None but a sinful person hoards (goods)." (Ibn Majah Vol. 3 Hadith 2154)

Umar bin Al-Khattab ﷺ reported that Allah's Messenger ﷺ said: "He who imports (goods is granted provision and he who hoards (goods) is a cursed one." (Ibn Majah Vol. 3 Hadith 2153)

Avoidance of Entering into Transaction when another is already Making the Same Transaction

Ibn Umar ﷺ reported that Allah's Messenger ﷺ said: "Anyone of you should not enter into transaction when another is already making the transaction." (Ibn Majah Vol. 3 Hadith 2171)

Abu Hurairah ﷺ reported that Allah's Messenger ﷺ said: "A man should not enter into transaction against the transaction of his brother (while he is making a transaction) to his brother's purchase." (Ibn Majah Vol. 3 Hadith 2172)

Mutual Consent

"O you who believe! Eat not up your property among yourselves in vanities: but let there be amongst you traffic and trade by mutual goodwill: nor kill (or destroy) yourselves: for verily Allah hats been to you Most Merciful." (Qur'an 4:29)

Abu Sa'id Khudri ﷺ reported that Allah's Messenger ﷺ said "A transaction is valid as a result of mutual consent." (Ibn Majah Vol. 3 Hadith 2185)

Generosity in Business Transaction

Uthman bin Affan ﷺ reported that Allah's Messenger ﷺ said: "Allah will admit to the Paradise a man who is lenient as a seller and a buyer." (Ibn Majah Vol. 3 Hadith 2202)

Jabir bin Abdullah ﷺ reported that Allah's Messenger ﷺ said: "May Allah have mercy on the bondsman who is kind when he sells, kind when he buys and lenient when he demands (his debt).." (Ibn Majah Vol. 3 Hadith 2202)

Disapproval of Taking Oaths in Business

Abu Qatada ﷺ reported that Allah's Messenger ﷺ said: "Beware of taking oaths in a business transaction because it (first) promotes the business and then ultimately obliterates (the blessings of the business)." (Ibn Majah Vol. 3 Hadith 2209)

(For other relevant Hadith see: Ibn Majah Vol. 3 Hadith 2208.)

Defects of Commodity for Sale should be Known

Uqba bin 'Amir ﷺ is reported to have said: I heard Allah's Messenger as saying: "A Muslim is the brother of a Muslim. It is not permissible for a Muslim to sell a commodity that contains some defect in it except that he describes that (defect) to him (the buyer)." (Ibn Majah Vol. 3 Hadith 2246)

(For other relevant Hadith see: Ibn Majah Vol. 3 Hadith 2247)

Encouragement of Partnership and Profit Sharing

Salih bin Suhaib ﷺ reported on his father's authority that Allah's Messenger ﷺ said: "There are three things which contain a blessing in them: buying and selling for a prescribed period, profit sharing (mudaraba) and mixing of wheat with barley for domestic consumption but not for sale." (Ibn Majah Vol. 3 Hadith 2289)

Prohibition of Theft and Robbery

"As to the thief, male or female, cut off his hand or her hands: a punishment by way of example, from Allah, for their crime: and God is exalted in power." (Qur'an 5:38)

'Aishah ﷺ[3] narrated that the Prophet ﷺ said: "The hand should be cut off for stealing something that is worth a quarter of a Dinar or more." (Al-Bukhari Vol.8 Hadith 780 and 782)

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[3] ﷺ Symbol for "*Radhiallahu anha*" which means "May Allah be pleased with her."

'Abdullah ibn Yazid al Ansary ﷺ narrated that the Prophet ﷺ forbade robbery (taking away what belongs to others without their permission), and also forbade mutilation (or maiming) of bodies. (Al-Bukhari Vol.3 Hadith 654)

(For other relevant verse and Ahadith see: Qur'an 5:39; Al-Bukhari Vol. 5 Hadith79; Abu Dawud Hadith 4367 and Hadith 4396.)

Prohibition of Land Grabbing

Sa'id bin Zaid ﷺ narrated that Allah's Messenger ﷺ said: "Whoever usurps the land of somebody unjustly, his neck will be encircled with seven earths (on the Day of Resurrection)." (Al-Bukhari Vol. 3 Hadith 632; Vol. 4 Hadith 419)

Ibn 'Umar ﷺ narrated that the Prophet ﷺ said: "Whoever takes a piece of the land of others unjustly, he will sink down the seven earths on the Day of Resurrection." (Al-Bukhari Vol. 3 Hadith 634; Vol. 4 Hadith 418)

Prohibition of Gambling and the Selling, Buying, and Consumption of Intoxicants/Liquors

"O you who believe! Intoxicants and gambling, (dedication) of stones, and (divination by) arrows are an abomination of Satan's handiwork: Eschew such abomination, that you may prosper. Satan's plan is (but) to excite enmity and hatred among you, with intoxicants and gambling, and to turn you away from the remembrance of God and from Prayer: Will you not then abstain?" (Qur'an 5:90-91)

'Aishah ﷺ narrated that Allah's Messenger ﷺ was asked about Al-Bit, a liquor prepared from honey which the Yemenites used to drink. Allah's Messenger said: "All drinks that intoxicate are unlawful (to drink)." (Al-Bukhari Vol. 7 Hadith 492, Muslim Vol. 3 Hadith 4956)

(For other relevant Qur'anic verse and Hadith, see: Qur'an 2:219 and Al-Bukhari Vol. 7 Hadith 438.)

Prohibition of Pork

"Forbidden to you (for food) are: dead meat, blood, the flesh of swine, and that on which has been invoked the name of other than Allah..." (Qur'an 5:3)

"Say: 'I find not in the Message received by me by inspiration any (meat) forbidden to be eaten by one who wishes to eat it, unless it be dead meat, or blood poured forth, or the flesh of swine; for it is an abomination or what is impious, (meat) on which a name has been invoked other than Allah's. But (even so), if a person is forced by necessity, without lawful disobedience, nor transgressing due limits, your Lord is Most Forging, Most Merciful.'" (Qur'an 6:145 also see 16:115)

Prohibition of Making/Having Pictures of Animated Objects

Narrated Ibn Abbas ﷺ: ... "I heard him (Muhammad ﷺ) saying, 'Whoever makes a picture will be punished by Allah till he puts soul (life) in it, and he will never be able to put soul (life) in it ..'." (Al-Bukhari Vol. 3 Hadith 428)

Abu Talha ﷺ reported Allah's Messenger ﷺ having said: "Angels do not enter a house in which there is a dog or a picture." (Muslim Vol. 3 Hadith 5249)

Avoidance of Smoking

"And spend of your substance in the cause of Allah, and make not your own hands contribute to (your) destruction." (Qur'an 2:195)

"O you who believe! Eat not up your property among yourselves in vanities: but let there be amongst you traffic and trade by mutual good-will: nor kill (or destroy) yourselves: for verily Allah has been to you Most Merciful! If any do that in rancour and injustice, soon We shall cast him into the Fire: and easy it is for Allah. If you (but) eschew the most heinous of the things which you are forbidden to do, We shall remit your evil deeds, and admit you to a Gate of great honour." (Qur'an 4:29-31)

Forbidden Sources of Income/Business

Abu Maslud Al Ansari ﷺ narrated that Allah's Messenger ﷺ forbade taking the price of a dog, money earned by prostitution and the earnings of a soothsayer." (Al-Bukhari Vol. 3 Hadith 439)

Proper Slaughtering of Animal for Food

O you people! Eat of what is on earth, lawful and good; and do not follow the footsteps of Satan for he is to you an avowed enemy... O you people! Eat of the good things that We have provided for you, and be grateful to Allah, if it is Him you worship. He has only forbidden you dead meat, and blood, and the flesh of swine, and that on which any other name has been invoked besides that of Allah. But if one is forced by necessity, without wilful disobedience, nor transgressing due limits, then is he guiltless. For Allah is Oft-Forging Most Merciful. (Qur'an 2:168-173)

Shaddad bin Aus said: "Two are the things which I remember Allah's Messenger having said: 'Verily Allah has enjoined goodness to everything; so when you kill, kill in a good way and when you slaughter, slaughter in a good way. So every one of you should sharpen his knife, and let the slaughtered animal die comfortably.'" (Muslim Vol. 3 Hadith 4810)

(For other relevant verses, see: Qur'an 5:3 and 5:4.)

Planting

Narrated Anas bin Malik Allah's Messenger said: "There is none amongst the Muslims who plants a tree or sows seeds, and then a bird, or a person or an animal eats from it, but is regarded as a charitable gift from him." (Al-Bukhari Vol. 3: Hadith 513; Vol. 8 Hadith 41)

Conservation of Resources

"It is He Who produces gardens, with trellises and without, and dates, and tilth with produce of all kinds, and olives and pomegranates, similar (in kind) and different (in variety). Eat of their fruits in their season, but render the dues that are proper on the day that the harvest is gathered. But waste not by excess: for Allah loves not the wasters." (Qur'an 6:141)

Protection of the Environment

"There is a type of man whose speech about this world's life may dazzle you. And he calls Allah to witness about what is in his heart; yet he is the most contentious of enemies. When he turns his back, his aim everywhere is to spread mischief through the earth and destroy crops and progeny but Allah loves not mischief. When it is said to him, Fear Allah," he is led by arrogance to (more) crime. Enough for him is Hell; an evil bed indeed (to lie on)!" (Qur'an 2:204-206)

Protection of Property

'Abdullah bin 'Amr narrated: "I heard the Prophet saying, 'Whoever is killed while protecting his property then he is a martyr.'" (Al-Bukhari Vol. 3 Hadith 660)

Sa'id ibn Sayed narrated that the Prophet said: "He who is killed while protecting his property is a martyr, and he who is killed while defending his family, or his blood, or his religion is a martyr." (Abu Dawud 4754)

Moderation/Wise Spending and Avoidance of Extravagance and Extremes

"O you who believe! Make not unlawful the good things which God has made lawful for you, but commit no excess: for God loves not those given to excess." (Qur'an 5:87)

"O children of Adam! Wear your beautiful apparel at every time and place of prayer: eat and drink: but waste not by excess, for Allah loves not the wasters." (Qur'an 7:31)

"Verily spendthrifts are brothers of the Evil Ones; and the Evil One is to his Lord (Himself) ungrateful." (Qur'an 17:27)

(For other relevant Qur'anic verses, see: 17:26; 17:29 and 25:63-67)

Discouragement of Miserliness

So he who gives (in charity) and fears (Allah), and (in all sincerity) testifies to the Best, We will indeed make smooth for him the path to Ease. But he who is a greedy miser and thinks himself self-sufficient, and gives the lie to the Best, — We will indeed make smooth for him the Path of Misery; nor will his wealth profit him when he falls headlong (into the Pit). Verily We take upon Us to guide, and verily unto Us (belong) the End and the Beginning. Therefore do I warn you of a Fire blazing fiercely; none shall burn therein but those most unfortunate ones who give the lie to Truth and turn their backs. But those most devoted to Allah shall be removed far from it. Those who spend their wealth for increase in self-purification, and have in their minds no favour from anyone for which a reward is expected in return, but only the desire to seek for the Countenance of their Creator Most High; and soon will they attain (complete) satisfaction. (Qur'an 92:4-21)

Abu Hurairah ﷺ narrated that the Prophet ﷺ said: "Every day two angels come down from Heaven and one of them says, 'O Allah! Compensate every person who spends in Your cause,' and the other (angel) says, 'O Allah! Destroy every miser.'" (Al-Bukhari, Vol. 2 Hadith 522)

(For other relevant Ahadith, see: Al-Bukhari Vol. 4 Hadith 166; Vol. 2 Hadith 523 and Tirmidhi, 1873.)

Encouragement of Self-Sufficiency and Discouragement of Begging

Abu Said Al-Khudri ﷺ narrated that some Ansari persons asked for (something) from Allah's Messenger ﷺ and he gave them. They again asked him for (something) and he again gave them. And then again they asked him and he gave them till all that was with him finished. And then he said: "If I had anything, I would not keep it away from you. (Remember) Whoever abstains from asking others, Allah will make him contented, and whoever tries to make himself self-sufficient, Allah will make him self-sufficient. And whoever remains patient, Allah will make him patient. Nobody can be given a blessing better and greater than patience." (Al-Bukhari Vol. 2 Hadith 548)

Abu Hurairah ﷺ narrated that Allah's Messenger ﷺ said: "By Him in Whose Hand my life is, it is better for anyone of you to take a rope and cut the wood (from the forest) and carry it over his back and sell it (as a means of earning his living); rather than to ask a person for something and that person may give him or not." (Al-Bukhari Vol. 2 Hadith 549)

Hakim bin Hizam ﷺ narrated that the Prophet ﷺ said: "The upper hand is better than the lower hand, (I.e., he who gives charity is better than him who takes it). One should start giving first to his dependents. And the best object of charity is that which is given by a wealthy person (from the money which is left after his expenses.) And whoever abstains from asking others for some financial help, Allah will give him and save him from asking others, Allah will make him self-sufficient." (Al-Bukhari Vol. 2 Hadith 508)

(For other relevant Hadith, see: Al-Bukhari Vol. 2 Hadith 509.)

Reward for Hard Work

"That man can have nothing but what he strives for." (Qur'an 53:39)

"And if any strive (with might and main), they do so for their own souls: for Allah is free of all needs from all creation. Those who believe and work righteous deed, from them shall We blot out all misdeed that they have committed, and We shall reward them according to the best of their deeds." (Qur'an 29:6-7)

Al-Miqdam ﷺ narrated that the Prophet ﷺ said: "Nobody has ever eaten a better meal than that which one has earned by working with one's own hands. The Prophet of Allah, Daud (David), used to eat from the earnings of his manual labour." (Al-Bukhari Vol. 3 Hadith 286)

Paying Salaries/Wages on Time

Abu Hurairah ﷺ narrated that the Prophet ﷺ said: "Allah says, 'I will be against three persons of the Day of Resurrection: 1. One who makes a covenant in My Name, but he proves treacherous; 2. One who sells a free person (as a slave) and eats the price; and 3. One who employs a labourer and gets the full work done by him but does not pay him his wages.'" (Al-Bukhari 3:430)

Anas ﷺ narrated that the Prophet ﷺ used to get cupped and would never withold the wages of any person. (Al-Bukhari Vol. 3 Hadith 480)

Abdullah ibn Umar ﷺ narrated that Allah's Messenger ﷺ said: "Give the worker his wages before his sweat dries." (Tirmidhi Hadith 2987 and Ibn Majah)

Value of Time

"By the time, verily man is in loss, except such as have Faith, and do righteous deeds, and (join together) in the mutual enjoining of Truth, and of patience and constancy." (Qur'an 103:1-3)

Ibn 'Abbas ﷺ narrated that Allah's Messenger said: "There are two blessings which many people lose: (They are) health and free time for doing good.." (Al-Bukhari Vol. 8 Hadith 421)

Abu Hurairah ﷺ narrated that the Prophet ﷺ said: "Allah said: 'The son of Adam hurts Me by abusing Time, for I am Time; in My Hands are all things and I cause the revolution of night and day.' " (Al-Bukhari 6/351; 8/200; 9/583 and Muslim 4/5581)

Travelling

"For We assuredly sent amongst every People a Messenger, (with the Command), 'Serve Allah, and eschew Evil.' Of the people were some whom Allah guided, and some on whom Error became inevitably (established). So travel through the earth, and see what was the end of those who denied (the Truth)." (Qur'an 16:36)

Abu Hurairah ﷺ narrated that the Prophet ﷺ said: "Travelling is a kind of torture as it prevents one from eating, drinking and sleeping (properly). So when one's needs are fulfilled, one should return quickly to one's family." (Al-Bukhari Vol. 3 Hadith 31)

Sah bib Sa'd As-Sa'idi ﷺ narrated that Allah's Messenger ﷺ said: "To guard Muslims from infidels in Allah's Cause for one day is better than the world and whatever is on its surface, and a place in Paradise as small as that occupied by the whip of one of you is better than the world and whatever is on its surface; and a morning's or an evening's journey which a slave (person) travels in Allah's Cause is better than the world and whatever is on its surface." (Al-Bukhari Vol. 4 Hadith 142)

Abu Hurairah ﷺ narrated that the Prophet ﷺ said: "It is not permissible for a woman who believes in Allah and the Last Day to travel for one day and night except with a mahram (her husband or a male close relative with whom she can not marry at all examples: her brother, father, grandfather, etc.)." (Al-Bukhari Vol. 2 Hadith 194)

(For other relevant Qur'anic verse and Ahadith, see: Qur'an 30:9-10, Al-Bukhari Vol. 4 Hadith 242 and Al-Bukhari Vol. 4 Hadith 239.)

Riches/Wealth

Abu Hurairah ﷺ narrated that the Prophet ﷺ said: "Riches does not mean having a great amount of property, but riches is self-contentment." (Al-Bukhari Vol. 8 Hadith 453)

Condition for Change/Development

"Because Allah will never change the Grace which He has bestowed on a people until they change what is in their (own) souls. And verily Allah is He Who hears and knows (all things)." (Qur'an 8:53)

SOME QUR'ANIC VERSES AND AHADITH/SUNNAH ON POLITICAL VALUES AND ETHICS

Power and Sovereignty

"To Allah belongs all that is in the heavens and on earth. Whether you show what is in your minds or conceal it, Allah calls you to account for it. He forgives whom He pleases and punishes whom He pleases, for Allah has power over all things." (Qur'an 2:285)

"Say: "O Allah! Lord of Power (and Rule), You give Power to whom You please, and You stripes off Power from whom You pleases. You endow with honour whom You please and You bring low whom You please. In Your hand is all Good. Verily, over all things you have power." (Qur'an 3:24; also 3:29)

"To Allah belongs the dominion of the heavens and the earth; and Allah has power over all things." (Qur'an 3:189; 11:4)

"Do you not know that to Allah (Alone) belongs the dominion of the heavens and the earth? He punishes whom He pleases, and He forgives whom He pleases. And Allah has power over all things." (Qur'an 5:40; also 5:120)

"If Allah touches you with affliction, none can remove it but if He touches you with happiness, He has power over all things. He is Irresistibly Supreme over His servants. And He is the Wise, acquainted with all things." (Qur'an 6:17-18)

"It is He (Allah) Who has made you the inheritors of the earth. He has raised you in ranks, some above others; that He may try you in the gifts He has given you: for your Lord is quick in punishment. Yet, He is indeed Oft-forgiving, Most Merciful." (Qur'an 6:165)

Goal

"To each is a goal to which Allah turns him; then strive together (as in a race) towards all that is good. Whosoever you are, Allah will bring you together; for Allah has power over all things." (Qur'an 2:148)

"Say: 'Truly, my prayer and my service of sacrifice, my life and my death, are (all) for Allah, the Cherisher of the Worlds.'" (Qur'an 6:162)

"...And to Allah belongs the dominion of the heavens and the earth, and to all that is between. And to Him is the final goal (of all)." (Qur'an 5:18)

(For other relevant Qur'anic verses see: 5:105 and 40:2-3)

Obedience to God, His Messenger and to Rulers/Authorities

"O you who believe! Obey God, and obey the Messenger, and those charged with authority among you. If you differ in anything among yourselves, refer it to God and His Messenger, if you do believe in God and the Last Day: that is best and most suitable for final determination." (Qur'an 4:59)

Ibn Abbas ﷺ narrated that the Prophet ﷺ said: "Whoever disapproves of something done by his ruler then he should be patient, for whoever disobeys the ruler even a little (a span) will die as those who died in the pre-Islamic period of ignorance (i.e., rebellious sinners)." (Al-Bukhari Vol. 9Hadith. 176)

Anas bin Malik ﷺ narrated that Allah's Messenger ﷺ said: "You should listen to and obey your ruler even if he was an Ethiopian (black) slave whose head looks like a raisin." (Al-Bukhari Vol. 9 Hadith No.256)

'Abdullah ﷺ narrated that the Prophet ﷺ said: "A Muslim has to listen to and obey (the order of his ruler) whether he likes it or not as long as his orders involve not one in disobedience (to Allah), but if an act of disobedience (to Allah) is imposed one should not listen to it or obey it." (Al-Bukhari Vol. 9 Hadith No.258)

'Auf bin Malik ﷺ narrated that Allah's Messenger ﷺ said: "The best of your rulers are those whom you love and who love you, who invoke God's blessings upon you and you invoke His blessings upon them. And the worst of your rulers are those whom you hate and who hate you and whom you curse and who curse you." It was asked (by those present): "Should we not overthrow them with the help of the sword? He said: "No, as long as they establish prayer among you. If you then find anything detestable in them, you should hate their administration, but do not withdraw yourselves from their obedience." (Muslim Vol. 3 Hadith 4573)

Seeking to be a Ruler

'Abdur Rahman bin Samurah ﷺ narrated that Allah's Messenger ﷺ said: "O ' Abdur Rahman bin Samurah! Do not seek to be a ruler, for if you are given authority on your demand, you will be held responsible for it, but if you are given it without asking for it, then you will be helped (by Allah) in it. If you ever take an oath to do something and later on you find that something else is better, then do what is better and make expiation for your oath.." (Al-Bukhari Vol. 9 Hadith 260)

Accountability

Abdullah bin Umar ﷺ narrated that he heard the Prophet ﷺ saying: "Every one of you is a guardian, and responsible for what is in his custody. The ruler is a guardian of his subjects and responsible for them; a husband is a guardian of his family and is responsible for it; a lady is a guardian of her husband's house and is responsible for it, and a servant is a guardian of his master's property and is responsible for it. A man is a guardian of his father's property and is responsible for it so all of you are guardians and responsible for your wards and things under your care)." (Al-Bukhari Vol. 2 Hadith 592; also Vol. 3 Hadith 73)

It is narrated on the authority of Abu Malih ﷺ that Ubaidullah bin Ziyad ﷺ visited Ma'qil bin Yasar ﷺ in his illness. Ma'qil said to him: I am narrating to you a Hadith which I would have never narrated to you had I not been in death-bed. I heard Allah's Messenger ﷺ said: "A ruler who has been entrusted with the affairs of the Muslims, but he if makes no endeavours (for the material and moral uplift) and does not sincerely mean (their welfare) would not enter Paradise along with them." (Muslim Vol. 1 Hadith 264)

Law of Equality and Justice

"In the Law of Equality there is (saving of) life to you, O you men of understanding that you may restrain yourselves." (Qur'an 2:179)

"Allah does command you to render back your Trusts to those to whom they are due; and when you judge between people that you judge with justice. Verily how excellent is the teaching, which He gives you! For Allah is He Who hears and sees all things." (Qur'an 4:58)

"O you who believe! Stand out firmly for justice, as witnesses to Allah, even as against yourselves, or your parents, or your kin, and whether it be (against) rich or poor: for Allah can best protect both. For not the lusts (of your departure), lest you swerve, and if you distort (justice) or decline to do justice, verily Allah is well-acquainted with all that you do." (Qur'an 4:135)

"O you who believe! Stand out firmly for justice, as witnesses to fair dealing, and let not the hatred of others to you make you swerve to wrong and depart from justice. Be just: that is next to piety. And fear Allah for Allah is well-acquainted with all that you do." (Qur'an 5:8)

"Allah commands justice, the doing of good, and giving to kith and kin, and He forbids all indecent deed, and evil and rebellion, He instructs you that you may receive admonition." (Qur'an 16:90)

Anas Bin Malik ﷺ narrated that the Prophet ﷺ said: "The prescribed Law of Allah is the equality in punishment (i.e. Qisas)." (Al-Bukhari Vol. 6 Hadith 26)

(For other relevant Qur'anic verses see: 2:178 and 6:164.)

Giving Right Judgement

'Amir bin Al-'As ﷺ is reported to have said that he heard Allah's Messenger ﷺ as saying: "When a judge gives a decision, and he tries his best to decide correctly and is right (in his decision), there are two rewards for him and if he gave judgement and did his best (to arrive at a correct decision) but erred, there is one reward for him." (Ibn Majah Vol. 3 Hadith 2314; Muslim Vol. 3 Hadith 4261)

Abdur Rahman bin Bakra ﷺ reported: "My father...heard Allah's Messenger ﷺ as saying: 'One of you should not judge between two persons when he is angry." (Muslim Vol. 3 Hadith 4264)

Spending in an Unjust Manner

Narrated Khaula Al-Ansariya ﷺ: "I heard Allah's' Messenger ﷺ said: 'Some people spend Allah's wealth (Muslim's wealth) in an unjust manner; such people will be put in the (Hell) Fire on the Day of Resurrection.'" (Al-Bukhari Vol. 4 Hadith347)

Mutual Consultation

"Those who respond to their Lord, and establish regular prayer; who (conduct) their affairs by mutual consultation; who spend out of what We bestow on them for sustenance; and those who, when an oppressive wrong is inflicted on them, (are not cowed but) help and defend themselves." (Qur'an 42:38-39)

Concerning Murder and Other Crimes

Never should a Believer kill a Believer; except by mistake, and whoever kills a Believer by mistake it is ordained that he should free a believing slave. And pay blood money to the deceased's family, unless they remit it freely. If the deceased belonged to a people at war with you, and he was a Believer, the freeing of a believing slave (is enough). If he belonged to a people with whom you have a treaty of mutual alliance, blood-money should be paid to his family, and a believing slave be freed. For those who find this beyond their means, (is prescribed) a fast for two months running: by way of repentance to Allah: for Allah has all knowledge and all wisdom. (Qur'an 4:92)

"If a man kills a Believer intentionally, his recompense is Hell, to abide therein (forever): and the wrath and curse of Allah are upon him, and a dreadful chastisement is prepared for him." (Qur'an 4:193)

"Nor take life — which Allah has made sacred — except for just cause. And if anyone is slain wrongfully, we have given his heir authority (to demand Qisas or to forgive): but let him not exceed bounds in the matter of taking life; for he is helped by the (Law)." (Qur'an 17:33)

Abu Bakrah narrated: "I heard Allah's Messenger saying, 'When two Muslims fight (meet) each other with their swords, both the murderer as well as the murdered will go to Hell-fire." I said: "O Allah's Messenger!. It is all right for the murderer but what about the murdered one? Allah's Messenger replied, "He surely had the intention to kill his companion.'" (Al-Bukhari Vol. 1 Hadith 30)

Ibn Umar narrated that Allah's Messenger said: "A faithful believer remains at liberty regarding his religion, unless he kills somebody unlawfully." (Al-Bukhari Vol.9 Hadith 2)

Abdullah Ibn Umar narrated that the Prophet said: "Whoever carries arms against us, is not from us." (Al-Bukhari Vol. 9 Hadith 13)

Ibn Abbas narrated that the Prophet said: "The most hated persons with Allah are three: 1) A person who deviates from the right conduct (i.e., an evil-doer), in the Haram (sanctuaries of Makkah and Madinah); 2. A person who seeks that the traditions of the period of ignorance should remain in Islam; and 3. A person who seeks to shed somebody's blood without any right." (Al-Bukhari Vol. 9 Hadith21)

Conditions for Killing a Believer

Abdullah narrated that the Prophet said: "The blood of a Muslim, who confesses that La ilaha il-Allah (none has the right to be worshipped but Allah) and that I am the Messenger of Allah, cannot be shed except in three cases: 1. life for life (in cases of intentional murders without right i.e., Al-Qisas —Law of equality in punishment); 2. a married person who commits illegal sexual intercourse; and 3. the one who turns renegade from Islam (apostate) and leaves the group of Muslims (by innovating heresy, etc. in Islamic religion)." (Al-Bukhari Vol. 9 Hadith 17)

Prohibition of Suicide

"O you who believe! Eat not up your property among yourselves in vanities: but let there be amongst you traffic and trade by mutual good-will: nor kill (or destroy) yourselves: for verily Allah has been to you Most Merciful." (Qur'an 4:29)

Abu Hurairah narrated that the Prophet said: "He who commits suicide by throttling shall keep on throttling himself in the Hell-fire (forever) and he who commits suicide by stabbing himself shall keep on stabbing himself in the Hell-fire (forever)." (Al-Bukhari Vol. 2 Hadith 446)

Jundab narrated that the Prophet said: "A man was inflicted with wounds and he committed suicide, and so Allah said: 'My slave has caused death on himself hurriedly, so I forbid Paradise for him.'" (Al-Bukhari Vol. 4 Hadith 445)

Prohibition of Betrayal

Ibn 'Umar narrated that the Prophet said: "Every betrayer will have a flag which will be fixed on the Day of Resurrection, and the flag's prominence will be made in order to show the betrayal he committed.." (Al-Bukhari Vol. 4 Hadith 411)

Fighting against Oppression, Transgression and Persecution

Fight in the cause of Allah those who fight you but do not transgress limits; for Allah loves not transgressors. And slay them wherever you catch them, and turn them out from where they have turned you out; for persecution is worse than slaughter. But fight them not at the Sacred Mosque, unless they (first) fight you there; but if they fight you, slay them. Such is the punishment of those who reject faith. But if they cease, Allah is Oft-Forgiving, Most Merciful. And fight them on until there is no more persecution and the religion becomes Allah's. But if they cease, let there be no hostility except to those who practice oppression. (Qur'an 2:192-193)

"The blame is only against those who oppress men with wrong-doing and insolently transgress beyond bounds through the land, defying right and justice: for such there will be a Chastisement grievous." (Qur'an 42:42)

Ibn Umar narrated that the Prophet ﷺ said: "Oppression will be a darkness on the Day of Resurrection." (Al-Bukhari 3:627; Muslim Vol.4 Hadith 6249)

Anas bin Malik narrated that Allah's Messenger ﷺ said: "Help your brother, whether he is an oppressor or he is an oppressed one. People asked, "O Allah's Messenger! It is all right to help him if he is oppressed, but how should we help him if he is an oppressor? The Prophet said: "By preventing him from oppressing others." (Al-Bukhari Vol. 3 Hadith 624 and Muslim Vol. 4 Hadith 6254)

Abu Dharr reported Allah's Messenger ﷺ as saying: "Allah, the Exalted and Glorious, said: 'My servants, I have made oppression unlawful for Me and unlawful for you, so do not commit oppression against one another...'" (Muslim Vol. 4 Hadith 6246)

(For other relevant Ahadith, see: Al-Bukhari Vol. 3 Hadith 628 and Hadith 629.)

Conditions for Fighting/Waging War against Enemies

"Fight in the Cause of Allah those who fight you but do not transgress limits; for Allah loves not transgressors." (Qur'an 2:190)

"To those against whom war is made, permission is given (to fight), because they are wronged; and verily Allah is Most Powerful for their aid. (They are) those who have been expelled from their homes in defiance of right, (for no cause) except that they say, "Our Lord is Allah." ... (They are) those who, if We establish them in the land, establish regular prayer and give zakat, enjoin the right and forbid wrong: with Allah rests the end (and decision) of (all) affairs." (Qur'an 22:39-41)

Jihad/Fighting in the Cause of Allah

"And why should you not fight in the cause of Allah and of those who, being weak, are ill-treated (and oppressed); men, women and children, whose cry is: "Our Lord! Rescue us from this town; whose people are oppressors; and raise for us from You one who will protect; and raise for us from You one who will help!?" (Qur'an 4:75)

"Those who believe fight in the cause of Allah, and those who reject Faith fight in the cause of Evil; so fight against the friends of Satan. Feeble indeed is the cunning of Satan." (Qur'an 4:76)

O you who believe! Shall I lead you to a bargain that will save you from a grievous Chastisement? That you believe in Allah and His Messenger, and that you strive (your utmost) in the Cause of Allah, with your wealth and your persons: that will be best for you, if you but knew! He will forgive you your sins, and admit you to the Gardens of Eternity: that is indeed the supreme Triumph. (Qur'an 61:10-12)

Abu Sa'id Al-Khudri narrated that somebody asked, "Allah's Messenger! Who is the best among the people? Allah's Messenger replied: "A believer who strives his utmost in Allah's Cause with his life and property..." (Al-Bukhari Vol. 4 Hadith 45)

It has been narrated on the authority of Sahl bin Sa'd As-Sa'idi that the Messenger of Allah said: "The journey undertaken by a person in the morning (for Jihad) in the way of Allah (will merit a reward) better than the world and all that is in it." (Muslim Vol. 3 Hadith 4640, also see Al-Bukhari Vol. 4 Hadith 50)

(For other relevant Qur'anic verses, see: 4:95-96 and 9:20.)

Punishment/Retaliation

"And if you punish/retaliate, let your punishment be proportionate to the wrong that has been done to you. But if you show patience, that is indeed the best (course) for those who are patient." (Qur'an 16:126)

"The recompense for an injury is an injury equal thereto (in degree): but if a person forgives and makes reconciliation, his reward is due from Allah: for (Allah) loves not those who do wrong." (Qur'an 42:40)

Peace and Reconciliation

"Hold to forgiveness; command what is right; and turn away from the ignorant." (Qur'an 7:199)

"But if the enemy incline toward peace, do (also) incline towards peace, and trust in Allah: for He is the One that hears and knows (all things)." (Qur'an 8:61)

". . . Let them forgive and overlook. Do you not wish that Allah should forgive you? For Allah is Oft-Forgiving, Most Merciful." (Qur'an 24: 22)

"The recompense for an injury is an injury equal thereto (in degree): but if a person forgives and makes reconciliation, his reward is due from Allah: for Allah loves not those who do wrong." (Qur'an 42:40)

"Tell those who believe, to forgive those who do not hope for the Days of Allah; it is for Him to recompense (for good or ill) each people according to what they have earned." (Qur'an 45:14)

If two parties among the Believers fall into a quarrel make you peace between them: but if one of them transgresses beyond bounds against the other, then fight you (all) against the one that transgresses until it complies with the command of Allah; but if it complies, then make peace between them with justice, and be fair: for Allah loves those who are fair (and just). The believers are but a single Brotherhood: so make peace and reconciliation between your two (contending) brothers: And fear Allah, that you may receive Mercy. (Qur'an 49:9-10 also see Qur'an 4:90 and 5:45)

Conciliation and Compromise

Abdullah, the son of Amr Bin 'Auf reported his father has having said on his grandfather's authority: "I heard Allah's Messenger ﷺ saying: 'Conciliation is permissible among the Muslims, except the compromise that makes the lawful as unlawful or makes the unlawful as lawful.'" (Ibn Majah Vol. 3 Hadith 2353)

Fulfilment of Treaties

"(But the treaties are) not dissolved with those Pagans with whom you have entered into alliance and who have not subsequently failed you in ought, nor aided any one against you. So fulfill your engagements with them to the end of their term: for Allah loves the righteous." (Qur'an 9:4)

Patience/Perseverance

"...Seek (Allah's) help with patient, perseverance and prayer..." (Qur'an 2:45)

"O you who believe! Seek help with patient, perseverance and prayer: for Allah is with those who patiently persevere. And say not of those who are slain in the way of Allah: 'They are dead.' Nay, they are living, through you perceive (it) not. Be sure we shall test you with something of fear and hunger, some loss in goods, lives and the fruits (of your toil), but give glad tidings to those who patiently persevere. Who say, when afflicted with calamity; 'To Allah we belong, and to Him is our return': they are the those on whom (descend) blessings from their Lord, and Mercy. And these are the one that receive guidance." (Qur'an 2:153-157)

"For Muslim men and women, for believing men and women for devout men and women for true men and women, for men and women who are patient and constant, for men and women who humble themselves, for men and women who give in charity, for men and women who fast, for men and women who guard their chastity, and for men and women who engage much in Allah's remembrance for them has Allah prepared forgiveness and great reward." (Qur'an 33:35)

(For other relevant Qur'anic verses, see: 4:90 and 5:45 7:126 and 13:20-24.)

SOME QUR'ANIC VERSES AND AHADITH/SUNNAH ON SOCIAL VALUES AND ETHICS

Marriage

"Marry those among you who are single, and the virtuous ones among your slaves, male or female. If they are in poverty, Allah will give them means out of His grace: for Allah is Ample-Giving, and He knows all things." (Qur'an 24:32)

"Let Those who find not the wherewithal for marriage keep themselves chaste, until Allah gives them means out of His Grace..." (Qur'an 24:33)

"And among His Signs is this, that He created for your mates from among yourselves, that you may dwell in tranquillity with them, and He has put love and mercy between your (hearths). Verily in that are Signs for those who reflect." (Qur'an 30:21)

Uqbah ibn Amir narrated that Allah's Messenger said: "From among all the conditions which you have to fulfil, the conditions which make it legal for you to have sexual relations (i.e. the marriage contract) have the greatest right to be fulfilled." (Al-Bukhari Vol. 3 Hadith 882)

'Abdullah narrated: "We were with the Prophet while we were young and had no wealth whatever. So Allah's Messenger said: '"O young people! Whoever among you can marry, should marry, because it helps him lower his gaze and guard his modesty (i.e. his private parts from committing illegal sexual intercourse etc.), and whoever is not able to marry, should fast, as fasting diminishes his sexual power.'" (Al-Bukhari Vol. 7 Hadith 4)

Abu Hurairah narrated that the Prophet said: "A woman is married for four things, i.e., her wealth, her family status, her beauty and her religion. So you should marry the religious woman (otherwise) you will be a loser." (Al-Bukhari Vol. 7 Hadith 27)

Dower

"And give the women (on marriage) their dower as an obligation; but if they, of their own good pleasure, remit any part of it to you, take it and enjoy it with right good and cheer." (Qur'an 4:4)

"But if you decide to take one wife in place of another, even if you had given the latter a whole treasure for dower, take not the least bit of it back. Would you take it by slander and a manifest sin? And how could you take it when you have gone in unto each other, and they have taken from you a solemn covenant?" (Qur'an 4:20-21)

Conditions for Polygamy

"If you fear that you shall not be able to deal justly with the orphans, marry women of your choice, two, three or three, or four. But if you fear that you shall not be able to deal justly (with them), then only one, or that which your right hands possess. That will be more suitable, to prevent you from doing injustice." (Qur'an 4:3)

'Aishah narrated that whenever Allah's Messenger wanted to go on a journey, he would draw lots as to which of his wives would accompany him. He would take her whose name came out. He used to fix for each of them a day and a night. But Sauda ibnt Zam'a gave up her (turn) day and night to 'Aishah, the wife of the Prophet in order to seek the pleasure of Allah's Messenger (by that action). (Al-Bukhari Vol. 3 Hadith 766)

Abu Hurairah narrated that the Prophet said: "When a man has two wives and he is inclined to one of them, he will come on the Day of resurrection with a side hanging down." (Abu Dawud Hadith 2128)

Prohibition of Adultery and Prostitution

"Nor come nigh to adultery: for it is a shameful (deed) and an evil, opening the road (to other evils)." (Qur'an 17:32)

"The man and woman guilty of adultery or fornication, flog each of them with a hundred stripes. Let no compassion move you in their case, in a matter prescribed by God, if you believe in God and the Last Day: and let a party of believers witness their punishment. Let no man guilty of adultery or fornication marry any but a woman similarly guilty, or an unbeliever: nor let any but such a man or an unbeliever marry such a woman: to the believers such a thing is forbidden." (Qur'an 24:2-3)

Aishah ﷺ narrated that Allah's Messenger ﷺ said: "O followers of Muhammad! There is none, who has a greater sense of Ghira (self-respect) than Allah, so He has forbidden that His slave commits illegal sexual intercourse or His slave girl commits illegal sexual intercourse. O followers of Muhammad! If you but knew what I know, you would laugh less and weep more!" (Al-Bukhari Vol. 7 Hadith 148)

Ubadah ibn as-Samith ﷺ narrated that Allah's Messenger ﷺ said: "Receive (teaching) from me, receive (teaching) from me. Allah has ordained a way for those (women). When an unmarried male commits adultery with an unmarried female, (they should receive) one hundred lashes and banishment for one year. And in case of married male committing adultery with a married female, they shall receive one hundred lashes and be stoned to death." (Muslim Hadith 4191)

Abdullah ibn Abbas ﷺ narrated that the Prophet ﷺ said: "There is no prostitution in Islam. If anyone practised prostitution in pre-Islamic times, the child will be attributed to the master (of the slave-woman). He who claims his child without a valid marriage or ownership will neither inherit nor be inherited." (Abu Dawud Hadith 2257)

Modesty

Successful indeed are the Believers, those who humble themselves in their prayers; who avoid vain talk; who are active in giving zakat; who guard their modesty, except with those joined to them in the marriage bond, or (the captives) whom their right hands possess for (for in their case) they are free from blame. But those whose desires exceed those limits are transgressors. Those who faithfully observe their trusts and their covenants, and who (strictly) guard their prayers; these will be the heirs, who will inherit Paradise. They will dwell therein (forever). (Qur'an 23:1-11)

Say to the believing men that they should lower their gaze and guard their modesty: that will make for greater purity for them: and Allah is well acquainted with all that they do. And say to the believing women that they should lower their gaze and guard and guard their modesty; that they should not display their beauty and ornaments except what (ordinarily appear thereof; that they should draw their veils over their bosoms and not display their beauty except to their husbands, their fathers, their husbands' fathers, their sons, their husbands' sons, their brothers or their brothers' sons, or their sisters' sons, or their women, or the slaves whom their right hands possess, or male attendants free of sexual desires. or small children who have no carnal knowledge of women. And that they should not strike their feet in order to draw attention to their hidden ornaments. And O you Believers! Turn you all together towards Allah in repentance that you may be successful. (Qur'an 24:30-31)

Saffiyah bint Shaiba narrated that 'Aishah ﷺ used to say: "When (the Verse): 'They should draw their veils over their necks and bosoms,' was revealed, (the ladies) cut their waist sheets at the edges and covered their faces with the cut pieces." (Al-Bukhari Vol.6 Hadith 282)

'Aishah ﷺ narrated that the Prophet ﷺ said: "Allah does not accept the prayer of a woman who has reached puberty unless she wears a veil." (Abu Dawud Hadith 641)

Divorce

For those who take an oath for abstention from their wives, a waiting for four months is ordained. If then they return, Allah is Most Forgiving, Most Merciful. But if their intention is firm for divorce Allah hears and knows all things. Divorced women shall wait concerning themselves for three monthly periods. And it is not lawful for them to hide what Allah has created in their wombs, if they have faith in Allah and the Last Day. And their husbands have the better right to take them back in that period, if they wish for reconciliation. And women shall have rights similar to the rights against them, according to what is equitable. But men have a degree over them and Allah is Exalted in Power Wise. (Qur'an 2:226-228)

"A divorce is only permissible twice; after that, the parties should either hold together on equitable terms, or separate with kindness. It is not lawful for you (men) to take back any of your gifts (from your wives), except when both parties fear that they would be unable to keep the limits ordained by Allah..." (Qur'an 2:229)

"For divorced women is a suitable Gift. This is a duty on the righteous. Thus does Allah make clear His Signs to you: in order that you may understand." (*Qur'an* 2:241; also see 2:230-240)

Muharib ﷺ narrated that the Prophet ﷺ said: "Allah did not make anything lawful more abominable to Him than divorce." (Abu Dawud Hadith 2174)

Respect and Kindness to Women

"When you divorce women, and they reach their prescribed term, then retain them in kindness and retain them not for injury so that you transgress (the limits)." (Qur'an 2:231)

"For divorced women is a suitable gift. This is a duty on the righteous." (Qur'an 2:241)

"O you who believe! You are forbidden to inherit women against their will. Nor should you treat them with harshness, that you may take away part of the dower you have given them, except where they have been guilty of open lewdness. On the contrary live with them on a footing of kindness and equity if you take a dislike to them it may be that you dislike a thing, and Allah brings about through it a great deal of good." (Qur'an 4:19)

Abu Hurairah ﷺ narrated that Allah's Messenger ﷺ said: "Treat women nicely, for a women is created from a rib. And the most curved portion of the rib is its upper portion. So, if you should try to straighten it, it will break, but if you leave it as it is, it will remain crooked. So treat women nicely." (Al-Bukhari Vol. 4 Hadith 548)

Kindness to Wife

"...But consort with them in kindness, for if you hate them it may happen that you hate a thing wherein God has placed much good." (Qur'an 4: 19)

Abu Hurairah ﷺ narrated that the Prophet ﷺ said: "Among the Muslims the most perfect, as regards his faith, is the one whose character is excellent, and the best among you are those who treat their wives well." (Tirmidhi Hadith 628, 278 and 3264 and Abu Dawud)

Women's Rights and Rewards

"And they (women) have rights similar to those (of men) over them, according to what is equitable, but men have a degree (of responsibility) over them." (Qur'an 2:228)

"Whoever works righteousness, man or woman, and has faith, verily, to him will we give a new Life, a life that is good and pure, and we will bestow on such their reward according to the best of their actions." (Qur'an 16:97)

"He that works a righteous deed - whether a man or woman - and is a believer - such will enter the Garden (of bliss): therein will they have abundance without measure." (Qur'an 40:40)

Woman's Obligations to Her Husband

Abu Hurairah ﷺ narrated that Allah's Messenger ﷺ said: "It is not lawful for a lady to fast (Nawafil) without the permission of her husband when he is at home. She should not allow anyone to enter his house except with his permission. And if she spends of his wealth (on charitable purposes) without being ordered by him, he will get half of the reward." (Al-Bukhari Vol. 7 Hadith 123)

Talq ibn Ali ﷺ narrated that Allah's Messenger ﷺ said: "When a man calls his wife to satisfy his desire she must go to him even if she is occupied at the oven." (Tirmidhi Hadith 3257)

Abu Umamah ﷺ narrated that the Prophet ﷺ used to say, "After fear of Allah a believer gains nothing better for himself than a good wife who obeys him if he gives her a command, pleases him if he looks at her, is true to him if he adjures her to do something, and is sincere towards him regarding her person and his property if he is absent." (Tirmidhi Hadith 3095 and Ibn Majah)

Abu Hurairah narrated that the Prophet ﷺ said: Had it been permissible that a person may prostrate himself before another, I would have ordered that a wife should prostrate herself before her husband." (Tirmidhi Hadith 285)

Thawban narrated that... the Prophet ﷺ said: "The best property is a tongue which mentions Allah, a grateful heart, and a believing wife who helps a man with his faith." (Tirmidhi, 2275; Ahmad, and Ibn Majah)

Love and Care for Children

"Say: 'Come, I will rehearse what Allah has (really) prohibited you from': join not anything with Him: Be good to your parents; kill not your children on a plea of want. We provide sustenance for you and for them. Come not nigh to indecent deeds, whether open or secret; take not life, which Allah has made sacred, except by way of justice and law. Thus does He command you, that you may learn wisdom." (Qur'an 6:151)

"Kill not your children for fear of want. We shall provide sustenance for them as well as for you. Verily the killing of them is a great sin." (Qur'an 17:31)

Narrated 'Amir: "I heard An-Numan bin Bashir... Allah's Messenger ﷺ said: 'Be afraid of Allah, and be just to your children....'" (Al-Bukhari Vol. 1 Hadith 52)

'Aishah the wife of Allah's Messenger ﷺ said: "A woman came to me along with her two daughters. She asked me for (charity) but she found nothing with me except one date, so I gave her that. She accepted it and then divided it between her two daughters and herself ate nothing out of that. She then got up and went out, and so did her two daughters. Allah's Messenger visited me and I narrated to him her story. There upon Allah's Messenger said: "He who is involved (in the responsibility) of bringing up) daughters, and he accords benevolent treatment towards them, there would be protection for him against Hell-Fire.'" (Muslim Vol. 4 Hadith 6362)

Malik reported Allah's Messenger ﷺ as saying: "He who brought up two girls properly till they grew up, he and I would come (together very closely) on the Day of Resurrection." And he interlaced his fingers (for explaining the point of nearness between him and that person.). (Muslim Vol. 4 Hadith 6364)

Kindness to the Family, Parents, Relatives, Orphans, the Poor, the Needy, and the Weak

"...Treat with kindness your parents and kindred, and orphans and those in need; speak fair to the people; be steadfast in prayer; and give zakat..." (Qur'an 2:83)

"To those weak of understanding give not your property which Allah has assigned to you to manage, but feed and clothe them therewith, and speak to them words of kindness and justice." (Qur'an 4:5)

"Serve Allah, and join not any partners with Him; and do good to parents, kinsfolk, orphans, those in need, neighbours who are of kin, neighbours who are strangers, the companions by your side, the wayfarer (you meet), and what your right hands possess: for Allah loves not the arrogant, vainglorious." (Qur'an 4:36)

"And come not high to the orphan's property, except to improve it, until he attains the age of full strength; give measure and weight with (full) justice. No burden do We place on any soul, but that which it can bear. Whenever you speak, speak justly, even if a near relative is concerned; and fulfil the Covenant of Allah. Thus does He command you, that you may remember." (Qur'an 6:152)

"Alms are for the poor and the needy, and those employed to administer the (funds); for those whose departure have been (recently) reconciled (to Truth); for those in bondage and in debt; in the cause of Allah; and for the wayfarer. (Thus is it) ordained by Allah. And Allah is full of knowledge and wisdom." (Qur'an 9:60)

"Let not those among you who are endued with grace and amplitude of means resolve by oath against helping their kinsmen, those in want and those who have left their homes in Allah's cause. Let them forgive and overlook, do you not wish that Allah should forgive you? For Allah is Most Forgiving, Most Merciful." (Qur'an 24:22)

And We have enjoined on man (to be good) to his parents: in travail upon travail did his mother bear him and in years twain was his weaning: (hear the command), "Show gratitude to Me and to your parents: to Me is (your final) Goal." But if they strive to make you join in worship with Me things of which you have no knowledge, obey them not; yet bear them company in this life with justice (and consideration), and follow the way of those who turn to Me. In the End the return of you all is to Me. And I will tell you all that you did. (Qur'an 31:14-15)

"We have enjoined on man kindness to his parents in pain did his mother bear him, and in pain did she give him birth." (Qur'an 46:15)

Abu Mas'ud ﷺ *narrated that the Prophet* ﷺ *said: "If a man spends on his family with the intention of having a reward from Allah, sincerely for Allah's sake, then it is a (kind on alms-giving (in reward) for him."* (Al-Bukhari Vol. 1 Hadith 52)

Abu Hurairah ﷺ *narrated that a man came to Allah's Messenger* ﷺ *and said: "O Allah's Messenger* ﷺ*! Who is more entitled to be treated with the best companionship by me?" The Prophet* ﷺ *said: "Your mother." The man said: "Who is next?" The Prophet* ﷺ *said: "Your mother." The man further said: "Who is next?" The Prophet* ﷺ *said: "Your mother." The man asked (for the fourth time), "Who is next?" The Prophet* ﷺ *said: "Your father."* (Al-Bukhari Vol. 8 Hadith 2; Muslim Vol. 4Hadith 6180-6183)

Abu Mas'ud Al-Ansari ﷺ *narrated that the Prophet* ﷺ *said: "When a Muslim spends something on his family intending to receive Allah's Reward, it is regarded as sadaqa (act of charity) for him."* (Al-Bukhari Vol. 7 Hadith 263)

Jubair bin Mut'im ﷺ *narrated that he heard the Prophet* ﷺ *saying, "Al-Qati' (the person who severs the bond of kinship) will not enter paradise."* (Al-Bukhari Vol. 8 Hadith 13; Muslim Vol. 4 Hadith 6199-6200)

Abu Hurairah ﷺ *narrated: "I heard Allah's Messenger* ﷺ *saying, 'Whoever is pleased that he be granted more wealth and that his lease of life be prolonged, then he should keep good relations with his kith and kin.'"* (Al-Bukhari Vol. 8 Hadith 14)

(For other relevant Qur'anic verses, and Ahadith see: Qur'an 17:23-24, 29:8; 90:12-19, Al-Bukhari Vol. 8 Hadith 4 and Hadith 18)

Kind Treatment to the Friends of One's Parents

'Abdullah bin Umar ﷺ *reported Allah's Messenger* ﷺ *as saying: "The finest act of goodness is that a person should treat kindly the loved ones of his father."* (Muslim Vol. 4 Hadith 6193 also Vol. 4 Hadith 6192)

Protection Given to the Orphans and Widows

"To orphans restore their property (when they reach their age), nor substitute (your) worthless things for (their) good ones; and devour not their substance (by mixing it up) with your own. For this is indeed a great sin." (Qur'an 4:2)

"And come not nigh to the orphan's property, except to improve it, until he attains the age of full strength..." (Qur'an 6:152)

Abu Hurairah ﷺ *narrated that the Prophet* ﷺ *said: "The one who looks after a widow or a poor person is like a Mujahid (warrior) who fights for Allah's Cause, or like one who offers salat (prayers) all the night and observes sawm (fast) all the day."* (Al-Bukhari Vol. 7 Hadith 265)

Sahl bin Sa'id ﷺ *narrated that the Prophet* ﷺ *said: "I and the person who looks after an orphan and provides for him, will be in Paradise like this."* (Al-Bukhari Vol. 8 Hadith 34)

(For other relevant Qur'anic verses see: 4:6 and 4:127.)

Kindness/Good Treatment to Neighbours

'Aishah ﷺ *narrated that the Prophet* ﷺ *said: "Jibrael (Gabriel) continued to recommend me about treating the neighbours kindly and politely, so much so that I thought he would order me to make them as my heirs."* (Al-Bukhari Vol. 8 Hadith 43 and Muslim Vol. 4 Hadith 6354-6356)

Abu Hurairah ﷺ narrated that the Prophet ﷺ said: "By Allah, he does not believe! By Allah, he does not believe! By Allah, he does not believe!" It was said: "Who is that, O Allah's Messenger?" He said: "That person whose neighbour does not feel safe from his evil." (Al-Bukhari Vol. 8 Hadith 45)

Abu Hurairah narrated that Allah's Messenger ﷺ said: "Whosoever believes in Allah and the Last Day should not harm his neighbour. Whosoever believes in Allah and the Last Day should entertain his guest generously. And whosoever believes in Allah and the Last Day should talk what is good or keep quiet." (Al-Bukhari Vol. 8 Hadith 47)

Kindness to People and Animals

'Aishah ﷺ narrated that Allah's Messenger ﷺ said: "'Aishah, verily Allah is kind and He loves kindness and confers upon kindness, which he does not confer upon severity and does not confer upon anything else besides it (kindness)." (Muslim,6273)

Abu Hurairah ﷺ narrated that Allah's Messenger ﷺ said: "There are one hundred (parts of) mercy of Allah. He has sent down out of these one part of mercy upon the jinn and human beings and the insects. It is because of this (one part) that they love one another, show kindness to one another and even the beast treats its young one with affection. And Allah has reserved ninety-nine parts of mercy with which He would treat His servants on the Day of Resurrection." (Muslim, 6631)

Abu Hurairah ﷺ narrated that Allah's Messenger ﷺ said: "While a man was walking he felt thirsty and went down a well and drank water from it. On coming out of it, he saw a dog panting and eating mud because of excessive thirst. The man said: 'This (dog) is suffering from the same problem as that of mine. So he (went down the well), filled his shoe with water, caught hold of it with his teeth and climbed up and watered the dog. Allah thanked him for his (good) deed and forgave him." The people asked, "O Allah's Messenger ﷺ! Is there a reward for us in serving (the) animals?" He ﷺ replied, "Yes, there is a reward for serving any animate." (Al-Bukhari Vol. 3 Hadith 551; Vol. 8 Hadith 38)

Sahl ibn Al-Hanzaliyyah ﷺ narrated that Allah's Messenger ﷺ came upon an emaciated camel and said: "Fear Allah regarding these dumb animals. Ride them when they are in good condition and feed them when they are in good condition." (Abu Dawud 2542)

Jabir ibn 'Abdullah ﷺ narrated that Allah's Messenger ﷺ said: "Every act of kindness is sadaqah, (charity) and kindness includes meeting your brother with a cheerful face and pouring water from bucket into your brother's vessel." (Tirmidhi, 1910 and Ahmad)

'Abdullah ibn Abbas ﷺ narrated that Allah's Messenger ﷺ forbade inciting animals to fight with one another." (Tirmidhi Hadith 4103 and AbuDawud)

Ali ibn Abu Talib ﷺ narrated that Allah's Messenger ﷺ said: "One Muslim should do six acts of kindness to another: He should greet him when he meets him; accept his invitation when he gives one; say 'Allah have mercy on you' when he sneezes; visit him when he is ill; follow his bier when he dies; and like for him what he likes for himself." (Tirmidhi Hadith 4643 and Darimi)

(For other relevant Ahadith see: Al-Bukhari Vol. 7 Hadith 449, Hadith 421; Muslim Hadith 5281, 6274, Tirmidhi Hadith 3024, Abu Dawud Hadith 1668, Tirmidhi Hadith 4925 and Ibn Majah)

Universal Unity and Brotherhood

"Be not like those who are divided amongst themselves and fall into disputations after receiving Clear Signs; for them is a dreadful Chastisement." (Qur'an 3:105)

"The Believers, men and women, are protectors, one to another. They enjoin what is just, and forbid what is evil. They observe regular prayers, pay zakat and obey Allah and His Messenger. On them will Allah pour His mercy: for Allah is Exalted in power, Wise." (Qur'an 9:71)

Bin Umar ﷺ narrated that Allah's Messenger ﷺ said: "A Muslim is a brother of another Muslim, so he should not oppress him, nor should he hand him over to an oppressor. Whoever fulfilled the needs of his brother, Allah will fulfil his needs; whoever brought his (Muslim) brother out of a discomfort, Allah will bring him out of the discomforts of the Day of Resurrection, and whoever screened a Muslim, Allah will screen him on the Day of Resurrection." (Al-Bukhari Vol. 3 Hadith 622)

An-Numan bin Bashir ﷺ *narrated that Allah's Messenger* ﷺ *said: "You see the believers as regards their being merciful among themselves and showing love among themselves resembling one body, so that, if any part of the body is not well then the whole body shares the sleeplessness (insomnia) and fever with it."* (Al-Bukhari Vol. 8 Hadith 40)

Abu Musa ﷺ *narrated that the Prophet* ﷺ *said: "A believer for another believer is like a building whose different parts enforce each other." The Prophet* ﷺ *then clasped his hands with the fingers interlaced. (At that time) the Prophet was sitting and a man came and begged or asked for something. The Prophet* ﷺ *faced us and said: "Help and recommend him and you will receive the reward for it, and Allah will bring about what He wills through his Prophet's tongue."* (Al-Bukhari Vol. 8 Hadith 55)

Nu'man bin Bashir ﷺ *narrated that Allah's Messenger* ﷺ *as saying: "The believers are like one person; if his head aches, the whole body aches with fever and sleeplessness."* (Muslim Vol. 4Hadith 6260)

Abu Musa ﷺ *narrated that Allah's Messenger* ﷺ *as saying: "A believer is like a brick for another believer, the one supporting the other."* (Muslim Vol. 4 Hadith 6257; Al-Bukhari Vol. 3 Hadith 626)

Anas Bin Malik ﷺ *narrated that the Prophet* ﷺ *said: "None of you will have faith till he likes for his (Muslim) brother what he likes for himself."* (Al-Bukhari Vol. 1 Hadith 12)

Respect to Non-Muslims (People of the Book)

"This day are (all) things good and pure made lawful unto you. The food of the people of the Book (the Jews and the Christians) is lawful unto you and yours is lawful unto them. (Lawful unto you n marriage) are (not only) chaste women who are believers, but chaste women among the People of the Book, revealed before your time, when you give them their due dowers, and desire chastity, not lewdness. Taking them as lovers. If any one rejects faith, fruitless is his work, and in the Hereafter he will be in the ranks of those who have lost (all spiritual good). (Qur'an 5:5)

"And dispute not with the People of the Book, except in the best way;--unless it be with those of them who do wrong but say, "We believe in the Revelation which has come down to us and in that which came down to you; our God and your God is One; and it is to Him we submit (in Islam).'" (Qur'an 29:46)

"Allah forbids you not, with regard to those who fight you not for (your) Faith nor drive you out of your homes, from dealing kindly and justly with them: for Allah loves those who are just. Allah only forbids you, with regard to those who fight you for (your) Faith, and drive you out of your homes, and support (others) in driving you out, from turning to them (for friendship and protection). It is such as turn to them) in these circumstances), that do wrong." (Qur'an 60:8-9)

Respect to All Foreign Delegates

Sa'id bin Jubair ﷺ *narrated that he heard Ibn Abbas ... said: "When the condition (health) of Allah's Messenger* ﷺ *deteriorated,...The prophet* ﷺ *ordered them to do three things saying, 'Turn out all the pagans from the Arabian Peninsula, show respect to all foreign delegates by giving them gifts as I used to do.' The sub-narrator added, "The third order was something beneficial which either Ibn Abbas did not mention or he mentioned but I forgot."* (Al-Bukhari Vol.4 Hadith 393)

Etiquette of Social Interaction/Speaking

"When a (courteous) greeting is offered you, meet it with a greeting still more courteous, or (at least) of equal courtesy. Allah takes a careful account of all things." (Qur'an 4:86)

"Allah does not love the utterance of evil words in public except by one who has been wronged. Allah is He Who hears and knows all things." (Qur'an 4:148)

"...Whenever you speak, speak justly, even if a near relative is concerned; and fulfil the Covenant of Allah. Thus does He command you that you may remember." (Qur'an 6:152).

"Say to My servants that they should (only) say those things that are best: for Satan does sow dissension among them: for Satan is to man an avowed enemy." (Qur'an 17:53)

"Who is better in speech than one who calls (men) to Allah, works righteousness, and says, 'I am of those who bow in Islam'?" (Qur'an 41:33)

"And he who brings the Truth and he who confirms (and supports) it—such are the men who do right. They shall have all that they wish for, with their Lord. Such is the reward of those who do good: so that Allah will remit from them (even) the worst in their deeds and give them their reward according to the best of what they have done." (Qur'an 39:33-35)

"O you who believe! Why say you that which you do not? Grievously hateful is it in the sight of Allah that you say that which you do not." (Qur'an 61: 2-3)

Abdullah bin Amr ﷺ narrated that a man asked the Prophet ﷺ, "Whose Islam is good or what sort of deeds (or what qualities) of Islam are good." The Prophet ﷺ replied, "To feed (others) and to greet those whom you know and those whom you do not know." (Al-Bukhari Vol. 1 Hadith 11)

Abu Hurairah ﷺ narrated that the Prophet ﷺ, said: "The young should greet the old, the passer-by should greet the sitting one, and the small group of persons should greet the large group of persons." (Al-Bukhari Vol. 8Hadith 250)

Abu Hurairah ﷺ narrated that the Prophet ﷺ, said: "A slave (of Allah) may utter a word which pleases Allah without giving it much importance, and because of that Allah will raise him to degrees (of reward); a slave (of Allah) may utter a word (carelessly) which displeases Allah without thinking of its gravity, and because of that he will be thrown into the Hell-Fire." (Al-Bukhari Vol. 8 Hadith 482)

Abu Hurairah ﷺ narrated that Allah's Messenger ﷺ said: "Whoever believes in Allah and the last day should talk what is good or keep quiet; and whoever believes in Allah and the last day should not hurt (or insult his neighbour; and whoever believes in Allah and the last day should entertain his guest generously." (Al-Bukhari Vol. 8 Hadith 485; Muslim Vol. 3 Hadith 4286)

QUR'ANIC VERSES AND AHADITH/SUNNAH ON RELIGIOUS AND MORAL VALUES

Religion

"Truly, the religion before Allah is Islam (submission to His Will)." (Qur'an 3:19)

"If anyone desires a religion other than Islam (submission to God), never will it be accepted of him; and in the Hereafter he will be in the ranks of those who lost (all spiritual good)." (Qur'an 3:85)

"...This day have I perfected your religion for you, completed My favour upon you, and have chosen for you Islam as your religion." (Qur'an 5:3)

"Whatever you worship apart from Him is nothing but names, which you have named. You and your fathers, for which Allah has sent down no authority: the command is for none but Allah. He has commanded that you worship none but Him. That is the right religion, but men understand not." (Qur'an 12:40)

Abu Hurairah ﷺ narrated that the Prophet ﷺ said: "Religion is very easy and whoever overburdens himself in his religion will not be able to continue in that way. So you should not be extremists, but try to be near to perfection and receive the good tidings that you will be rewarded; and gain strength by offering the prayers in the mornings, afternoons and during the last hours of the nights." (Al-Bukhari Vol. 1 Hadith 38)

No Compulsion in Religion

"Let there be no compulsion in religion: Truth stands out clear from Error..." (Qur'an 2:256)

"If it had been Your Lord's Will, they would all have believed, — all who are on earth! Will you then compel mankind, against their will, to believe?" (Qur'an 10:99)

"Say: O you that reject Faith! I worship not that which you worship, nor will you worship that which I worship. And I will not worship that which you have been wont to worship nor will you worship that which I worship. To you be your religion, and to me my religion." (Qur'an 109:1-6)

Islam

"O you who believe! Fear Allah as He should be feared, and die not except in a state of Islam....that you may be guided." (Qur'an 3:102-103)

The Prophet ﷺ said: "Islam has been built upon five things: declaring that there is no god but Allah and that Muhammad is the Messenger of Allah; the establishment of salaah (five compulsory daily prayers); the payment of zakaah (obligatory charity); the Hajj (pilgrimage to the House of Allah, (if one is able); and sawm of Ramadan (fasting in the month of Ramadan)." (Al-Bukhari Vol. 1 Hadith 7)

It is narrated on the authority of Abu Ayyub ﷺ that a man came to the Prophet ﷺ and said: "Direct me to a deed which draws me near to Paradise and takes me away from the Fire (of Hell)." Upon this he (the Prophet ﷺ) said: "You worship Allah and never associate anything with Him, establish prayer, and pay Zakat, and do good to your kin." When he turned his back, the Messenger of Allah remarked: "If he adheres to what he has been ordered to do, he would enter Paradise. " (Muslim Vol. 1 Hadith 13)

Oneness of God in Islam: Part I - *Tawheed ar-Ruboobeeyah* (the declaration or belief in Allah's Lordship of the universe)

"This is the true account: There is no god except Allah; and Allah — He is indeed the Exalted in Power, the Wise." (Qur'an 3:62)

"Allah! There is no god but He: of a surety He will gather you together on the Day of Judgement, about which there is no doubt. And whose word can be truer than Allah's?" (Qur'an 4:87)

"Your Guardian Lord is Allah, Who created the heavens and the earth in six Days. Then He settled Himself on the Throne: He draws the night as a veil over the day, each seeking the other in rapid succession: and the sun, the moon, and the stars, (all) are subservient by His Command. Verily His are the creation and the Command. Blessed be Allah, the Cherisher and Sustainer of the Worlds." (Qur'an 7:54)

"We created not the heavens, the earth, and all between them, but for just ends... For verily it is your Rabb (Only God and Sustainer) Who is the Master-Creator, knowing all things." (Qur'an 15: 85-86)

"It is Allah Who has created you: further, He has provided for your sustenance; then He will cause you to die; and again He will give you life. Are there any of your (false) "Partners" who can do any single one of these things? Glory to Him! And High is He above the partners they attribute (to Him)! (Qur'an 30:40)

"Such is Allah, your Lord, the Creator of all things, there is no god but He. Then how you are deluded away from the Truth!" (Qur'an 40:62)

Oneness of God in Islam: Part II - *Tawheed al-Asmaa was-Sifaat* (the Declaration or Belief that all Beautiful Names and Attributes belong to Allah alone)

"Allah! There is no god but He— the Living, the Self-subsisting, Eternal. No slumber can seize Him nor sleep. His are all things in the heavens and on earth. Who is there can intercede in His presence except as He permits? He knows what (appears to His creatures as) Before or After or Behind them. Nor shall they compass ought of His knowledge except as He wills. His Throne does extend over the heavens and on earth, and He feels no fatigue in guarding and preserving them for He is the Most High, the Supreme (in glory)." (Qur'an 2:255)

"To Allah belong all things in the heavens and on earth. Verily we have directed the People of the Book before you, and you (O Muslims) to fear Allah. But if you deny Him, lo! Unto Allah belong all things in the heavens and on earth. And Allah is free of all wants, worthy of all praise." (Qur'an 4: 131).

"The most beautiful names belong to Allah: so call on Him by them; but shun such men as to distort His names: for what they do, they will soon be requited." (Qur'an 7: 180)

"And He is the All-Mighty, the All-Wise." (Qur'an 14:4)

"Glorified be your Lord, the Lord of Honour and Power. (He is free) from what they attribute unto him." (Qur'an 37:180)

"For to Allah belong the Forces of the heavens and the earth; and Allah is Exalted in Power, Full of Wisdom." (Qur'an 48:7)

"Verily! Allah is the All-Provider, Owner of Power, the Most Strong." (Qur'an 51:58)

He is Allah, besides Whom there is no (other) deity; knowing the unseen and the visible. He is the Mercy-giving, the Merciful! He is Allah, besides Whom there is no (other) deity, the Sovereign, the Holy, (the Source of) Peace, the Secure, the Preserver, the Powerful, the Irresistible, the Grandiose: Glory be to Allah ahead of anything they may associate (with Him)! He is Allah, the Creator, the Maker, the Shaper, His are the Finest Names. Everything in Heaven and Earth celebrates Him. He is the Powerful, the Wise. (Qur'an 59:22-24)

"But Honour, Power and Glory belong to Allah and His Messenger ..." (Qur'an ,63:8)

"Say, He is God the One. The Eternally besought of all. He begets not nor was He begotten and there is none comparable unto Him." (Qur'an 112: 1-4)

Abu Musa Al-Ashari ؓ narrated that the Prophet ﷺ said: "None is more patient than Allah against the harmful and annoying words He hears (from the people): They ascribe a son to Him, yet He bestows upon them health and provision." (Al-Bukhari Vol. 9 Hadith 475)

Ibn 'Abbas ؓ narrated that the Prophet ﷺ used to say, "I seek refuge (with You) by your Izzat (Honour, Power and Glory) Lailaha illa Anta, (none has the right to be worshipped but You), Who does not die while the Jinn and the human beings die." (Al-Bukhari Vol. 9 Hadith 480)

Oneness of God in Islam: Part III - *Tawheed al-Ibaadah/Alhuluhiya* (the Declaration of Belief that Allah Alone Deserves to be Worshipped)

"O mankind! Worship your Guardian, Allah, Who created you and those who came before you that you may become righteous." (Qur'an 2:21)

"That is Allah your God! There is no god but He, the Creator of all things; then you worship Him: and He has power to dispose of all affairs. No vision can grasp Him, but His grasp is over all vision; He is Subtle well-aware." (Qur'an 6:102-103)

"So glorify the praises of your God and be of those who prostrate themselves (to Him). And worship your God until there comes unto you the Hour that is certain (i.e., death)." (Qur'an 15:98-99)

"O people! Worship your Guardian Lord, Who created you and those who came before you that you may have the chance to learn righteousness: Who has made the earth your couch, and the heavens your canopy; and sent down the rain from heavens; and brought forth therewith fruits for your sustenance. Then set not up rivals unto God when you know (the truth)." (Qur'an 2:21-22)

"I have only created jinn and men, that they may worship Me." (Qur'an 51:56)

Anas Bin Malik ؓ narrated that the Prophet ﷺ said: "Whoever said La ilaha ila-Allah (none has the right to be worshipped but Allah) and has in his heart good (faith) equal to the weight of a barley grain, will be taken out of hell. And whoever said La ilaha ila-Allah (none has the right to be worshipped but Allah) and has in his heart good (faith) equal to the weight of a wheat grain, will be taken out of hell. And whoever said La ilaha ila-Allah and has in his heart good (faith) equal to the weight of an atom, or a small ant, will be taken out of hell." (Al-Bukhari Vol. 1 Hadith 42)

(For other relevant Ahadith, see: Al-Bukhari Vol. 1 Hadith 98, Vol. 2 Hadith 253, and Muslim Vol. 1 Hadith 13.)

Oneness of God: The Common Mission of the Prophets

Have you not turned your thought to one who disputed with Abraham about his Lord, because Allah has granted him power? Abraham said: "My Lord is He Who gives life and death." He said: "I give life and death." Said Abraham: "But it is Allah that causes the sun to rise from the East: Do you then cause it to rise from the West." Thus, was he confounded who (in arrogance) rejected faith. Nor does Allah give guidance to a people unjust." (Qur'an 2: 257; also 6: 80)

"Certainly they disbelieve who say: 'Allah is Christ the son of Mary." But said Christ: O Children of Israel! Worship Allah, my Lord and your Lord.' Whoever joins other gods with Allah, Allah will forbid him the Garden, and the fire will be his abode. There will for the wrong-doers be no one to help." (Qur'an 5: 72)

"We sent Noah to his people. He said: 'O my people! Worship Allah! You have no other God but Him. I fear for you the Punishment of a dreadful Day!'" (Qur'an 7:59 also 23:23)

"To the Ad people. (We sent) Hud, one of their (own) brethren: He said: "O my people! Worship Allah! You have no other God but Him. Will you not fear(Allah)?" (Qur'an 7:65)

"To the Thumbed people. (We sent) Salih, one of their own brethren: He said: 'O my people! Worship Allah! You have no other God but Him.'" (Qur'an 7:73)

"To the Madyan people. (We sent) Shuaib, one of their own brethren: He said: 'O my people! Worship Allah! You have no other God but Him.'" (Qur'an 7:85)

"Say (O Muhammad): 'O mankind ! I am sent unto you all, as the Messenger of Allah to Whom belongs the dominion of the heavens and the earth: there is no god but He. So believe in Allah and His Messenger ...'" (Qur'an 7:158)

"Paraoh said: 'And what is the Lord and Cherisher of the Worlds?' (Moses) said: 'The Lord and Cherisher of the heavens and the earth, and all between, — if you had but sure belief.'" (Qur'an 26: 26)

"So also was Elias among those sent (by Us). Behold, he said to his people, 'Will you not fear (Allah)? Will you call upon Baal and forsake the Best of Creators—Allah, your Lord and Cherisher and the Lord and Cherisher of your fathers of old?'" (Qur'an 37: 123-126)

The Qur'an : The Divine Comprehensive Guidance to Mankind

"This (Qur'an) is the Book of guidance sure, without doubt to those who fear Allah; who believe in the Unseen, and steadfast in prayer, and spend out of what We have provided for them; and who believe in the Revelation sent to you, and sent before your time, and (in their departure) have assurance of the Hereafter." (Qur'an 2:2-4)

"Allah! There is no god but He — the Living, the Self-Subsisting, the Supporter of all. It is He Who sent down to You (step by step), in truth, the Book . . . as a guide to mankind; and He sent down the Criterion (of Judgement between right and wrong)." (Qur'an 3:2-4)

". . . He it is Who has sent unto you the Book, explained in detail. They know full well, to whom We have given the Book, that it has been sent down from your Lord in truth. Never be then of those who doubt." (Qur'an 6:114)

"This Qur'an is not such as can be produced by other than Allah; on the contrary it is a confirmation of (revelations) that went before it, and a fuller explanation of the Book — wherein there is no doubt from the Creator of the Worlds." (Qur'an 10:37)

"We have explained in detail in this Qur'an for the benefit of mankind, every kind of similitude: but man is, in most things, contentious." (Qur'an 18:54)

"These are Verses of the Wise Book, a Guide and a Mercy to the Doers of Good,— those who establish regular Prayer, and give zakat and have sure faith in the Hereafter. These are on (true) guidance from their Creator; and these are the ones who will prosper." (Qur'an 31:3)

(For other relevant Qur'anic verses, see: 3:7; 5:48; 6:92; 7:52; 11:1; 12:1-2; 13:36-37; 16:89; 25:6; 42: 17; 46:2; 69:43-52.)

The Qur'an : the Book to be Read, Studied and Followed for Guidance

"Those to whom We have given the Book study it as it should be studied: they are the ones that believe therein: those who reject faith there in — the loss is their own." (Qur'an 2:121)

"Follow (o men!) the revelation given unto you from your Lord, and follow not, as friends or protectors, other than Him. "And this is a Book which We have revealed as a blessing: so follow it and be righteous, that you may receive mercy." (Qur'an 6:155)

"When the Qur'an is read, listen to it with attention, and hold your peace: that you may receive Mercy." (Qur'an 7:204)

"Those who listen to the Word, and follow the best of it: those are the ones who Allah has guided, and those are the ones endued with understanding." (Qur'an 39:18)

.... Read you, therefore, of the Qur'an as much as may be easy (for you). He knows that there may be (some) among you in ill-health; others travelling through the land, seeking of Allah's bounty; yet others fighting in Allah's Cause. Read you, therefore, as much of the Qur'an as may be easy (for you); and establish regular Prayer and give zakat (charity) and loan to Allah a Beautiful Loan. And whatever good you send forth for your souls, you shall find it in Allah's Presence. Yeah, better and greater, in Reward. . . . (Qur'an 73:20)

(For other relevant Qur'anic verses, see: 21:10; 29:45; 47: 24; 73:4; 54:17, 22, 32, 40; 80:11-14)

Muhammad ﷺ the Final Prophet and Messenger of Allah to Mankind

"He who obeys the Messenger, obeys Allah..." (Qur'an 4: 80)

"O mankind! The Messenger has come to you in truth from Allah: believe in him: it is best for you..." (Qur'an 4: 170)

"We sent you (Muhammad) but as a Mercy for all creatures." (Qur'an 21: 107)

"You have indeed in the Messenger of Allah an excellent exemplar for him who hopes in Allah and the Final Day, and who remembers Allah much." (Qur'an 33:21)

"Muhammad is not the father of any of your men, but (he is) the Messenger of Allah, and the Seal of the

Prophets, and Allah has full knowledge of all things." (Qur'an 33: 40)

"We have not sent you (Muhammad) but as a (Messenger) to all mankind, giving them glad tidings and warning them (against sin), but most men know not." (Qur'an 34: 28)

Jubair bin Mut'im ﷺ narrated that Allah's Messenger ﷺ said: "I have five names: I am Muhammad and Ahmad; I am Al-Mahi through whom Allah will eliminate infidelity; I am Al-Hashir who will be the first to be resurrected, the people being resurrected thereafter; and I am also Al-'Aqib (i.e., no prophet will appear after me)." (Al-Bukhari Vol. 4 Hadith 733)

Abu Hurairah ﷺ narrated that Allah's Messenger ﷺ said: "I have been sent (as a Messenger) in the best of all generations of Adam's offspring since the Creation." (Al-Bukhari Vol. 4 Hadith 757)

(For other relevant Qur'anic verses, see: 4: 64; 7: 157; 37: 37; 47: 33 and 59:7.)

Adherence to the Qur'an and the Sunnah (Tradition/Way of the Prophet Muhammad) and Warning Against *Bid'a* (Innovation/Fabrication in Religion)

Abdullah ﷺ reported on the authority of his father, "I heard Allah's Messenger ﷺ saying, 'He who revived a sunnah of mine that was extinct after me, would (receive) a reward like the reward of one of the people who acted upon it without any diminution in their rewards. And, he who introduced an innovation that Allah and His Messenger had not sanctioned, would incur (a sin) like the sin of one of the people who acted upon it without any diminution in people's sins.'" (Ibn Majah Vol. 1 Hadith 210)

(For other relevant Ahadith, see: Muslim Vol. 4 Hadith 6466 and Ibn Majah Vol. 1 Hadith14.)

Muslims

"Every child is born with a true faith of Islam (i.e., Muslim to worship none but Allah Alone). It is his parents who convert him to Judaism or Christianity or Magianism. As an animal delivers a perfect baby animal, do you find it mutilated.." (Al-Bukhari Vol. 2 Hadith 467; 6:298 and Muslim)

Abdullah bin Amr ﷺ narrated that Allah's Messenger ﷺ said: "A Muslim is the one who avoids harming Muslims with his tongue and hands. And a Muhajir (emigrant) is the one who gives up (abandons) all what Allah has forbidden." (Al-Bukhari Vol. 1 Hadith 9)

"All my followers (i.e., the Muslims) will enter Paradise except those who refuse" They said: "O Allah's Messenger! Who will refuse?" He said: "Whoever obeys me will enter Paradise, and whoever disobeys me is the one who refuses (to enter it)." (Al-Bukhari Vol. 9 Hadith 384)

Reverts to Islam

Those who conceal the clear (Signs) We have sent down, and the Guidance, after We have made it clear to the People in the Book, on them shall be Allah's curse, and the curse of those entitled to curse. Except those who repent and make amends and openly declare (the Truth): to them I turn; for I am Oft-Returning, Most Merciful. Those who reject Faith and die rejecting on them is Allah's curse, and the curse of angels and of all mankind; they will abide therein. And your God is One God: There is no god but He, Most Gracious, Most Merciful. (Qur'an 2:159-163)

Abu Said Al-Khudri narrated that Allah's Messenger said: "If a person embraces Islam sincerely, then Allah shall forgive all his past sins, and after that starts the settlement of accounts, the reward of his good deeds will be ten times to seven hundred times for each good deed and an evil deed will be recorded as it is unless Allah forgives it." (Al-Bukhari Vol. 1 Hadith 40)

Abu Burda's father narrated that Allah's Messenger said: "Three (kinds of) persons will have a double reward: 1. A person from the people of the scriptures who believed in his prophet (Jesus or Moses) and then believed in the Prophet Muhammad (i.e., has embraced Islam). 2. A slave who discharges his duties to Allah and his master. 3. And a master of a woman-slave who teaches her good manners and educates her in the best possible way (the religion) and manumits her and then marries her." (Al-Bukhari Vol. 1 Hadith 97)

Faith

Anas Bin Malik narrated that the Prophet said: "None of you will have faith till he likes for his (Muslim) brother what he likes for himself." (Al-Bukhari Vol. 1 Hadith 12)

Anas Bin Malik narrated that Allah's Messenger said: "By Him in Whose Hands my life is, none of you will have faith till he loves me more than his father, and his children and all mankind." (Al-Bukhari Vol. 1 Hadith 14)

Anas Bin Malik narrated that the Prophet said: "Whoever possess the following three (qualities) will have the sweetness (delight) of faith: 1. The one to whom Allah and His Messenger become dearer than anything else. 2. Who loves a person and he loves him only for Allah's sake. 3. Who hates to revert to atheism (disbelief) as he hates to be thrown into the fire." (Al-Bukhari Vol. 1 Hadith 15)

Abu Hurairah reported that the Prophet said, "(Faith is) that you affirm your faith in Allah, His Angels, His Books, His Messengers, and that you believe in the Resurrection, and that you believe in Al-Qadar (Divine Decree) in its entirety. Ihsan (Purity of Faith) is that you fear Allah as if you are seeing Him, and Though you see Him not, verily He is seeing you." (Muslim Vol. 1 Hadith 6)

Islamic Pledge

'Ubada bin As-Samit, who took part in the battle of Badr and was a Naqib (a person heading a group of six persons), on the night of Al-Aqaba pledge narrated that Allah's Messenger said: while a group of his companions were around him, "Swear allegiance to me for: 1. Not to join anything in worship along with Allah.; 2. not to steal; 3.not to commit illegal sexual intercourse; 4. not to kill your children; 5. not to accuse an innocent person (to spread such an accusation among people; and 6. not to be disobedient (when ordered) to do good deed." The Prophet added: "Whoever amongst you who fulfils his pledge will be rewarded by Allah. And whoever indulges in any one of them (except the ascription of partners to Allah) and gets the punishment in this world, that punishment will be an expiation for that sin. And if one indulges in any of them, and Allah conceals his sin, it is up to Him to forgive or punish him (in the Hereafter)." (Al-Bukhari Vol. 1 Hadith 17)

3 Conditions for the Acceptance of Deeds

I. Belief (Faith) in Allah and affirmation of His Oneness:

"This is the Guidance of Allah with which He guides whomsoever He will of His slaves. But if they had joined in worship others with Allah, all that they used to do would have been of no benefit to them." (Qur'an 6:88)

And indeed it has been revealed to you (O Muhammad), as it was to those (Allah's Messengers) before you: "If you join others in worship with Allah, (then) surely (all) your deeds will be in vain, and you will certainly be among the losers." (Qur'an 39:65)

2. Sincerity (Ikhlas), which is to do deeds for Allah's sake only neither seeking praise nor recognition from fellow-beings:

"So, call you (O Muhammad and the believers) upon (or invoke) Allah making (your) worship pure for Him (Alone) (by worshipping none but Him and by doing religious deeds sincerely for Allah's sake only and not to show off and not to set up rivals with Him in worship)." (Qur'an 39: 14; 40:14)

"Actions are but by intentions and every person will get the reward according to what he has intended. Thus he whose migration was for Allah and His Messenger, his migration was for Allah and His Messenger, and he whose migration was to achieve some worldly benefit or take some woman in marriage, his migration was for that for which he migrated." (Al-Bukhari Vol. 1 Hadith I and Muslim Vol. 3 Hadith 4692)

3.. Deeds must be in accordance with the Qur'an and the Sunnah (Traditions of Prophet Muhammad ﷺ) Allah commands us to obey Him and His Messenger ﷺ:

"O you who believe! Obey Allah, and obey the Messenger (Muhammad) and render not vain your deeds." (Qur'an 47:33)

"If anyone desires a religion other than Islam (submission to God), never will it be accepted of him; and in the Hereafter he will be in the ranks of those who lost (all spiritual good)." (Qur'an 3:85)

The Truth

"But those who believe and do deeds of righteousness — We shall soon admit them to Gardens, with rivers flowing beneath,— to dwell therein forever. Allah's promise is the truth, and whose word can be truer than Allah's?" (Qur'an 4:122)

"O mankind! The Messenger has come to you in truth from Allah: believe in him: it is best for you..." (Qur'an 4:170)

"And that those on whom knowledge has been bestowed may learn that the Qur'an is the Truth from your Lord, and that they may believe therein, and their departure may be made humbly (open) to it: for verily Allah is the Guide of those who believe to the Straight Way." (Qur'an 22:54)

"On that Day Allah will pay them back (all) their just dues, and they realize that Allah is the (very) Truth, Who makes all things manifest." (Qur'an 24:25)

"It is He Who has sent His Messenger with Guidance and the Religion of Truth to make it prevail over all religions, even though the Pagans may detest it." (Qur'an 61:9)

(For other relevant Qur'anic verses, see: 10:94 and 13:19-24.)

Truthfulness

"O you who believe! Fear Allah and be with those who are truthful." (Qur'an 9:119)

"That Allah will reward the people of Truth for their Truth, and punish the Hypocrites if that be His Will, or turn to them in Mercy; for Allah is Oft-Forgiving, Most Merciful." (Qur'an 33:24)

"And he who brings the Truth and he who confirms (and supports) it—such are the men who do right. They shall have all that they wish for, with their Lord. Such is the reward of those who do good: so that Allah will remit from them (even) the worst in their deeds and give them their reward according to the best of what they have done." (Qur'an 39:33-35)

"And those who believe in Allah and His messengers they are the Truthful and the martyrs in the eyes of their Lord. They shall have their Reward and their Light. But those who reject Allah and deny Our Signs, they are the Companions of Hell-Fire." (Qur'an 57:19)

"Adhere to truth, for truth leads to good deeds and good deeds lead him who does them to paradise. If a man continues to speak the truth and makes truth his objective, he will be recorded in Allah's presence as eminently truthful. Avoid falsehood, for falsehood leads to wickedness and wickedness leads to hell. If a man continues to speak falsehood and makes falsehood his objective, he will be recorded in Allah's presence as a great liar." (Muslim Vol. 4 Hadith 6309)

Truthfulness versus Falsehood

Those who reject Allah and hinder (men) from the Path of Allah, their deeds will Allah bring to naught. But those who believe and work deeds of righteousness, and believe in the (Revelation) sent down to Muhammad for it is the Truth from their Lord, He will remove from them their ills and improve their condition. This is because those who reject Allah follow falsehood. While those who believe follow the Truth from their Lord: thus does Allah set forth for men their lessons by similitude. (Qur'an 47:1-3)

"Who does greater wrong than who forges falsehood against Allah, even as he is being invited to Islam? And Allah guides not those who do wrong." (Qur'an 61:7)

'Abdullah ☙ *narrated that the Prophet* ﷺ *said: "Truthfulness leads to Al-Birr (righteousness) and Al-Birr leads to Paradise. And a man keeps on telling the truth until he becomes a Siddiq (truthful person). Falsehood leads to Al-Fujur (i.e., wickedness, evil-doing), and Al-Fujur leads to the (Hell) Fire, and a man may keep on telling lies till he is written before Allah, a liar."* (Al-Bukhari Vol. 8 Hadith 116; Muslim Vol. 4 Hadith 6307-6310)

Remembrance of Allah

"O you who believe! Call in remembrance the favour of Allah unto you when certain men formed the design to stretch you out their hands against you, but (Allah) held back their hands from you: so fear Allah. And on Allah let Believers put (all) their trust." (Qur'an 5:11)

"O you who believe! Let not your riches or your children divert you from the remembrance of Allah. If any act thus, surely they are the losers." (Qur'an 63:9)

Abu Hurairah ☙ *narrated that the Prophet* ﷺ *said: "Allah will give shade to seven (types of people) under His Shade (on the Day of Resurrection). One of them will be a person who remembers Allah and his eyes are then flooded with tears."* (Al-Bukhari Vol. 8 Hadith 486)

"Abu Hurairah ☙ *reported Allah's Messenger* ﷺ *as saying that "Allah, the Exalted and Glorious, thus stated: 'I am near to the thought of My servant as he thinks about Me, and I am with him as he remembers Me. And if he remembers Me in his heart, I also remember him in My Heart. If he remembers Me in assembly I remember him in assembly, better than his (remembrance). If he draws near Me by the span of a palm, I draw near him by the cubit, and if he draws near Me by the cubit I draw near him by the space (covered by) two hands. And if he walks towards Me, I rush towards him.'"* (Muslim Vol. 4 Hadith 6471)

Trust in Allah

"... Then when you have taken a decision, put your trust in Allah. For Allah loves those who put their trust (in Him). If Allah helps you, none can overcome you. If He forsakes you, who is there, after that, that can help you? In Allah, then, let Believers put their trust." (Qur'an 3: 159-160)

"O you who believe! Call in remembrance the favor of Allah unto you when certain men formed the design to stretch out their hands against you, but (Allah) held their hands from you. So fear Allah. And on Allah let Believers put (all) their trust." (Qur'an 5:11)

"And He provides for him from (sources) he never could expect. And if any one puts his trust in Allah, sufficient is (Allah) for him. For Allah will surely accomplish His purpose. Verily, for all things has Allah appointed a due proportion." (Qur'an 65:3)

"For, Believers are those who, when Allah is mentioned, fell a tremor in their hearts, and when they hear His revelations rehearsed, find their faith strengthened, and put (all) their trust in their Lord." (Qur'an 8:2)

"And put your trust in Him Who lives and dies not; and celebrate His praise; and enough is He to be acquainted with the faults of His servants." (Qur'an 25:58)

Fear of Allah

"O you who believe! Fear Allah as He should be feared, and die not except in a state of Islam. And hold fast, all together, by the rope which Allah (stretches out for you), and be not divided among yourselves..." (Qur'an 3:102-103)

"And call in remembrance the favour of Allah unto you, and His Covenant, which He ratified with you, when you said: "We hear and we obey": and fear Allah, for Allah knows well the secrets of your departure." (Qur'an 5:7)

"O you who believe! Fear Allah, and let every soul look to what (provision) he has sent forth for the morrow. Yea, fear Allah for Allah is well-acquainted with (all) that you do." (Qur'an 59:18)

Love for Allah

"Yet there are men who take (for worship) others besides Allah, as equal (with Allah). They love them as they should love Allah. But those of Faith are overflowing in their love for Allah. If only the unrighteous could see, behold, they would see the Punishment: that to Allah belongs all power, and Allah will strongly enforce the Punishment." (Qur'an 2:165)

"Say (O Muhammad): 'If you do love Allah, follow me. Allah will love you and forgive you your sins: for Allah is Most Forgiving, Most Merciful.'" (Qur'an 3:31)

AnasBin Malik ﷺ narrated that a man asked the Prophet ﷺ about the Hour (i.e., Day of Judgement) saying, 'When will the Hour be?' The Prophet said: 'What have you prepared for it?' The man said: 'Nothing, except that I love Allah and His Messenger.' The Prophet ﷺ said: 'You will be with those whom you love.' We had never been so glad as we were upon hearing the saying of the Prophet, i.e., 'You will be with those whom you love.' Hence, I love the Prophet, Abu Bakr and Umar, and I hope that I will be with them though my deeds are not similar to theirs. (Al-Bukhari Vol. 5 Hadith 37)

Ubada bin. Samit ﷺ reported Allah's Messenger ﷺ as saying: "He who loves to meet Allah, Allah also loves to meet him, and he who dislikes to meet Allah, Allah also abhors to meet him." (Muslim Vol. 4 Hadith 6486)

Love is from Allah

Abu Hurairah ﷺ narrated that Allah's Messenger ﷺ said: "If Allah loves a person, He calls Gabriel saying: 'Allah loves so and so; O Gabriel love him.' And then Gabriel would love him, and then Gabriel would make an announcement among the residents of the Heaven, 'Allah loves so and so therefore you should love him also. So all the residents of the Heavens would love him, and then he is granted the pleasure of the people of the earth." (Al-Bukhari Vol. 8 Hadith 66)

Reward is from Allah

"And be steadfast in prayer and give Zakat: and whatever good you send forth for your souls before you, you shall find it with Allah: for Allah sees well all that you do." (*Qur'an* 2:110)

"Those who believe and do deeds of righteousness, and establish regular prayers and give zakat, will have their reward with their Lord. On them shall be no fear, nor shall they grieve." (Qur'an 2:277)

"Nor can a soul die except by Allah's leave, the term being fixed as by writing. If any do desire a reward in this life, We shall give it to him; and if any do desire a reward in the Hereafter, We shall give it to him. And swiftly shall We reward those that (serve us with) gratitude." (Qur'an 3:145)

"To those who believe and do deeds of righteousness has Allah promised forgiveness and a great reward." (Qur'an 5:9)

Punishment is from Allah

"As to those who reject Faith, I will punish them with severe chastisement in this world and in the Hereafter nor will they have anyone to help." (Qur'an 3:56)

"Those who purchase unbelief at the price of faith, —not the least harm will they do to Allah, but they will have a grievous punishment." (Qur'an 3:177)

"But those who disobey Allah and His Messenger and transgress His limits will be admitted to a Fire, to abide therein. And they shall have a humiliating punishment." (Qur'an 4:14)

Allah's Justice (Also See Day of Judgement)

"Allah is never unjust in the least degree. If there is any good (done), He doubles it, and gives from His Own self a great reward." (Qur'an 4:40)

"The Word of your Lord does find its fulfilment in truth and in justice. None can change His Words: for He is the One Who hears and knows all things." *(Qur'an* 6:115)

Guidance is From Allah

"It is not for you to guide them to the right path. But Allah guides to the right path whom He pleases. Whatever of good you give benefits your own souls, and you shall only do so seeking the "Face" of Allah. Whatever good you give, shall be rendered back to you, and you shall not be dealt with unjustly." (Qur'an 2:272)

"Say: 'Shall we call on others besides Allah, —things that can do us neither good nor harm and turn on our heels after receiving guidance from Allah? Like one whom the Satans have made into a fool wandering bewildered through the earth, his friends calling 'Come to us',(vainly) guiding him to the Path.' Say: 'Allah's guidance is the (only) guidance, and we have been directed to submit ourselves to the Lord of the worlds.'" (Qur'an 4:71)

"This is the Guidance of Allah. He gives that guidance to whom He pleases, of His servants if they were to join other gods with Him, all that they did would be vain for them." (Qur'an 6:88)

"Whom Allah does guide, he is on the right path. Whom He rejects from His guidance, such are the persons who lose." (Qur'an 7:178)

Friends of Allah

"Your (real) friends are (no less than) Allah, His Messenger, and the Believers— those who establish regular prayers and pay zakat and they bow down humbly (in worship). As to who turn (to friendship) to Allah, His Messenger, and the Believers, it is the party of Allah that must certainly triumph." (Qur'an 5:55-56)

"For my Protector is Allah, Who revealed the Book, and He will befriend the righteous." (Qur'an 7:196)

"This is the Day of your Lord, leading straight. We have detailed the Signs for those who receive admonition. For them will be a Home of Peace with their Lord. He will be their Friend, because they practised (righteousness)." (Qur'an 6:126-127)

"Behold! verily on the friends of Allah there is no fear, nor shall they grieve; those who believe and (constantly) guard against evil. For them are Glad Tidings, in the life of the Present and in the Hereafter. No change can there be in the Words of Allah. This is indeed the supreme Triumph." (Qur'an 10:62-63)

Enmity to Satan: The Accursed

"O you people! ...Do not follow the footsteps of Satan for he is to you an avowed enemy. For he commands you what is evil and shameful, and that you should say of Allah that of which you have no knowledge." (Qur'an 2:168-169)

"Satan threatens you with poverty and bids you to conduct unseemly. Allah promises you His forgiveness and bounties. And Allah cares for all and He know all things." (Qur'an 2:268)

"Whoever forsaking Allah, takes Satan for a friend, has of a surety suffered a loss that is manifest. Satan makes them promises, and creates in them false desires; but Satan's promises are nothing but deception. They (his dupes) will have their dwelling in Hell, and from it they will find no way of escape." (Qur'an 4:119-121)

"If a suggestion from Satan assail your (mind), seek refuge with Allah; for He hears and knows (all things). Those who fear Allah, when a thought of evil from Satan assaults them, bring Allah to remembrance, when Loa! they see (aright)!" (Qur'an 7: 200-201)

"Remember Satan made their (sinful) acts seem alluring to them, and said: 'No one among men can overcome you this day, while I am near to you.' But when the two forces came in sight of each other, he turned on his heels and said: 'Lo! I am clear of you. Lo! I see what you see not; Lo! I fear Allah, for Allah is strict in punishment.'" (Qur'an 8:48)

"O you children of Adam! Let not Satan seduce you, in the same manner as he got your parents out of the garden, stripping them of their raiment, to expose their shame: for he and his tribe see you from a position where you cannot see them: We made the Satan's friends (only) to those without Faith.." (Qur'an 7:27)

"... For Satan is to man an avowed enemy!" (Qur'an 12:5)

"When you read the Qur'an seek Allah's protection from Satan the Rejected One. No authority has he over those who believe and put their trust in their Lord. His authority is over those only, who take him as patron and who join partners with Allah." (Qur'an 16:98-100)

"O you who believe follow not Satan's footsteps. If any will follow the footsteps of Satan, he will (but) command what is shameful and wrong: and were it not for the grace and mercy of Allah on you, not one of you would ever have been pure: but Allah does purify whom He pleases: and Allah is One Who hears and knows (all things)." (Qur'an 24: 21)

"Verily Satan is an enemy to you: so treat him as an enemy. He only invites his adherents, that they may become companions of the Blazing Fire." (Qur'an 35: 6)

"Did I not enjoin on you O children of Adam, that you should not worship Satan; for that he was to you an enemy avowed? And that you should worship Me, for that this was the Straight Way? But he did lead astray a great multitude of you. Did you not, then, understand? " (Qur'an 36:60-62)

"And if (at any time) an incitement to discord is made to you by the Satan, seek refuge in Allah. He is the One Who hears and knows all things." (Qur'an 41:36)

Uthman bin Abu Al-As ﷺ reported that he came to Allah's Messenger ﷺ and said: "Allah's Messenger, the Satan intervenes between me and my prayer and my reciting of the Qur'an and he confounds me." Thereupon Allah's Messenger ﷺ said: "That is (the doing of the Satan) who is known as Khinzab, and when you perceive its effect, seek refuge with Allah from it and spit three times to your left." I did that and Allah dispelled that from me. (Muslim Vol. 3 Hadith 5463)

Friends of Satan

"About whom (Satan) it is decreed that whoever turns to him for friendship, him will he lead astray, and he will guide him to the Chastisement of the Fire." (Qur'an 22:4)

Cleanliness

O you who believe! When you prepare for prayer, wash your faces, and your hands (and arms) to the elbows; rub your heads (with water); and (wash) your feet to the ankles. If you are in a state of ceremonial impurity, bathe your whole body. But if you are ill, or on a journey, or one of you comes from the privy or you have been in contact with women, and you find no water, then take for yourselves clean sand (or earth), and rub therewith your faces and hands. Allah does not wish to place you in a difficulty, but to make you clean, and to complete His favour to you that you may be grateful. (Qur'an 5:6)

"That this is indeed a Qur'an most honourable, in a Book well-guarded, which none shall touch but those who are clean: a Revelation from the Lord of the Worlds." (Qur'an 56:79)

Abu Hurairah ﷺ narrated that Allah's Messenger ﷺ said: "The salat (prayer) of a person who does ahdath (passes urine, stool or wind) is not accepted till he performs (repeats) the ablution." A person from Hadramout asked Abu Hurairah ﷺ "What is ahdath? Abu Hurairah ﷺ replied, "Ahdath means the passing of wind from the anus." (Al-Bukhari Vol. 1 Hadith 137)

(Narrated Humran, the slave of Uthman ﷺ): "I saw Uthman bin Affan ﷺ asking for a tumbler of water, (and when it was brought) he poured water over his hands and washed them thrice and then put his right hand in the water container and rinsed his mouth, washed his nose by putting water in it and then blowing it out. Then he washed his face and forearms up to the elbows thrice, passed his wet hands over his head and washed his feet up to the ankles thrice. Then he said: 'Allah's Messenger said 'If anyone performs ablution like that of mine and offers a two Rak'at Salat (prayer) during which he does not think of anything else then his past sins will be forgiven.' " (Al-Bukhari Vol. 1 Hadith161)

Abu Said AL-Khudri ﷺ narrated that "Allah's Messenger ﷺ said: "The taking of a bath on Friday is compulsory for every (Muslim) who has attained the age of puberty." (Al-Bukhari Vol. 2 Hadith 4)

Salman Al-Farisi ﷺ narrated that Allah's Messenger ﷺ said: "Anyone who takes a bath on Friday and cleans himself as much as he can and puts oil (on his hair) or scents himself; and then proceeds for the prayer and does not force his way between two persons (assembled in the mosque for the Friday prayer); and prays as much as is written for him and remains quiet when the Imam delivers the Khutba, all his sins in between the present and the last Friday will be forgiven." (Al-Bukhari Vol. 2 Hadith 33)

Um 'Atiyya al-Ansariya ﷺ narrated: "Allah's Messenger came to us when his daughter died and said: 'Wash her thrice or five time or more, if you see it necessary, with water and sidr and then apply camphor or some camphor at the end; and when you finish, notify me.' So when we finished it, we informed him and he gave us his waist-sheet and told us to shroud the dead body in it." (Al-Bukhari Vol. 2 Hadith 344)

Salat (Prayers)

"I have created not the jinn and men except that they should worship Me (Alone). I seek not any provision from them nor do I ask that they should feed Me. Verily, Allah is the All-Provider, Owner of Power, Most Strong." (Qur'an 51:56-58)

"Verily, I am Allah: There is no god but I: so serve you Me (only), and establish regular prayer for My remembrance." (Qur'an 20:14)

"So glorify the praises of your God and be of those who prostrate themselves (to Him). And worship your God until there comes unto you the Hour that is certain (i.e., death)." (Qur'an 15:98-99)

"Recite what is sent of the Book by inspiration to you, and establish regular prayer: for prayer restrains from shameful and evil deeds; and remembrance of Allah is the greatest (thing in life) without doubt. And Allah knows the (deeds) that you do." (Qur'an 29:45)

Abdullah bin Umar ﷺ narrated that Allah's Messenger ﷺ said: "The Salat (prayer) in congregation is twenty seven times superior in degrees to the Salat (prayer) offered by a person alone." (Al-Bukhari Vol. 1 Hadith 618)

(For other relevant Qur'anic verse and Hadith, see: 23: 1-11 and Al-Bukhari Vol. 1 Hadith 506.)

Salah (Prayer) on Time

"When you have performed the prayers, remember Allah, standing, sitting down, or lying down on your sides. But when you are free from danger, set up regular prayers: for such prayers are enjoined on believers at stated times." (Qur'an 4:103)

Abdullah bin Mas'ud ﷺ narrated: "I asked the Prophet ﷺ which deed is the dearest to Allah?" He ﷺ replied, "To offer salaat (the prayers) at their early fixed times." I asked, "What is the next (in goodness)?" He replied, "To be good and dutiful to your parents." I again asked, "What is the next (in goodness)?" He replied, "To participate in jihad (religious fighting) in Allah's Cause." (Al-Bukhari VoL. 1 Hadith 505)

"Almighty Allah said: 'I have made five times prayer obligatory on your people and I made covenant that if anyone observes them regularly at their right times, I shall admit him to paradise. If anyone does not observe them regularly, there is no such guarantee of Mine for him.'" (Abu Daud Vol. 1 Hadith 403)

Some Supplications

"In the Name of Allah, Most Gracious, Most Merciful. Praise be to Allah the Cherisher and Sustainer of the Worlds: Most Gracious, Most Merciful; Master of the Day of Judgement. You do we worship, and Your aid we seek. Show us the straight way, the way of those on whom You have bestowed Your Grace, those whose (portion) are not wrath. And who go not astray". (Qur'an 1:1-7)

"Our Lord! We have indeed believed: forgive us, then, our sins, and save us from the agony of the Fire." (Qur'an 3:16)

"Our Lord! Send us not to the company of the wrong-doers." (Qur'an 7:47)

"O my Lord! Bestow on them (my parents) Your Mercy even as they cherished me in childhood." (Qur'an 17:24)

"O my Lord! Expand me my breast; ease my task for me; and remove the impediment from my speech, so they may understand what I say." (Qur'an 20:25-28)

"O my Lord! Increase me in knowledge." (Qur'an 20:114)

"O my Lord! Bestow wisdom on me, and join me with the righteous; grant me honourable mention on the tongue of truth among the latest (generations); make me one of the inheritors of the Garden of Bliss" (Qur'an 26:83-84)

"O my Lord! Help me against people who do mischief!" (Qur'an 29:30)

"O my Lord! Grant me that I may be grateful for Your favour which You have bestowed upon me, and upon both my parents, and that I may work righteousness such as You may approve and be gracious to You and truly do I submit (to You) in Islam." (Qur'an 46:15)

(For other relevant Qur'anic verses, see: 3:8-9, 3:147, 7:126, and 59:10.)

'Anas bin Malik ﷺ reported that Allah's Messenger ﷺ used to say: "O Allah, I seek refuge in You from incapacity, from indolence, from cowardice, from senility, from miserliness, and I seek refuge in You from the torment of the grave and from the trial of the life and death." (Muslim Vol. 4 Hadith 6535)

Abdullah ﷺ reported that Allah's Messenger ﷺ used to supplicate (in these words); "O Allah I beg of You the right guidance, safeguard against evils, chastity and freedom from want." (Muslim Vol. 4 Hadith 6566)

Zaid bin Arqam ﷺ reported: "I am not going to say anything but only that which Allah's Messenger ﷺ used to say. He used to supplicate: 'O Allah, I seek refuge in You from incapacity, from sloth, from cowardice, from miserliness, decrepitude and from the torment of the grave. O Allah, grant to my soul the sense of righteousness and purify it, for You are the Best to Purifier thereof. You are the Protecting Friend thereof, and Guardian thereof. O Allah I seek refuge in You from the knowledge which does not benefit, from the heart that does not entertain the fear (of Allah), from the soul that does not feel contented and the supplication that is not responded.'" (Muslim Vol. 4 Hadith 6568)

Zakat/Charity

"Those who (in charity) spend of their goods by night and by day, in secret and in public have their reward with their Lord. On them shall be no fear nor shall they grieve." (Qur'an 2:274)

"Successful indeed are the Believers, those ... who are active in giving zakaah ... these will inherit Paradise. They will dwell therein (forever)." (Qur'an 23:1-4, 10-11)

"Those who establish regular prayer, and give zakaah and have sure faith in the Hereafter. These are on (true) guidance from their Creator; and these are the ones who will prosper." (Qur'an 31:4-5)

"And spend something (in charity) out of the substance which We have bestowed on you, before Death should come to any of you and he should say, 'O my Lord! Why do you not give me respite for a little while? I would have then given (largely) in charity, and I should have been one of the doers of good.'" (Qur'an 63:10)

Abu Hurairah ﷺ *narrated that a man came to the Prophet* ﷺ *and asked, "O Allah's Messenger which charity is the most superior in reward?" He replied, "The charity which you practice while you are healthy, niggardly and afraid of poverty and wish to become wealthy. Do not delay it to the time of approaching death and then say, 'Give so much to such and such, and so much to such and such.' (And it has already belonged to such and such (his heirs)."* (Al-Bukhari Vol. 2 Hadith 500)

Abu Musa ﷺ *narrated that the Prophet* ﷺ *said: "Every Muslim has to give in charity," The people asked, "O Allah's Prophet! If someone has nothing to give, what will he do?" He said: "He should work with his hands and benefit himself and also give in charity (from what he earns)." The people further asked, "If he cannot do even that?" He replied, "Then he should help the needy who appeal for help." Then the people asked, "If he cannot do that?" He replied, "Then he should perform all that is good and keep away from all that is evil and this will be regarded as charitable deeds."* (Al-Bukhari Vol. 2 Hadith 524)

(For other relevant Qur'anic verses and Ahadith, see: Qur'an 2:270-271, 2:273, 32:15-19, Al-Bukhari Vol. 2 Hadith 478 and Vol. 2 Hadith 492.)

Spending in Allah's Cause

'Abdullah ﷺ *narrated that the Prophet* ﷺ *said: "Who among you considers the wealth of his heirs dearer to him than his own wealth?" They replied, "O Allah's Messenger! There is none among us but loves his own wealth more." The Prophet said: "So his wealth is whatever he spends (in Allah's cause) during his life (on good deeds) while the wealth of his heirs is whatever he leaves after his death."* (Al-Bukhari Vol. 8 Hadith 449)

Sawm (Fasting)

"O you who believe! Fasting is prescribed to you as it was prescribed to those before you, that you may (learn) self-restraint." (Qur'an 2:184)

"Ramadan is the (month) in which was sent down the Qur'an as a guide to mankind, also clear (Signs) for guidance and judgment (between right and wrong). So every one of you who is present (at his home) during that month should spend it in fasting.... and to glorify Him in that He has guided you; and perchance you shall be grateful." (Qur'an 2:185)

The Prophet ﷺ *said: "Sawm (fasting) is a shield (or a screen or a shelter from the Hell-fire). So, the person observing sawm (fast) should avoid sexual relation with his wife and should not behave foolishly and impudently, and if somebody fights with him or abuses him, he should say to him twice, 'I am observing sawm (fast).' The Prophet* ﷺ *added, "By Him in Whose Hands my soul is, the smell coming out from the mouth of a person observing sawm (fast) is better with Allah than the smell of musk." (Allah says about the fasting person,) "He has left his food, drink and desires for My sake. The sawm (fast) is for Me. So I will reward (the fasting person) for it and the reward of good deeds is multiplied ten times."* (Al-Bukhari Vol. 3 Hadith 118)

Ibn Abbas ﷺ *narrated that the Prophet* ﷺ *was the most generous among the people, and he used to be more so in the month of Ramadan...* (Al-Bukhari Vol. 3 Hadith 126)

Abu Hurairah ﷺ *narrated that the Prophet* ﷺ *said: "Whoever does not give up false words and evil actions, Allah is not in need of his leaving his food and drink."* (Al-Bukhari Vol. 3 Hadith 127)

According to the Prophet ﷺ *Allah says: "All the deeds of Adam's sons (people) are for them, except sawm (fasting) which is for Me, and I will give reward for it. There are two pleasures for the person observing sawm (fast), one at the time of iftar [breaking his sawm (fast)], and the other at the time when he will meet his Creator; then he will be pleased because of his sawm (fasting). "* (Al-Bukhari Vol. 3 Hadith 128)

Pilgrimage/Hajj

"For Hajj are the months well known. If any one undertakes that duty therein, let there be no obscenity, nor wickedness, nor wrangling in the Hajj. And whatever good you do, (be sure) Allah knows it and take a provision (with you) for the journey, but the best of provisions is right conduct. So fear Me, o you that are wise." (Qur'an 2:197)

"He who came to this House (the Ka'bah) (with the intention in performing Hajj) without speaking or committing indecencies, would return (free from sin) as on the day his mother bore him." (Muslim Vol. 2 Hadith 3129)

Abu Hurairah ﷺ narrated that the Prophet ﷺ said: "Whoever perform hajj for Allah's sake only and does not have sexual relations with his wife, and does not do evil or sins then he will return (after Hajj free from all sins) as if he were born anew." (Al-Bukhari Vol. 2 Hadith 596)

'Eid Holidays (*Ramadan and Hajj*)

Al-Bara' bin Azib ﷺ narrated: "I heard Allah's Messenger delivering the Khutba (religious talk). He said: 'The first (thing) to do on this day is to offer the Salat (prayer) and on returning (from the prayer) we slaughter our sacrifices (animal); and whoever did this he acted on our Sunnah (legal way).'" (Al-Bukhari Vol. 2 Hadith 75)

Abu Bakra ﷺ narrated that the Prophet ﷺ said: "The two months of 'Eid i.e., Ramadan and Dhul Hijja do not decrease (in superiority)." (Al-Bukhari Volume 3 Hadith 136)

(For other relevant Hadith, see: Al-Bukhari Volume 3 Hadith 87.)

Belief in the Angels

"Behold, two (guardian angels) appointed to learn (his doings) learn (and note them), one setting on the right and one on the left Not a word does he utter but a vigilant Guardian." (Qur'an 50:16-17)

Belief in *Qadr* (Destiny)

"Whatever good, (O man!) happens to you is from Allah; but whatever evil happens to you is from yourself. And We have sent you (O Muhammad) to (instruct) mankind. And enough is Allah for a witness." (Qur'an 4:79)

"And verily your Lord knows all that their hearts do hide, as well as that they reveal. And there is nothing hidden in heaven or earth but is (recorded) in a clear record." (Qur'an 27:74-75)

"No misfortune can happen on earth or in your souls but is recorded in a decree before We bring it into existence: that is truly easy for Allah in order that you may not despair over matters that pass you by nor exult over favours bestowed upon you. For Allah loves not any vainglorious boaster." (Qur'an 57:22-23)

Righteousness

It is not righteousness that you turn your faces toward East or West; but it is righteousness to believe in Allah and the Last Day, and the Angels, and the Book, and the Messengers; to spend of your substance, out of love for Him, for your kin, for orphans, for the needy, for the wayfarer, for those who ask, and for the ransom of slaves; to be steadfast in prayer, and practice regular charity; to fulfil the contracts which you have made; and to be firm and patient, in pain (or suffering) and adversity, and throughout all periods of panic. Such are the people of truth, the God-fearing. (Qur'an 2:177)

"By no means shall you attain righteousness unless you give (freely) of that which you love; and whatever you give, Allah knows it well." (Qur'an 3:92)

"... Help one another in righteousness and piety but help not one another in sin and rancor. Fear Allah for Allah is strict in punishment." (Qur'an 5:2).

Except those who repent and believe, and work righteousness: for these will enter the Garden and will not be wronged in the least Gardens of Eternity, those which (Allah) Most Gracious has promised to His servants in the Unseen: for His promise must (necessarily) come to pass. They will not there hear any vain discourse, but only salutations of Peace. And they will have therein their sustenance, morning and evening. Such is the Garden which We give as an inheritance to those of Our Servants who guard against evil. (Qur'an 19:60-63)

"O mankind! We created you from a single (pair) of a male and a female, and made you into nations and tribes, that you may know each other (not that you may despise each other). Verily the most honoured of you in the sight of Allah is (he who is) the most righteous of you. And Allah has full knowledge and is well acquainted (with all things)." (Qur'an 49:13)

Good Deeds in Islam

Abdullah bin Amr ﷺ narrated that a man asked the Prophet ﷺ, "Whose Islam is good or what sort of deeds (or what qualities) of Islam are good." The Prophet ﷺ replied, "To feed (others) and to greet those whom you know and those whom you do not know." (Al-Bukhari Vol. 1 Hadith 11; 8:253 and Muslim Vol. 1 Hadith 63)

'Aishah ﷺ narrated that "The most beloved action to Allah's Messenger ﷺ was that whose doer did it continuously and regularly." (Al-Bukhari Vol. 8 Hadith. 469)

'Aishah ﷺ narrated that the Prophet ﷺ was asked. "What deeds are loved most by Allah?" He said: "The most regular constant deeds even though they may be few." He added, "Don't take upon yourselves, except the deeds which are within your ability." (Al-Bukhari Vol. 8 Hadith. 472)

'Aishah ﷺ narrated that the Prophet ﷺ said: "Do good deeds properly, sincerely and moderately, and receive good news because one's good deeds will not make him enter Paradise." They asked, "Even you, O Allah's Messenger?", He said: "Even I, unless and until Allah bestows His pardon and His Mercy on me." (Al-Bukhari Vol. 8 Hadith 474)

Best Manner/Character

'Abdullah bin 'Amr ﷺ narrated that the Prophet ﷺ never used bad language. He used to say: "The best amongst you are those who have the best manners and character." (Al-Bukhari Vol. 4 Hadith 759)

'Abdullah bin 'Amr ﷺ narrated that the Prophet ﷺ Allah's Messenger ﷺ neither talked in an insulting manner nor did he ever speak evil intentionally. He used to say, "The most beloved to me amongst you is the one who has the best character and manners." (Al-Bukhari Vol. 5 Hadith 104)

"Verily Allah is kind and He loves kindness and confers kindness which he does not confer upon severity and does not confer upon anything else besides it (kindness)." (Muslim Vol. 4 Hadith 6273)

"Kindness is not to be found in anything but that it adds to its beauty and it is not withdrawn from anything but it makes it defective." (Muslim Vol. 4 Hadith 6274)

Some Good Conducts/Manners:

"Those that turn (to Allah) in repentance; that serve Him, and praise Him; that wander in devotion for the Cause of Allah; that bow down and prostrate themselves in prayer; that enjoin good and forbid evil; and observe the limits set by Allah, — (these do rejoice. So proclaim the glad tidings to the Believers." (Qur'an 9:112)

Sahl bin Sa'd ﷺ narrated that Allah's Messenger ﷺ said: "Whoever can guarantee (the chastity of) what is between his two jaw-bones and what is between his two legs (i.e., his tongue and his private parts), I guarantee Paradise for him." (i.e., Whoever protects his tongue from illegal talk e.g. to tell lies or backbiting, etc., and his private parts from illegal sexual acts (Al-Bukhari Vol.8 Hadith 481)

Abu Hurairah ﷺ reported Allah's Messenger ﷺ as saying: "Charity does not in any way decrease the wealth and the servant who forgives, Allah adds to his respect; and the one who shows humility, Allah elevates him in the estimation (of the people)." (Muslim Vol. 4 Hadith 6264)

Muawiya bin Suwaid ﷺ narrated: "I heard Al-Bara bin 'Azib saying, 'The Prophet ﷺ ordered us to do seven things and prohibited us from doing seven other things." Then Al-Bara mentioned the following: 1. to pay a visit to the sick (inquiring about his health), 2. to follow funeral processions, 3. to say to a sneezer, "May Allah be merciful to you" (if he says, "Praise be to Allah!"), 4. to return greetings, 5. to help the oppressed, 6. to accept invitations, (and) 7. to help others to fulfil their oaths.'" (Al-Bukhari Vol. 3 Hadith 625)

'Aishah ﷺ narrated: "Whenever Allah's Messenger ﷺ was given a choice of one or two matters, he would choose the easier of the two, as long as it was not sinful to do so, but if it was sinful to do so, he would not approach it. Allah's Messenger never took revenge (over anybody) for his own sake but (he did) only when Allah's Legal Bindings were outraged in which case he would take revenge for Allah's Sake." (Al-Bukhari Vol. 4 Hadith 760)

The Prophet ﷺ says: "Allah will give shade to seven (types of persons), on the Day when there would be no shade but His. (These types of persons are) 1. A just ruler, 2. A thought who has been brought up in the worship of Allah (i.e., worships Allah Alone sincerely from his childhood), 3. A person whose heart is attached to the mosque (i.e., who offers the five compulsory congregational salaat (prayers) in the mosques), 4. Two persons who love each other only for Allah's sake and they meet and part for Allah's Cause only, 5. A man who refuses the call of a charming woman of a noble birth for illegal sexual intercourse with her and says: 'I am afraid of Allah.', 6. A person who gives charitable gifts so secretly that his left hand does not know what his right hand has given (i.e., nobody knows how much he has given in charity), and 7. A person who remembers Allah in seclusion and his eyes become flooded with tears." (Al-Bukhari Vol. 1 Hadith 629)

Abu Musa reported Allah's Messenger ﷺ as saying: "The similitude of good company and that of bad company is that of the owner of musk and of the one (iron-smith) iron blowing bellows. And the owner of musk would either offer you free of charge or you would buy it from him or you would smell its pleasant odour. And so far as one who blows the bellows is concerned, he would either burn your clothes or you shall have to smell its repugnant smell." (Muslim Vol. 4 Hadith 6361)

Abu Dharr reported that Allah's Messenger ﷺ said to me: "Do not consider anything insignificant out of good things even if it is (only) that you meet your brother with a cheerful countenance." (Muslim Vol. 4 Hadith 6359)

Some Forbidden Conducts:

"...For Allah loves not the arrogant, the vainglorious, (nor) those who are niggardly, enjoin niggardliness on others, hide the bounties which Allah has bestowed on them; for We have prepared, for those who resist Faith, a punishment that steeps them in contempt; nor those who spend of their substance, to be seen of men, and have no faith in Allah and the Last Day. If any take the Satan for their intimate, what a dreadful intimate he is!" (Qur'an 4:36-38)

"And be not like those who forgot Allah; and He made them forget themselves! Such are the rebellious transgressors!" (Qur'an 8:19)

"Allah... forbids all indecent deeds, and evil and rebellion. He instructs you, that you may receive

admonition." (Qur'an 16:90)

"...And seek not (occasions for) mischief in the land: for Allah loves not those who do mischief." (Qur'an 28:77)

"Those who slander chaste, indiscreet and believing women are cursed in this life and in the Hereafter. For them is a grievous Chastisement." (Qur'an 24:23)

"And swell not your cheek (for pride) at men. Nor walk in insolence through the earth: for Allah loves not any arrogant boaster." (Qur'an 31:18)

"O You who believe! Let not some men among you laugh at others. It may be that the (latter) are better than the (former). Nor let some women laugh at others: It may be that the (latter) are better than the (former). Nor defame not be sarcastic to each other, nor call each other by (offensive) nicknames. Ill-seeming is a name connoting wickedness, (to be used of one) after he has believed. And those who do not desist are (indeed) doing wrong." (Qur'an 49:11)

"O You who believe! Avoid suspicion as much (as possible): for suspicion in some cases is a sin. And spy not one each other behind their backs. Would any of you like to eat the flesh of his dead brother? Nay, you would abhor it... But fear Allah: for Allah is Most Returning, Most merciful." (Qur'an 49: 12)

"Obey not every mean swearer, a slanderer, going about with calumnies, (habitually) hindering (all) good), transgressing beyond bounds, deep in sin, violent (and cruel), with all that of a doubtful birth, because he possesses wealth and (numerous) sons. Woe to him are rehearsed Our Signs, "Tales of the Ancients", he cries! Soon shall We brand (the beast) on the snout!" (Qur'an 68:10-16)

Anas bin Malik narrated that the Prophet said: "Whenever anyone of you is in prayer, he is speaking in private to his Lord and so he should neither spit in front of him nor on his right side but to his left side under his left foot." (Al-Bukhari Vol. 2 Hadith 305)

Ibn Abbas narrated that the Prophet said: "One who takes back his gift which he has already given) is like a dog that swallows its vomit." (Al-Bukhari Vol. 3 Hadith 762)

Al-Bara bin 'Azib narrated that the Prophet forbade us (men) to use seven things. He forbade using gold rings, silk, Istabraq (kind of silk), Dibaj (also silk), red Mayathir (luxurious cushions), Al-Qassiy (garments decorated with silk), and silver utensils..." (Al-Bukhari Vol. 7 Hadith 753)

Al-Mughira narrated that the Prophet said: "Allah has forbidden you to be undutiful to your mothers, to withhold (what you should give) or demand (what you do not deserve), and to bury your daughters alive. And Allah has disliked that you talk too much about others, ask too many questions (in religion), or waste your property." (Al-Bukhari Vol. 8 Hadith 6)

'Aishah narrated that the Prophet said: "The most hated person in the sight of Allah is the most quarrelsome person." (Al-Bukhari Vol. 8 Hadith 637)

Abu Hurairah narrated that the Prophet said: "Beware of suspicion, for suspicion is the worst of false tales. Do not look for the others' faults and do not spy, and do not be jealous of one another. Do not desert (cut your relation with) one another. Do not hate one another. And O Allah's worshippers! Be brothers (as Allah has ordered you!)" (Al-Bukhari Vol. 8 Hadith 90 and Muslim 4:6214-6218)

Abu Ayub Al-Ansari narrated that Allah's Messenger said: "It is not lawful for a man to desert his brother (Muslim) for more than three nights. (It is unlawful for them that) when they meet, one of them turns away his face from the other, and the other turns his face from the former, and the better of the two will be the one who greets the other first." (Al-Bukhari Vol. 8 Hadith:100)

Abu Hurairah narrated that Allah's Messenger said: "The strong is not the one who overcomes the people by his strength, but the strong is the one who controls himself while in anger." (Al-Bukhari Vol. 8 Hadith 135 and Muslim 4:6311-6314)

Abu Hurairah narrated that a man said to the Prophet "Advise me!" The Prophet said: "Do not be angry and furious." The man asked (the same) again and again, and the Prophet said in each case, "Do not be angry and furious." (Al-Bukhari Vol. 8 Hadith 137)

Abu Hurairah narrated that the Prophet said: "If somebody fights (or beats somebody) then he should avoid the face." (Al-Bukhari 3:734 and Muslim Vol. 4 Hadith 6321)

Abu Mas'ud narrated that the Prophet said: "One of the sayings of the early Prophets which the people have got is: 'If you don't feel ashamed, then do whatever you like.'" (Al-Bukhari Vol. 8 Hadith 141)

Abu Hurairah narrated that the Prophet said: "A believer is not stung twice (by something) of one and the same hole." (Al-Bukhari Vol. 8 Hadith 154)

Abu Hurairah narrated that Allah's Messenger as saying: "Do you know what is backbiting?" They (the Companions) said: "Allah and His Messenger know best." Thereupon he said: "Backbiting implies your talking about your brother in a manner which he does not like." It was said to him: "What is your opinion about this that if I actually find (that failing) in my brother which I made mention of?" He said: "If (that failing) is actually found (in him) what you assert, you in fact, backbite him, and if that is not it is a slander." (Muslim Vol. 4Hadith 6265)

Abu Hurairah reported Allah's Messenger as saying: "The worst amongst the people is the double-faced one; he comes to some people with one face and to others with the other face." (Muslim Vol. 4 Hadith 6300, see also 6301-6302)

Ibn Umar reported Allah's Messenger as saying: "No person should ask another person to stand at his place and then he should himself sit there, but he should simply say: 'Make room and accommodate.'" (Muslim Vol. 3 Hadith5409)

Allah's Messenger said: "It is not legal for a woman who believes in Allah and the Last Day to mourn for more than three days for any dead person except her husband, for whom she should mourn for four months and ten days." (Al-Bukhari Vol. 2 Hadith 370)

Ibn 'Abbas narrated that the Prophet cursed effeminate men (those men who are in the similitude (assume the manners) of women and those women who assume the manners of men) and he said: "Turn them out of your houses." The Prophet turned out such and such man, and Umar turned out such and such woman. (Al-Bukhari Vol. 7 Hadith 774)

(For other relevant Ahadith, see: Muslim Vol. 4 Hadith 6351, Muslim Vol. 3, Hadith 4813 and Hadith 5237.)

Some Major Sins:

"The Hypocrites, men and women, are alike. They enjoin evil, and forbid what is just, and tighten their purse's strings. They have forgotten Allah: so He has forgotten them. Verily the Hypocrites are rebellious and perverse. Allah has promised the Hypocrites men and women and the rejecters of Faith, the fire of Hell. Therein shall they dwell. Sufficient is it for them. For them is the curse of Allah and an enduring punishment." (Qur'an 9:68-69)

'Ubada bin As-Samit narrated that Allah's Messenger said while a group of his companions were around him, "Give me the Bai'a (pledge) for: 1. Not to join anything in worship along with Allah, 2. not to steal, 3. not to commit illegal sexual intercourse, 4. not to kill your children, 5. not to utter slander intentionally forging falsehood, 6. not to be disobedient (when ordered to do all good deeds) (The Prophet added): "Whoever amongst you fulfils his pledge will be rewarded by Allah and whoever indulges in anyone of these (sins) gets the punishment in this world, that punishment will be an expiation for that sin. And if one indulges in any of them, and Allah conceals (his sin), it is up to Him to forgive or punish him (in the Hereafter)." (Al-Bukhari Vol. 1 Hadith 17)

'Abdullah bin Amr narrated that the Prophet said: "Whoever has (these) four qualities is a hypocrite, and whoever has any one of them has one quality of hypocrisy until he gives it up. These are: whenever he talks, he tells a lie; whenever he makes a promise, he breaks it; whenever he makes a covenant, he proves treacherous; and whenever he quarrels, he behaves impudently in an evil insulting manner." (Al-Bukhari Vol. 3 Hadith 639)

Anas bin Malik narrated from the Messenger about the major sins. He (the Prophet) said... Associating anyone with Allah, disobedience to parents, killing a person and false utterance. (Muslim Vol. 1 Hadith 159)

Abu Hurairah narrated that the Prophet said: "The signs of a hypocrite are three: 1. Whenever he speaks, he tells a lie. 2. Whenever he promises, he always breaks it (his promise). 3. If you trust him, he proves to be dishonest. (If you keep something as a trust with him, he will not return it." (Al-Bukhari Vol. 1 Hadith 32)

Wathila bin Al-Asqa narrated that Allah's Messenger said: "Verily, one of the worst lies is to claim falsely to be the son of someone other than one's real father, or to claim to have had a dream one has not had, or to attribute to me what I have not said.." (Al-Bukhari Vol. 4 Hadith 712)

Abu Bakra narrated that Allah's Messenger said: "Shall I not inform you of the biggest of the great sins? We said: "Yes, O Allah's Messenger." He said "To join partners in worship with Allah; to be undutiful to one's parents." The Prophet sat up after he had been reclining and added, "And I warn you against giving forged statement and a false witness; I warn you against giving forged statement and a false witness." The Prophet kept on saying that warning till we thought that he would not stop." (Al-Bukhari Vol. 8 Hadith 7)

Abdullah bin Mas'ud narrated that Allah's Messenger said: "He who has in his heart the weight of a mustard seed of pride shall not enter Paradise. A person (amongst his hearers) said: Verily a person loves that his dress should be fine, and his shoes should be fine. He (the Prophet) remarked: Verily Allah is Graceful and He loves Grace. Pride is disdaining the truth (out of self-conceit) and contempt for the people." (Muslim Vol. 1 Hadith 164)

Abdullah bin Umar narrated that Allah's Messenger said: "He who took arms against us is not of us." (Muslim Vol. 1 Hadith 179)

Abdullah bin Mas'ud reported on the authority of his father that Allah's Messenger said: "He who deliberately attributes a lie to me, let him seek his abode in the Hell-fire." (Ibn Majah Vol. 1 Hadith 30)

(For other relevant Qur'anic verses and Ahadith, see: (Also 4:142, 145, 8:49, 33:48, 48:6, Al-Bukhari Vol. 4 Hadith 711, Al-Bukhari Vol. 8 Hadith 82, Muslim Vol. 1 Hadith189, and Muslim Vol. 3 Hadith 5193.)

Good versus Evil

"Whatever good, (O man!) happens to you is from Allah. But whatever evil happens to you is from yourself and We have sent you (O Muhammad) as a Messenger to (instruct) mankind. And enough is Allah for a witness." (Qur'an 4:79)

"Whoever intercedes in a good cause becomes a partner therein. And whoever recommends and helps an evil cause, shares in its burden. And Allah has power over all things." (Qur'an 4:85)

"Say: 'Not equal are things that are bad and things that are good, even though the abundance of the bad may dazzle you. So fear Allah, O you that understand; so that you may prosper.'" (Qur'an 5:100)

It is narrated on the authority of Abu Hurairah ﷺ that the Messenger of Allah said: "The Great and the Glorious Lord said (to angels): 'Whenever My bondsman intends to commit an evil, do not record it against him, but if he actually commits it, then write it as one evil. And when he intends to do good but does not do it, then take it down as one act of goodness, but if he does it, then write down ten good deeds (in his record).'" (Muslim Vol. 1 Hadith 233)

(For other relevant Qur'anic verses, see: 4:149 and 40:58.)

Virtue versus Vice

Nawwas bin Sim'an Al-Ansari ﷺ reported: "I asked Allah's Messenger ﷺ about virtue and vice. He ﷺ said: 'Virtue is a kind disposition and vice is what rankles in your heart that you disapprove that people should come to know of it.'" (Muslim Vol. 1 Hadith 6195)

Repentance/Asking Allah's Forgiveness

"Allah accepts the repentance of those who do evil in ignorance and repent soon afterwards; to them will Allah turn in mercy; for Allah is full of knowledge and wisdom. Of no effect is the repentance of those who continue to do evil, until death faces one of them, and he says, 'Now have I repented indeed.' Nor of those who die rejecting Faith: for them have We prepared a chastisement most grievous." (Qur'an 4:17-18)

"(And to preach thus), 'Seek the forgiveness of your Lord, and turn to Him in repentance; that He may grant you enjoyment, good (and true), for a term appointed, and bestow His abounding grace on all who abound in merit! But if you turn away, then I fear for you the Chastisement of a Great Day.'" (Qur'an 11:3)

"O you who believe! Fear, Allah, and believe in His Messenger, and He will bestow on you a double portion of His Mercy: He will provide for you a Light by which you shall walk (straight in your path), and He will forgive you (your past); for Allah is Oft-Forgiving, Most Merciful." (Qur'an 57:28)

Ibn Abbas ﷺ narrated that he heard the Prophet ﷺ saying, "If the son of Adam (the human being) had two valleys of money, he would wish for a third, for nothing can fill the belly of Adam's son except dust, and Allah forgives him who repents to Him." (Al-Bukhari Vol. 8 Hadith 444)

(For other relevant Qur'anic verses, see: 3: 134-136, 9:104, 57:21and 66:8.)

Obligation to Acquire and Teach Islamic Knowledge

". . . Read, therefore, of the Qur'an as much as may be easy (for you)... Read ... and establish regular Prayer and give zakat *and loan to Allah a Beautiful Loan. And whatever good you send forth for your souls, you shall find it in Allah's Presence. Yeah, better and greater, in Reward . . ."* (Qur'an 73:20)

"Those to whom We have given the Book study it as it should be studied: they are the ones that believe therein: those who reject faith therein the loss is their own." (Qur'an 2:121)

"Say (O Muhammad): 'This is my Way; I do invite unto Allah with a certain knowledge. I and whoever follows me (must also invite others to Allah, Oneness of Allah with sure knowledge). Glory to Allah! and I am not of the polytheists.'" (Qur'an 12: 108)

"...Allah will raise up, to (suitable) ranks (and degrees), those of you who believe and have been granted Knowledge. And Allah is well-acquainted with all you do." (Qur'an 58:11)

"He grants wisdom to whom He pleases; and he to whom wisdom is granted receives indeed a benefit overflowing; but none will grasp the Message but men of understanding." (Qur'an 2: 269)

Mu'awiya ﷺ narrated in a sermon that he heard Allah's Messenger ﷺ saying, "If Allah wants to do good to a person, He makes him comprehend the religion. I am just a distributor, but the grant is from Allah. (And remember that) this nation (true Muslims) will keep on following Allah's teachings strictly and they will not be harmed by any one going on a different path till Allah's order (Day of Judgement) is established." (Al-Bukhari Vol. 1 Hadith 71)

'Abdullah bin Mas'ud ﷺ narrated that the Prophet ﷺ said: "Do not wish to be like anyone except in two cases. (The first is) A person whom Allah has given wealth and he spends it righteously; (the second is) the one whom Allah has given wisdom (the Holy Qur'an) and he acts according to it and teaches it to others." (Al-Bukhari Vol. 1 Hadith 73 and 255)

Uthman bin Affan ﷺ reported that Allah's Messenger ﷺ said: "The most excellent amongst you is he who acquires knowledge of the Qur'an and then passes it on (to others)." (Ibn Majah Vol. 1 Hadith 212)

Ali bin Abu Talib ﷺ reported that Allah's Messenger ﷺ said: "Whoso recites the Qur'an commits it to his memory and complies with it, Allah will enter him in the Paradise, and will grant him His intercession regarding ten members of His household, all of them deserving the Hell-Hire." (Ibn Majah Vol. 1 Hadith 216)

Ibn Abbas ﷺ reported that Allah's Messenger ﷺ said: "One single scholar of Religion is more formidable against the Devil than one thousand devout persons." (Ibn Majah Vol. 1 Hadith 222)

Muawiya bin Abu Sufyan ﷺ narrated that Allah's Messenger ﷺ said:..."Goodness is a (natural) habit while the evil is a stubbornness. To whomsoever Allah wills to show goodness, He favours him with the understanding in the Religion." (Ibn Majah Vol. 1 Hadith 221)

Anas bin Malik ﷺ reported that Allah's Messenger ﷺ said: "Seeking of knowledge is incumbent upon every Muslim and he who imparts knowledge to the persons who do not deserve it, is like him who puts on a necklace of pearls, jewels and gold around the necks of swine." (Ibn Majah Vol. 1 Hadith 224)

Abdullah bin Qatada ﷺ reported on his father's authority that Allah's Messenger ﷺ said: "The best of what a man leaves behind (after his death) are three things: A pious son who invokes blessings upon him; a sadaqa (charity), which continues (even after his death) and its rewards benefits him; and the knowledge that is acted upon after him." (Ibn Majah Vol. 1 Hadith 241)

(For other relevant Qur'anic verse, see: 39:18, 17:36, Al-Bukhari Vol. 1 Hadith 75), Ibn Majah Vol. 1 Hadith 223 and Ibn Majah Vol. 1 Hadith 239.)

Enjoining the Right and Forbidding the Wrong

"You (the Muslims) are the best of peoples, evolved for mankind, enjoining what is right, forbidding what is wrong, and believing in Allah." (Qur'an 3:110)

"Let there arise out of you a band of people inviting to all that is good, enjoining what is right, and forbidding what is wrong: they are the ones to attain felicity." (Qur'an 3:104)

"O my son! (said Luqman)! Establish regular prayer, enjoin what is just, and forbid what is wrong: and bear with patient constancy whatever betide you; for this is firmness (of purpose) in (the conduct of) affairs." (Qur'an 31:17)

"Let there arise out of you a band of people inviting to all that is good, enjoining what is right, and forbidding what is wrong; they are the ones to attain felicity. Be not like those who are divided amongst themselves and fall into disputations after receiving Clear Signs; for them is a dreadful Chastisement." (Qur'an 3:104-105)

Abu Hurairah ﷺ narrated that Allah's Messenger ﷺ said: "Whoever guides somebody to what is good will have a reward similar to the rewards of the doer of that good deed to whom he has guided to it." (Muslim Vol. 4 Hadith 6470, Abu Daud and Tirmidhi)

"Be patient till you face them (i.e., the infidels) and invite them to Islam and inform them of what Allah has enjoined upon them by Allah. By Allah! If a single person embraces Islam at your hands (i.e., through you) that will be better for you than the red camels." (Al-Bukhari Vol. 4 Hadith 192 and Vol. 5 Hadith 51)

Balance Between Material and Spiritual Life

"It is no crime in you if you seek of the bounty of your Lord (during pilgrimage). Then when you pour down from (Mount) Arafat, celebrate the praises of Allah at the Sacred Monument, and celebrate His praises as He has directed you even Though, before this you went astray." (Qur'an 2:198)

"Our Lord! Give us good in this world and good in the Hereafter. And save us from the torment of the Fire!" (Qur'an 2:201)

"But seek with the wealth which Allah has bestowed on you, the Home of the Hereafter, nor forget your portion in this World: But do good, as Allah has been good to you, and seek not (occasions for) mischief in the land: for Allah loves not those who do mischief." (Qur'an 28:77)

"And when the prayer is finished, then may you disperse through the land, and seek of the Bounty of Allah: and remember Allah frequently that you may prosper." (Qur'an 62:10)

'Abdullah bin Jabir narrated that he heard Allah's Messenger said: "There is an hour during the night in which no Muslim individual will ask Allah for good in this world and the next without His giving it to him; and that applies to every night." (Muslim Hadith 1654)

'Abdullah bin As-Sa'ib narrated that he heard Allah's Messenger said: "Between the two corners, 'O Allah, bring us a blessing in this world and a blessing in the next and guard us from punishment of Hell.'" (Abu Dawud 1887)

Eternal Life in the Hereafter Versus the Temporary Life in this World

"Nothing is the life of this world but play and amusement, but best is the Home in the Hereafter, for those who are righteous, will you not then understand?" (Qur'an 6:32)

"Allah does enlarge, or grant by (strict) measure, the sustenance (which He gives) to whom so He pleases -- (the worldly) rejoice in the life of this world. But the life of this world is but little comfort compared to the Hereafter." (Qur'an 13:26)

Mujahid narrated that according to Abdullah bin Umar Allah's Messenger took hold of his shoulder and said: "Be in this world as if you were stranger or a traveller." (Al-Bukhari Vol. 8 Hadith 425)

(For other relevant Qur'anic verses and Hadith see: Qur'an 3:14-19, 57:20 and Al-Bukhari Vol. 8 Hadith 425.)

Death and the Dead

"Every soul shall have a taste of death: and on the Day of Judgement shall you be paid your full recompense. Only he who is saved far from the Fire and admitted to the Garden will have succeeded: for the life of this world is but goods and chattels of deception." (Qur'an 3:185)

"Wherever you are, death will find you out, even if you are in towers built up strong and high! ..." (Qur'an 4:78)

"O you who believe! When death approaches any of you, (take) witnesses among yourselves when making bequest, —two just men of your own (brotherhood) or others from outside if you are journeying through the earth, and the chance of death befalls you (thus)..." (Qur'an 5:106)

'Aishah narrated that the Prophet said: "Don't abuse the dead, because they have reached the result of what they forwarded." (Al-Bukhari Vol. 2 Hadith 476)

Abu Hurairah narrated that Allah's Messenger said: "Allah says 'I have nothing to give but Paradise as a reward to my believer slave, who, if I cause his dear friend (or relative) to die, will be patient (and hope for Allah's Reward).'" (Al-Bukhari Vol. 8 Hadith 432)

Abu Hurairah narrated that Allah's Messenger said: "None of you should long for death, for if he is a good- doer, he may increase his good deeds, and if he is an evil-doer, he may stop the evil deeds and repent." (Al-Bukhari Vol. 9 Hadith 341)

Day of Judgement

"We shall set up scales of justice for the day of Judgement, so that not a soul will be dealt with unjustly in the least. And if there be (no more than) the weight of a mustard seed, We shall bring it (to account). And enough are We to take account." (Qur'an 21:47)

"And you will see the angels surrounding the Throne (Divine) on all sides, singing Glory and Praise to their Lord. The decision between them (at Judgement) will be in (perfect) justice, and the cry (on all sides) will be, 'Praise be to Allah, the Lord of the Worlds!'" (Qur'an 39:75)

"The Day wherein they will (all) come forth. Not a single thing concerning them is hidden from Allah. Whose will be the Dominion that Day? That of Allah, the One, the Overpowering! That Day will every soul be requited for what it earned; no injustice will there be that Day, for Allah is Swift in taking account." (Qur'an 40:16-17)

"Verily that which are promised is true; and verily Judgement and Justice will surely come to pass." (Qur'an 51:5-6)

'Abdullah bin Umar narrated that Allah's Messenger said: "When anyone of you dies, he is shown his place both in the morning and in the afternoon. If he is one of the people of Paradise; he is shown his place in it. And if he is from the people of the Hell-Fire; he is shown his place therein.. Then it is said to him, 'This is your place till Allah resurrect you on the day of Resurrection." (Al-Bukhari Vol. 2 Hadith 461)

Prophet's Intercession on the Day of Judgement

Abu Hurairah narrated that Allah's Messenger said: "The luckiest person who will have my intercession will be the one who said sincerely from the bottom of his heart "None has the right to be worshipped but Allah.". (Al-Bukhari Vol. 1 Hadith 98)

Paradise versus Hell-Fire

Abu Hurairah narrated that Allah's Messenger said: "The (Hell) Fire is surrounded by all kinds of desires and passions, while Paradise is surrounded by all kinds of disliked undesirable things." (i.e., Inordinate desires and animalistic passions lead to the Fire while self-control, perseverance, chastity and all other virtues, and the obedience to Allah and His Messenger lead to Paradise. What leads to Hell is easy to do while what leads to Paradise is difficult to do." (Al-Bukhari Vol. 8 Hadith 494)

Anas ibn Malik narrated that Allah's Messenger said, "The Paradise is surrounded by hardships and the Hell-Fire is surrounded by temptations." (Muslim Hadith 6778)

Hell-Fire

"Those who reject Our Signs, We shall soon cast into the Fire; as often as their skins are roasted through. We shall change them for fresh skins, that they may taste the Chastisement: for Allah is Exalted in Power, Wise." (Qur'an 4:56)

"In front of such a one is Hell, and he is given for drink, boiling fetid water. In gulps will he sip it, but never will he be near swallowing it down his throat: Death will come to him from every quarter, yet will he not die: and in front of him will be a chastisement unrelenting." (Qur'an 14:16-17)

"And you will see the Sinners that day bound together in fetters — their garments of liquid pitch, and their faces covered with Fire; that Allah may requite each soul according to its deserts. And verily, Allah is Swift in calling to account." (Qur'an 14:49-51)

"... But those who deny (their God) — for them will be cut out a garment of Fire: over their heads will be poured out boiling water. With it will be scalded what is within their bodies, as well as (their) skins. In addition there will be maces of iron (to punish) them. Every time they wish to get away there from, from anguish, they will be forced back therein, and (it will be said), 'Taste you the Penalty of Burning!'" (Qur'an 22:19-22)

"As to those who are rebellious and wicked, their abode will be the Fire: every time they wish to get away therefrom, they will be forced thereunto, and it will be said to them: 'Taste you the Penalty of the Fire, the which you were wont to reject as false.'" (Qur'an 32:20)

". . . But for the wrongdoers will be an evil place of (final) Return! Hell! They will burn therein an evil bed (indeed to lie on)! Yea, such! —Then shall they taste it a boiling fluid, and a fluid dark, murky, intensely cold and other Penalties of a similar kind, to match them!" (Qur'an 38:55-58)

The Unbelievers will be led to Hell in groups: until, when they arrive there, its gates will be opened. And its Keepers will say, 'Did not messengers come to you from among yourselves, rehearsing to you the Signs of your Rabb (only God and Sustainer), and warning you of Meeting of this Day of yours?' The answer will be: 'True: but the Decree of Chastisement has been proved true against the Unbelievers!' (To them) will be said: 'Enter you the gates of Hell, to dwell therein: and evil is (this) abode of the arrogant!' (Qur'an 39:71-72)

Abu Hurairah ﷺ narrated that Allah's Messenger ﷺ said: "Your (ordinary) fire is one of 70 parts of the (Hell) Fire." Someone asked, "O Allah's Messenger ﷺ! This (ordinary) fire would have been sufficient (to torture the non-believers)." Allah's Messenger ﷺ said: "The (Hell) Fire has 69 parts more than the ordinary (worldly) fire, each part is as hot as this (worldly) fire." (Al-Bukhari Vol. 4 Hadith 487 and Muslim)

Anuman ibn Bashir ﷺ narrated that he heard the Prophet ﷺ saying, "The least punished person of the people of the (Hell) Fire on the Day of Resurrection will be a man under whose arch of the feet two smouldering embers will be placed. Because of which his brain will boil just like Al-Mirjal (copper vessel) or a Qum-qum (narrow-necked vessel) is boiling with water." (Al-Bukhari Vol. 8, Hadith 567)

Paradise

"But give glad tidings to those who believe and work righteousness that their portion is Gardens beneath which rivers flow. Every time they are fed with fruits there from they say: 'Why this is what we were fed with before;' for they are given things in similitude; and they have therein companions [pure and holy]; and they abide therein [forever]." (Qur'ân 2: 25)

"But those who believe and do deeds of righteousness. We shall soon admit them to Gardens, with rivers flowing beneath, to dwell therein forever. Allah's promise is the truth, and whose word can be truer than Allah's?" (Qur'an 4:122)

"Allah has promised to Believers, men and women, Gardens under which rivers flow to dwell therein and beautiful mansions in Gardens of everlasting stay but the greatest bliss is the Good Pleasure of Allah: that is the supreme triumph." (Qur'an 9:72)

"But Allah does call to the Home of Peace: He does guide whom He pleases to a Way that is straight. To those who do right is a goodly (reward) — Yea, more (than in measure)! No darkness nor shame shall cover their faces! They are Companions of the Garden; they will abide therein (for aye)!" (Qur'an 10:25-26)

"The righteous will be amid Gardens and fountains of clear-flowing water. (Their greeting will be): 'Enter you here in Peace and Security.' And We shall remove from their departure any lurking sense of injury: (they will be) brothers (joyfully) facing each other on raised couches." (Qur'an 15:45-47)

Except those who repent and believe, and work righteousness: for these will enter the Garden and will not be wronged in the least — Gardens of Eternity, those which (Allah) Most Gracious has promised to His servants in the Unseen: for His promise must (necessarily) come to pass. They will not there hear any vain discourse, but only salutations of Peace: And they will have therein their sustenance, morning and evening. Such is the Garden which We give as an inheritance to those of Our Servants who guard against evil. (Qur'an 19:60-63)

"Verily the Companions of the Garden shall that Day have joy in all that they do. They and their associates will be in pleasant shade, reclining on raised couches; (every) fruit will be there for them; they shall have whatever they call for; 'Peace!' — a Word (of salutation) from a Lord Most Merciful." (Qur'an 36:55-58)

"As to the Righteous (they will be) in a position of Security, among Gardens and Springs; dressed in fine silk and rich brocade, they will face each other; moreover, We shall wed them to maidens with beautiful, big, and lustrous eyes. There can they call for every kind of fruit in peace and security; nor will they there taste Death, except the first Death; and He will preserve them from the Chastisement of the Blazing Fire as a Bounty from your Lord! That will be the supreme achievement!" (Qur'an 44:51-55)

And the Garden will be brought nigh to the Righteous, — no more a thing distant. (A voice will say:) 'This is what was promised for you for every penitent heedful one, who feared the Most Gracious unseen, and brought a heart turned in devotion (to Him): Enter you therein in Peace and Security; this is a Day of Eternal Life!' There will be for them therein all that they wish' and there is more with us. (Qur'an 50:31-35)

And those foremost (in Faith) will be foremost (in the Hereafter). These will be those nearest to Allah in the Gardens of Bliss: a number of people from those of old, and a few from those of later times. (They will be) on couches encrusted (with gold and precious stones), reclining on them facing each other. Round about them will (serve) thoughts of perpetual (freshness), with goblets, (shining) beakers, and cups (filled) out of clear-flowing fountains. No after-ache will they receive there from, nor will they suffer intoxication: and with fruits, any that they may select; and the flesh of fowls, any that they may desire. And (there will be) Companions with beautiful, big, and lustrous eyes — like unto Pearls well guarded — a Reward for the Deeds of their past (Life). No frivolity will they Hear therein, nor any mischief, only the saying 'Peace! Peace.' (Qur'an 56:10-26)

Abu Hurairah ﷺ narrated that Allah's Messenger ﷺ said: "The first group of people who will enter Paradise will be glittering like the full moon, and those who will follow them, will glitter like the most brilliant star in the sky. They will not urinate, relieve nature, spit, or have any nasal secretions. Their combs will be of gold, and their sweat will smell like musk. The aloes-wood will be used in their censers..." (Al-Bukhari Vol. 4 Hadith 544)

Appendix 4

MAJOR MULTINATIONAL COMPANIES OPERATING IN SAUDI ARABIA: SELECTED CASES

ROYAL DUTCH/SHELL GROUP OF COMPANIES

Company Background and International Business Operations

Shell is one of the world's largest and oldest multinational groups of companies with investment interests in Europe, Asia, Middle East, Africa, North America and South America. The group has grown out of merger in 1907 of Royal Dutch Petroleum Company ST &T, a Dutch company founded in 1890, and The "Shell" Transport and Trading Company, plc, a British company founded in 1833. The merger gave 60 percent of the new group to the Royal Dutch, and 40 percent to the "Shell" Transport and Trading. The two parent companies agreed at the same time to keep their separate corporate identities.

There are currently some 325,000 shareholders of Royal Dutch and 300,000 of Shell Transport. Royal Dutch Petroleum ownership shares comprised 40 percent by individuals and institutions in the United States, 40 percent by individuals and institutions in the Netherlands, 11 percent in Switzerland and 9 percent elsewhere. UK citizens and institutions own approximately 97 percent of ownership shares belonging to Shell Transport. The SHELL Group has 101,000 employees, 54 refineries and 47,000 gas stations. Among SHELL's employees are thousands of people of nearly 80 nationalities working away from home. Shell-branded products are among the best known in the world, and are represented in more than 100 countries.

SHELL ranks among the world's top corporations as listed yearly in the Fortune magazine. With total sales revenue of over $128 billion it ranked Number Six, in terms of revenue, on the list of the world's 500 largest corporations in 1996 (Fortune No. 15, August 4, 1997). SHELL's staggering profit of $8.9 billion in 1996 showed its ability to maintain for the third year in a row its position as the Number One most profitable company in the world (Fortune No. 15, August 4, 1997: 53). In 1997 and 1998, however, the SHELL group did not succeed to sustain its top position, in terms of profit (Fortune No. 15, August 3, 1998: F-1; Fortune No. 15, August 2, 1999: F-1).

SHELL has 100 percent owned companies in Africa, Americas, Southeast Asia/Far East, Europe, Middle East, and Oceania. Fully owned SHELL businesses have been operating in many countries around the globe. As of 1980 these include those in Argentina, Australia, Belgium, Cayman Islands, Chile, Denmark, Dominican Republic, Egypt, El Salvador, Finland, Germany, Indonesia, Jamaica, Japan, Liberia, Mexico, Netherlands, New Zealand, Norway, Syria, Sweden, Switzerland, Thailand, Trinidad, Turkey, United Kingdom and the United States. As of the same period, SHELL was also known to have joint ventures in Australia, Bahamas Islands, Canada, Chile, France, Hong Kong, Indonesia, Italy, Japan, Malaysia, Pakistan, Philippines, Netherlands, Saudi Arabia, Suriname, United States and Venezuela (Stopford, Dunning and Haberich 1980: 879-884). Today it "operates in 130 countries around the world", with diverse activities beyond the realm of its oil and other core products. For instance, many will be surprised that SHELL, a giant oil company, has recently started investing in Escapade restaurants, which reportedly "deliver better margins than selling gasoline" (Fortune No. 15, August 4, 1997: 53).

SHELL has traditionally been engaged in the production and distribution of oil, chemicals, coal, metals and other products across national boundaries (Royal Dutch/Shell Group Annual Report 1998). It has the widest geographic spread of any oil business across the globe. In SHELL's oil operations world-wide, it controls every aspect of oil production from the ground to the gas pump. It produces six per cent of the world's oil and gas. Its operations in the USA, the UK, Nigeria, Oman and Malaysia are its most important sources of equity oil. SHELL is the world's leading producer of natural gas and 1993 gas sales of 65 milliard cubic metres were surpassed only by exports from the former Soviet Union.

Shell companies own or share in 51 refineries in 33 countries, processing over three million barrels of crude oil a day. These range in size from a 9,000 barrels daily plant in Brunei to plants processing 375,000 barrels a day in the Netherlands and Singapore. About 70% of Group capacity is located in Europe and North America, with their balance in growth areas, principally the Far East. Shell companies control one of the world's largest fleets of oil tankers nearly 100 vessels totalling 10 million deadweight tonnes. In addition they manage or man 18 liquefied natural gas carriers.

The oil products sold by the SHELL Group of companies include motor, aviation and marine fuels, liquefied petroleum gases, petrochemical feedstocks, heating oils, bitumen and a wide range of lubricants. It has 51,000 retail sites everywhere in the world selling fuel and lubricants to 15 million motorists daily. This makes Shell companies as a group the world's largest retailer.

In the chemical sector, Shell's companies are among the largest in the world. They are principally concerned with the bulk manufacture of base chemicals and conversion to the main product groups. Today, the group has about forty joint ventures around the world. These include Bayer-Shell Isocyanates NV, a 50/50 joint venture with Bayer in Antwerp, Belgium for the manufacture of TDI and MDI isocyanates; Rovin, a joint venture with Akzo Nobel for the manufacture of EDC and VCM; Petrochemical Corporation of Singapore, a joint venture with Sumitomo Chemical for the production of olefins; and many others. In 1996 Shell Group disclosed its chemical capital projects, which are part of its $7.5 billion capital programme for 1995-2000. These include a joint venture with BASF for the manufacture of styrene/propylene oxide in Moerdijk, Netherlands, and a number of joint ventures with Montedison, like the one in Moerdijk, Netherlands for the manufacture of CATALLOY resins.

In the United States, SHELL's manufacturing locations are concentrated on the U.S. Gulf Coast and on the West Coast. It has also established in 1996 a U.S. based joint venture with Exxon for the production of oil additives. In Canada, SHELL has major manufacturing locations in the eastern provinces, as well as in Alberta. It has lined up a number of projects to avail of the opportunities arising from the current expansion of the U.S. economy. In Canada, SHELL has recently acquired the styrene plant at Scotford. In South America, SHELL has major manufacturing locations in Mexico and Argentina. It is currently negotiating a joint venture partnership with Pequiven in Venezuela to build a petrochemical complex there.

In Asia, SHELL has a chemical joint venture with Kumho at Yeochon, South Korea, producing phenol, acetone, bisphenol and epoxy resins. In Japan, it produces at Kashima thermoplastic elastomers based on styrene, butadiene and isoprene. It also recovers aromatics, including benzene and xylenes, as well as elemental sulphur at Kawasaki and Yokkaichi. SHELL also recovers aromatics at its chemical plants in Pulau Bukom and Pulau Ayer; and produces styrene monomer at Pulau Seraya. It is currently expanding its chemical investments in Singapore and China. In the Middle East, SHELL is also expanding its investment there through its joint venture with SABIC, Saudi Arabia.

Although SHELL's traditional centres of investment are in Europe, including those in Netherlands, United Kingdom, France, Germany and Belgium, it is currently rationalising its business in the region by means of divestment. For instance, it divested in 1995 its ethylene oxide venture in Spain, and it has reportedly put up for sale its refineries in Cressier, Switzerland and

Berre, France. SHELL's business expansions in Europe are largely confined to joint ventures, including the expansion of the Montell cracker at Berre, France.

As regards other businesses, SHELL has equity interest in coal mines in South Africa and Australia. Three quarters of coal output from these mines is traded internationally to SHELL customers in the electricity, steel and cement industries in some 30 countries. Shell coal gasification technology is being used in the world's first commercial integrated combined cycle power plant in the Netherlands. In addition, Shell companies are involved on a smaller scale in other businesses, including forestry and alternative energy technologies.

Although SHELL's decentralised structure has been key to its success, the role of its two headquarters (one in London and another in The Hague) has been steadily increasing, where the Committee of Managing Directors (CMD) oversees Shell's empire. Five committees have now sprung up to keep a global handle on SHELL's major operations, such as exploration and production, oil products, gas and coal, chemicals, and central staff functions (legal and personnel). In each committee, there is a CMD member assigned to it (Fortune No. 15, August 4, 1997: 57).

SHELL's Business Operations in Saudi Arabia

In Saudi Arabia, Shell through its affiliate Pecten Arabian Company is SABIC'S partner in Saudi Petrochemical Company (SADAF). The partners signed the joint venture agreement on 28 September 1980, and SADAF (which means seashells) was subsequently registered as a Saudi Arabian company in November 1980 (SADAF Brochure, November 1993: 6).

SADAF produces a total of 4.5 million metric tonnes of various chemicals in 1997 when expansions were completed. These products are ethylene, crude industrial ethanol, ethylene dichloride, styrene, MTBE/ETBE and caustic soda.

SADAF and other SABIC joint ventures, along with SABIC wholly owned companies, have over the years proved that they are among the most efficient and profitable companies in the world. SADAF has gained many distinctions in recent years, including an international award for safety, ISO9002 registration and the like.

In the future, SADAF may pursue a number of projects like p-xylene, o-xylene, m-xylene, benzene and styrene. The rationale for pursuing these projects is centred on future marketing and investment opportunities that are geared to meeting customer requirements in the global marketplace.

Aside from its joint venture with SABIC, SHELL through SHELL Overseas Investments formed in 1982 the Jeddah-based SHELL Lubricants Company Ltd, in joint partnership with Saudi Arabian Markets Company Ltd. (Bricault 1995: 688) SHELL Lubricants manufactures in Jeddah SHELL-branded lubricants and distributes them all over the Kingdom. PECTEN Middle East Services Company is SHELL's representative office in Dhahran to oversee and co-ordinate business activities in Saudi Arabia and the Middle East (American Businesses Resident in Saudi Arabia. Directory 1995-1996: 66).

MITSUBISHI CORPORTION

Company Background and International Business Operations

Mitsubishi Corporation is one of the world's largest and most diverse multinational enterprises. The group was incorporated in 1950, with headquarters in Tokyo, Japan. Its origins go back to Tsukumu Shokai, a Japanese shipping company founded in 1870 by Yataro Iwasaki. In 1873 this shipping company was renamed Mitsubishi Shokai (Stopford, Dunning and Haberich 1980: 673). This is now known as Mitsubishi Heavy Industries (MHI), which is the forerunner of all

Mitsubishi companies. MHI is Japan's largest manufacturer of heavy industrial equipment and machinery, including automobiles, ships, aircraft, power generators, chemical plant and equipment, as well as a wide range of machinery.

Mitsubishi ranks among the world's top corporations as listed yearly in the Fortune magazine. In fact, it was the world's largest company in terms of sales turnover in 1995. Its group sales for the fiscal year that ended 31 March 1996 reached $166.3 billion (Mitsubishi Corporation Annual Report 1996: 41). Although it was Number One on the Fortune list in 1995, Mitsubishi's sales in 1996 were surpassed by General Motors (Number One), Ford Motor (Number Two) and Mitsui (Number Three). With total sales revenue of $140.2 billion Mitsubishi was only Number Four, in terms of revenue, on the list of the world's 500 largest corporations in 1996 (Fortune No. 15, August 4, 1997). In terms of profit, Mitsubishi's profit of $394.1 million was only No. 271 on the Fortune's list of Global 500 in 1996.

Mitsubishi controls and manages principal subsidiaries in Japan, Africa, Americas, Asia, Europe, Middle East, and Oceania. It has also affiliates/joint ventures in many parts of the world, including Australia, Brazil, China, Greece, Hong Kong, Indonesia, Iran, Italy, Japan, Malaysia, Saudi Arabia, Thailand, United Kingdom, United States and Venezuela. The Mitsubishi group includes Mitsubishi Electric Corporation whose origins began when the electric plant was set up in 1898 at the Nagasaki shipyard of Mitsubishi Shipbuilding. In the past, Mitsubishi Electric was only popular within Japan, as a major producer of electric machinery (Stopford, Dunning and Haberich 1980: 671). Today, the company is a recognised world leader in the manufacture, marketing and sales of electrical and electronic equipment (Mitsubishi Electric Corporation Annual Report 1997). As for the future, the company president, Takashi Kitaoka, views the 21st century to be an era of change exemplified by the growing importance of environmental and energy conservation, the ageing of society, and the fear of food shortages due to continued population growth. He also recognises the increasing desire of humankind for more comfortable, more affluent lifestyles, technological innovation and highly advanced information processing. To enable swift response to changing times and technologies, Kitaoka underscores that the spirit of challenging work with integrity, creativity and motivation is intrinsic to every employee. In this regard, Mitsubishi Electric is envisioning itself to be a trustworthy corporation that is fully capable of serving society. It also aspires to become recognised as a transnational corporation whereby development, production, procurement and business operations are conducted in cross-border locations appropriate for each business unit (Mitsubishi Electric Corporation Corporate Profile).

The Mitsubishi group also includes Mitsubishi Chemical Industries Ltd, which began as Nippon Tar Industries in 1934. Mitsubishi Chemical is Japan's largest chemical company, producing industrial and organic chemicals, dyestuffs, plastics, carbon products and agricultural chemicals (Stopford, Dunning and Haberich 1980: 670). Traditionally classified as a general trading company, Mitsubishi has been engaged in innovation and diversification in various fields beyond the realm of trade (Mitsubishi Corporation. Annual Report 1997: 1). Mitsubishi's activities were until 1996 divided into seven business groups: information systems and services, fuels, metals, machinery, foods, chemicals, as well as textiles and general merchandise (Mitsubishi Corporation. Annual Report 1996: 3). In 1997 Mitsubishi restructured some of its activities resulting in the consolidation of food, textiles and general merchandise under a new broader group called living essentials. By doing so, Mitsubishi has now six business groups: information systems and services, fuels, metals, machinery, chemicals and living essentials. This new group includes all sorts of products, which are categorised by Mitsubishi as living essentials. They include food and related consumer products, such as grains and agricultural products, sweeteners, oils and fats, feed stuffs, meat and livestock, marine products, fresh and frozen foods, canned foods and beverages, dairy foods and processed foods, made-up goods, beer materials and cigarettes. They also include fabrics, textile raw materials, textiles for industrial use, pulp, paper and packaging materials, wood, wood products and construction materials, tires and photosensitised materials (Mitsubishi Corporation. Annual Report 1997: 16).

Mitsubishi has been intensifying its diversification strategy as a means of building up its presence in activities that directly serve end-users. As an example, it formed in July 1970 Kentucky Fried Chicken Japan, a 50/50 joint venture with KFC Corporation. KFC opened its 900th store and made initial public offering in 1990 (Mitsubishi Corporation Annual Report 1996: 11). It also entered into a joint venture with leading Japanese gasoline retailer JUSCO in 1996 for gasoline retailing in Japan. The joint venture MEGA PETRO, with approximately 800 service stations at present, plans to establish a nation-wide network for gasoline retailing in the long term (Mitsubishi Corporation Annual Report 1997: 21). Likewise, Mitsubishi Corporation has equity interests in the LNG projects in Malaysia, Oman and Sakhalin. The company also has a share in the Japanese-Jordanian joint venture, Nippon Jordan Fertiliser Company, which came on-stream in June 1997 (Mitsubishi Corporation Annual Report 1997: 27).

The central theme at Mitsubishi Corporation is "progress", i.e. advancing in a responsible manner by promoting sustainable development. This theme is highlighted in the corporation's annual report (1996: 1) this way:

> *Progress is the central theme at Mitsubishi Corporation. Just as mankind has progressed from primitive writing systems to satellite communication, Mitsubishi Corporation is advancing in a responsible manner by promoting sustainable development. Not a follower, the company takes the lead in setting the directions of existing markets while helping create entirely new ones.*

Mitsubishi's approach to business opportunities is based on four guidelines: 1) a focus on relationships, 2) a thorough understanding of markets, 3) a long-term perspective, and 4) globalising human resources. The group claims to have an immense base of 73,000 business relationships spanning the globe. It is also advancing in merchant banking, solution providing, information technology, financial services, logistics and retailing (Mitsubishi Annual Report 1998: 9).

Mitsubishi is also taking long-term approach to business opportunities, including direct foreign investments in many parts of the globe. For instance, it was involved in the formation of Malaysia's Proton, an automobile company that claims more than half of the Malaysian domestic market. Proton has also been exporting cars to more than 20 countries. Mitsubishi and SHELL have also jointly participated in a Liquified Natural Gas (LNG) project in Brunei in 1969. This has helped in boosting Mitsubishi's position as the largest LNG supplier to Japan. In fact, it accounts for 57 percent of LNG imports to Japan as of 1996. Likewise, Mitsubishi led a Japanese consortium and successfully acquired an equity interest in Chile's Escondida copper mine in 1985. Escondida is now the largest copper mine in the world. Mitsubishi is also having a polyester joint venture with DuPont and other partners in China (Mitsubishi Corporation Annual Report 1996: 12-13).

Mitsubishi also promotes both localisation and globalisation of human resources. In the company's terminology, localisation "involves expanding business activities at the company's nearly 180 offices". On the other hand, globalisation has to do with "making talented human resources available anywhere in the world". Mitsubishi has 36,000 employees across the globe, of which about 33 percent or 12,000 are from countries other than Japan (Mitsubishi Corporation Annual Report 1996: 14).

Mitsubishi's Business Operations in Saudi Arabia

In Saudi Arabia, Mitsubishi is SABIC'S partner in Eastern Petrochemical Company (SHARQ), a 50/50 joint venture which is located in Al-Jubail Industrial City. In the SHARQ venture with SABIC, Mitsubishi Corporation led a consortium of Japanese companies. SHARQ was established in 1981 to produce linear low-density polyethylene (LLDPE) and ethylene glycol (EG). The feedstock for producing these two products is ethylene, which is supplied by SABIC's wholly owned Arabian Petrochemical Company (PETROKEMYA). SHARQ started production in 1985 and underwent expansion in 1994. At current capacity, it produces yearly 392 thousand tonnes of LLDPE, and 360 thousand tonnes of ethylene glycol.

Mitsubishi Gas Company also led a consortium of Japanese companies in another 50/50 joint venture with SABIC. The joint venture AR-RAZI (Saudi Methanol Company) was established in 1979 in Al-Jubail Industrial City. It began producing chemical grade methanol in 1983, and has undergone expansions in 1992 and 1997. Total capacity in 1997 is 2.1 million metric tonnes of methanol (SABIC Annual Report 1996: 26).

Mitsubishi has also been actively doing business in Saudi Arabia since 1978 through Mitsubishi Electric Saudi Arabia Ltd. This company, with headquarters in Riyadh and branches in Dammam, Jeddah and Makkah, is a joint venture between Mitsubishi Electric Corporation and Omar Kasim Alesayi & Co. Ltd. It has been involved in the installation and maintenance of Mitsubishi elevators, escalators and other Mitsubishi products related to electrical substations and audio-visual systems (Mitsubishi Electric Saudi Arabia Brochure).

MITSUI

Company Background and International Business Operations

Mitsui is the "world's oldest large-scale business enterprise". Late in the 1860s, Mitsui was in the forefront of Japan's economic modernisation. By the early 20th century Mitsui was a dominant political and economic force in Japan (Roberts 1989: 3).

The original Mitsui group, traditionally known as the House of Mitsui, was founded about three centuries ago, as a family business — comprising a senior main family plus ten more family branches, which were guided by a formal constitution. The company's constitution of 1722 prescribed explicit responsibilities, duties, policies and behaviour expected of each individual. It also prescribes the unalterable hierarchy of the families, their shares in the business proceeds, as well as the nature of official and personal relationships to be maintained among them. The traditional Mitsui values embodied in the constitution of 1722 include the following excerpts:

> *The members of the House shall promote the common welfare with one accord. Those in authority should be kind to subordinates, who in turn should respect those in authority. The House will be more prosperous when its rules are observed punctiliously. One may be friendly with outsiders, but if he thinks only of his own pride and does not consider other members of the house, there will be no peace at home, and disorder and chaos may result. If one lives in luxury and neglects his business, there will be no prosperity for the house.*
>
> *Unless a merchant is diligent and attentive, his business will be taken over by others. One must be painstaking. Farsightedness is essential to the career of a merchant. In pursuing small interests close at hand, one may lose huge profits in the long run.* (Roberts 1989: 513)

In 1900 the House of Mitsui revised its constitution of 1722. (Roberts 1989: 513-523) Article 5 of the revised code reflects the ancestral doctrine of Mitsui instructing members of the House not to indulge in luxury. The article reads as follows:

> *To refrain from a life of luxury and to practice strict economy are fundamental principles of the House, which were set by the ancestors. All members of the House are under obligation to adhere to these principles, and to have their children observe the same.* (Roberts 1989: 519)

The House of Mitsui began as a small brewery, then expanded into a modest draper's shop and money exchange. The first Mitsui bank founded in 1683 by the Mitsui family was a decade older than the Bank of England (Roberts 1989: 3). In 1876 Mitsui entered the field of international trade and began exporting rice and coal. In 1883 it imported cotton-spinning machinery from England, which helped in making Japan a net exporter of cotton yarn by 1906. During this period, Mitsui succeeded in handling more than half of Japan's cotton yarn exports. The present Mitsui & Co. Ltd was incorporated in 1959 as a corporation with head office in Tokyo, Japan (Mitsui & Co. Brochure).

Today Mitsui & Co. is Japan's largest sogo shosha, or general trading company (Mitsui Annual Reports 1997, 1998 and 1999). Based on Fortune's listing of the 500 world's largest corporations (under the trading industry category), Mitsui remained consistently in 1996, 1997 and 1998 as the world's largest international trading company (Fortune No. 15, August 4, 1997; August 3, 1998; August 2, 1999). Based on 1996 ranking, Mitsui was followed by six more Japanese trading companies (Fortune No. 15, August 4, 1997). These were Mitsubishi, Itochu, Marubeni, Sumitomo, Nissho Iwai and Tomen (annual reports of these companies are available in their own web sites). In 1997 and 1998, VEBA group of Germany improved its ranking as the 7th largest trading company in the world, overtaking Tomen of Japan (Fortune No. 15, August 3, 1998: F-25; August 2, 1999: F-21).

Mitsui is, in fact, a huge conglomerate of numerous enterprises that encompass all sorts of industries. These include cement, chemicals, commerce, construction,. electronics, energy, engineering, finance and insurance, food, glass, machinery, mining, non-ferrous metals, optics, real estate, retail merchandising, paper, steel, transportation, warehousing and other businesses (services) (Roberts 1989: 528-534). The company has offices in more than 200 cities in almost 90 countries across the globe (Mitsui & Co. Brochure).

Mitsui ranks among the world's top corporations as listed yearly in the Fortune magazine. In fact, it was the world's second largest company in terms of sales turnover in 1995. With a sales turnover of $144.9 billion in 1996, Mitsui was the world's third largest company, in terms of revenue, on the list of the world's 500 largest corporations in that year (Fortune No. 15, August 4, 1997). In terms of profit, Mitsui's profit of $321.9 million was only No. 292 on the world's most profitable companies in the same year.

Mitsui owns major subsidiaries in Japan, Australia, Belgium, Brazil, Chile, Canada, Germany, Indonesia, Malaysia, Taiwan, United Arab Emirates, United Kingdom and the United States. It has also affiliates/joint ventures in Japan, Malaysia, Singapore, South Korea, Thailand, and elsewhere.

Included in the Directory of Multinational Enterprises is Mitsui Toatsu Chemicals Incorporated, the Mitsui group's chemical arm. This is an integrated chemical company, which resulted from the 1968 merger of Toyo Koatsu Industries and Mitsui Chemical Industry. Mitsui Toatsu produces and markets urea fertiliser, industrial chemicals, synthetic resins and speciality chemicals. The company entered into a joint venture with the U.S.-based Continental Oil, among other partners, in 1968 for the manufacture of aluminium alkyls. Mitsui Toatsu had also set up in the 1960s other joint ventures in Southeast Asia (Stopford, Dunning and Haberich 1980: 675).

Mitsui's Business Operations in Saudi Arabia

Mitsui is present in Saudi Arabia through Mitsui Engineering & Shipbuilding Arabia Ltd, which is based in Al Khobar. The company was established in 1983 as a joint venture between Mitsui Engineering & Shipbuilding Company Ltd and Abdul Mohsen Al Mousega. It has a branch office in Al-Jubail.

The principal activities of Mitsui Engineering & Shipbuilding Arabia Ltd include construction, installation, start-up and maintenance of offshore/onshore oil production equipment and facilities. They also include designing, construction, installation, start-up and maintenance of chemical and petrochemical equipment/machinery, as well as handling equipment.

EXXON CORPORTION

Company Background and International Business Operations

EXXON Corporation is one of the largest and oldest multinational enterprises in the world. Its origins began in 1863 with the acquisition of Cleveland Refinery by Rockefeller who later founded the Standard Oil Trust (Stopford, Dunning and Haberich 1980: 386). In 1892 the Trust was dissolved to give way to the creation at the same time of Standard Oil Company of New Jersey, which was later known as EXXON.

For years EXXON has been engaged in diverse strategies that eventually paid off and made it the 1996 most profitable corporation in America. Over the past five years, for example, the company has succeeded in reducing operating costs by $1.3 billion per year. Its total work force has declined 4 percent on an annual average for 15 years. As a result, Exxon's current number of 79,000 employees is the lowest since the break-up of Standard Oil in 1911 (Fortune No. 8, April 28, 1997: 86). Improved efficiency has enabled it to accumulate capital, which has allowed it to invest in the new oil and gas fields in Russia, Kazakhstan, Azerbaijan, Indonesia and Africa. The company also ventured into buying back its stocks from its shareholders to a great magnitude. Between 1983 and 1991, for instance, EXXON bought back 518 million shares with a value of $15.5 billion. This represents 30 percent of its outstanding shares (Fortune No. 8, April 28, 1997: 84-87).

EXXON has been among the world's top corporations as listed yearly in the Fortune magazine. With total sales revenue of $119.4 billion EXXON ranked Number Eight, in terms of revenue, on the list of the world's 500 largest corporations in 1996 (Fortune No. 15, August 4, 1997). In terms of profit, EXXON's gigantic profit of $7.5 billion made it as the Number Two most profitable company in the world as of 1996. It is second only to the Royal Dutch/SHELL group, in terms of profit performance in 1996. In 1997, EXXON became the No. 1 global company with the highest profit, and thus outdoing the SHELL group (Fortune No. 15, August 3, 1998: F-1). Largely because of the Asian financial crisis, intense competition and falling prices, the profits of many of the world's largest corporations, including EXXON, fell in 1998 (Fortune No. 8, April 27, 1998: 98; No. 15, August 3, 1998: 74; August 2, 1999: 104). For instance, EXXON's profit fell to $6.37 billion in 1998, from the peak level of $8.46 billion in 1997 (EXXON Annual Report 1998: F3).

EXXON controls and manages principal (virtually all wholly-owned) subsidiaries in the United States, Bahamas Islands, Belgium, Brazil, Denmark, Finland, Germany, Japan, Liberia, Netherlands, Norway, Panama, Sweden, Switzerland, Thailand and the United Kingdom. It has joint ventures in Australia, Canada, Chile, France, Hong Kong, Indonesia, Italy, Japan, Malaysia, Pakistan, the Netherlands and Saudi Arabia. EXXON's investment interests in the Philippines were sold to the Philippine government in 1973, while interests in Venezuela were nationalised in 1975. In 1979 the company acquired 93 percent of the U.S.-based Reliance Electric Company for $1.087 billion (Stopford, Dunning and Haberich 1980:385-388). Sometime in 1980s EXXON's interests in Arabian American Oil Company (ARAMCO) was sold to the Saudi government.

EXXON businesses are good examples of full vertical integration, covering upstream and downstream products and services. In the upstream sector, EXXON has a focused, cost-effective exploration and production programmes in many parts of the world. It has major exploration initiatives in Nigeria, Russia, China and Papua New Guinea. Its exploration and delineation activities in Chad were continuing where six wells were drilled in 1993. In Niger, it commenced a three-well exploration project to follow up on earlier discoveries in the Southeast of the country. As for petroleum production in 1993, EXXON was actively implementing more than 30 major petroleum developments across the globe including Australia, Malaysia, Netherlands, Norway, United Kingdom and the United States (EXXON Financial and Operating Review 1993: 19-25).

In the natural gas business, the company's proved gas reserves of 9.5 trillion cubic feet is the second largest in the United States. Aside from its U.S. gas production, EXXON is a substantial player in gas production in Germany, Netherlands, Norway and the United Kingdom. It has also a strong position in the pipeline gas markets of Australia, Malaysia and Thailand, and its extensive pipeline/distribution systems and marketing activities in West Europe (EXXON Financial and Operating Review 1993: 33).

In the field of technology, EXXON is continuously engaged in technology development to help reduce costs, mitigate risks and extend operational capabilities. EXXON Production Research Company conducts research across a broad range of subjects related to the discovery, development and production of oil and gas (EXXON Financial and Operating Review 1993: 23).

In the downstream sector, EXXON strategies include increasing sales of high value added products, expanding in high potential markets and maintaining tight control of operating expenses (EXXON Financial and Operating Review 1993: 44). In the field of retail marketing, EXXON has 31,369 gas stations across the globe. As part of its retailing network, it is considering Eastern Europe as a source of downstream earnings growth. For instance, it has established a significant presence in Eastern Germany, with 74 service stations at year-end 1993 (EXXON Financial and Operating Review 1993: 49). In recent years EXXON subsidiaries have likewise invested in diverse projects, including solar energy, computer chips, oil and gas exploration, production and marketing, retailing and so on. This diversity has enabled EXXON to adapt successfully to changing global business environments, to meet consumers' requirements for a range of essential products at competitive prices. At the same time, the company is readily flexible to divest laggard businesses that do not generate the desired returns. Recently, for instance, it has divested some of its sub-performing businesses, including Exxon Enterprises.

Exxon has a long history of mutually profitable relationship with host foreign governments. It established its first operating affiliate outside the United States more than 100 years ago, and is currently doing business in more than 80 countries. In several of these, Exxon has operated successfully for over 100 years. The company holdings in non-U.S. operations comprise about 60 percent of its total invested capital.

Exxon explores for petroleum on six continents and in offshore waters. It is one of the industry's largest producers of crude oil and natural gas, and it also produces upgraded petroleum from heavy oil sands. The company's total oil and gas production is nearly 3.0 million oil equivalent barrels per day. It manages or has an interest in more than 30 oil refineries in 18 countries and refines some 3.3 million barrels per day and market 4.9 million barrels of petroleum products. Likewise, it has a share in nearly 27,000 miles of pipelines transporting crude oil, natural gas and petroleum products. Exxon owns tankers and other vessels and has additional vessels under term or spot charter. Each day, about six million motorists stop at nearly 36,000 service stations world-wide where its branded products are sold.

Exxon Exploration Company, formed in 1992, is Exxon's subsidiary for global exploration activities. The company taps exploration opportunities around the world, using the most efficient and state-of-the-art technology. It is one of the largest suppliers of chemical raw materials, solvents, plastics and other petrochemical products including oilfield chemicals. It operates coal mines in the United States, Colombia and Australia. It has two copper mines and a copper smelter in Chile, has an interest in a zinc and copper mine in Australia and hold other mineral reserves in the United States and Australia. It has a major interest in electric-power-generating companies that supply much of Hong Kong and parts of China with electricity.

EXXON's Business Operations in Saudi Arabia

In Saudi Arabia, Exxon is SABIC'S partner in Al-Jubail Petrochemical Company (KEMYA). The partners signed the joint venture agreement in 1981, and KEMYA came on-stream in 1985. It produces polyethylene, using ethylene as the feedstock, which is supplied from Saudi Petrochemical Company (SADAF) (SABIC Annual Report 1996). EXXON Chemicals Company, one of EXXON's subsidiaries has an affiliate in Al-Khobar, called Oilfield Chemicals Company (American Businesses Resident in Saudi Arabia. Directory 1995-1996: 61).

MOBIL CORPORATION

Company Background and International Business Operations

MOBIL Corporation is one of the world's pre-eminent multinational companies, whose energy and chemical operations reach into some 140 countries. (MOBIL Annual Reports 1996: 4; 1998: 4) It has also substantial investment interests in retail merchandising and paperboard packaging. The company was incorporated in 1882 as the Standard Oil Company of New York; and it became part of the Standard Oil Trust from 1889 to 1911 (Stopford, Dunning and Haberich 1980: 677).

Mobil in 1996 earned $72.3 billion in total sales. This made it Number 19 on the list of the world's largest corporations, in terms of sales revenue (Fortune No. 15, August 4, 1997). Based on this total sales revenue, it earned a profit of $2.96 billion, making it the Number 24 most profitable company in the world. In 1996 MOBIL was the Number 8 largest company in the United States, both in terms of sales revenue and profit.

According to its 1996 Annual Report, MOBIL earned $81.5 billion of total revenues in 1996, reflecting an 8.1 percent increase over the 1995 level of around $75.4 billion. The company's profits for 1996 and 1995, in fact, manifested a positive trend in its performance, after a poor showing in 1994 — a net income of $1.1 billion on $67.4 billion of total revenues. The company's profit in 1994 was only about half of the 1993 level of $2.1 billion (MOBIL Annual Report 1996: 57).

Mobil companies employ approximately 62,000 people world-wide in operations covering oil and gas exploration and production, manufacturing and marketing, chemicals, and research and development. It has wholly owned subsidiaries and joint ventures across the globe, including those in the United States, Canada, Latin America, Europe, Australia, Middle East, Africa and Asia (Stopford, Dunning and Haberich 1980: 677-681).

In 1996 MOBIL entered into alliances with British Petroleum to strengthen refining and marketing in Europe, and with Pan Energy Corporation to enhance energy marketing in North America. In its joint partnership with BP, MOBIL has 30 percent interest in the fuels venture and 51 percent share in the lubricants venture (MOBIL Annual Report 1996: 7). MOBIL's U.S. retail marketing network now offers one-stop shopping for convenience items, takeout foods, gasoline, a car wash and banking services (MOBIL Annual Report 1996: 13). In 1998 MOBIL agreed to a merger transaction with EXXON. services (MOBIL Annual Report 1998: 1).

MOBIL's Business Operations in Saudi Arabia and the Middle East

MOBIL's extensive involvement in Saudi Arabia began in 1927 with the marketing of Mobilgas and Mobiloil in the Kingdom. The company acquired a 10 percent shareholding in the Arabian American Oil Company (Aramco) in 1948. In 1961 MOBIL became a joint-venture partner of Haji Abdullah Alireza & Co in the Arabian Petroleum Supply Company (APSCO) — marketing lubricants and other MOBIL products in the Kingdom (Saudi Gazette Supplement on Saudi American Trade Relations, 31 October 1998: 35). Today, MOBIL is the largest foreign investor in the Kingdom.

Mobil's investment interests in Saudi Arabia include the Saudi Aramco Mobil Refinery (SAMREF), 50-50 partnership with Saudi Aramco (Ministry of Planning. Achievements of the Development Plans 1970-1997: 36). MOBIL also jointly owned with Saudi Aramco the Petromin Lubricating Oil Company (LUBEREF) and the Petromin Lubricating Oil Company (PETROLUBE). Moreover, MOBIL jointly owns with SABIC the Saudi Yanbu Petrochemical Company (YANPET), on a 50-50 partnership basis (SABIC Annual Report 1997: 32).

MOBIL has a Jeddah-based affiliate known as Mobil Saudi Arabia, Inc. This company has branch offices in Riyadh and Dammam (American Businesses Resident in Saudi Arabia Directory 1995-1996: 66). MOBIL Saudi Arabia offers oil and gas services through participation in APSCO and other joint venture projects in the Kingdom (Bricault 1995: 608).

In Qatar, Mobil is a 10 percent partner in Qatar gas and a 30 percent partner in the Ras Laffan Liquified Natural Gas Company Ltd. In the UAE, Mobil is a partner in the Abu Dhabi Company for onshore Oil Operations (ADCO) and participates in a joint venture refuelling facility at the Dubai Airport with Emirates General Petroleum Corporation. Mobil markets lubricants in the UAE through a marketing joint venture, and through distributors in Bahrain, Kuwait, Oman, Qatar, Yemen and Jordan.

CHEVRON

Company Background and International Business Operations

CHEVRON Corporation is one of the world's largest international energy and chemical companies. Its origins began in 1879 when a group of oil merchants and investors contributed $1 million to establish the Pacific Coast Oil Company in San Francisco, California. In 1900 the west coast operations of John D. Rockerfeller's original Standard Oil Company, a part of the Standard Oil conglomerate, bought the company and named it Standard Oil Company of California (SOCAL). The company became autonomous in 1911 when the U.S. Supreme Court decided to divide Standard Oil into 34 independent companies (Supplement to Chevron's 1991 Annual Report 1991; also Stopford, Dunning and Haberich 1980: 978). In order to be more closely identified with its "Chevron" branded products, Socal officially changed its name to Chevron Corporation in 1984 (Supplement to Chevron's Annual Report 1991; also Saudi Gazette, 2 November 1996: 56).

With total sales revenue of $38.7 billion CHEVRON ranked Number 15, in terms of revenue, on the list of the 500 largest U.S. corporations in 1996 (Fortune No. 8, April 28, 1997). CHEVRON's total revenues declined consistently in 1997 and 1998, largely as a result of the economic crises in Asia, Latin America and elsewhere (Chevron Annual Report 1998). CHEVRON's profit reached a record level of $3.26 billion in 1997 from $2.6 billion in 1996. This made it in 1997 as the Number 21 most profitable company in the United States, as against its No. 26 position in 1996. (CHEVRON Annual Report 1998; Fortune No. 8, April 27, 1998: F-1; April 26, 1999: F-1)

CHEVRON's international operations cover all phases of the petroleum and chemical industries spread in nearly 100 countries through its association with approximately 450 subsidiaries, joint ventures and affiliate companies. It also has substantial investment interests in fertilisers, fibres and real estate (Stopford, Dunning and Haberich 1980: 977). CHEVRON employs 43,000 people across the globe. Founded in 1879 as Pacific Coast Oil Company, the CHEVRON of today is an amalgamation of people, experience, technology and expertise that has come to be known as "The Partner of Choice" by its host governments and partners.

CHEVRON has remained one of the major U.S. companies in natural gas production and among the world leaders in liquid production. At year-end, 1995, Chevron's daily production from more than 11,700 (net) producing wells totalled more than one million (net) barrels of crude oil and natural gas liquids and 2.4 billion cubic feet (net) of natural gas. Also in the same year, the company replaced 138 percent of its oil and gas production with new, proved reserves.

CHEVRON operates six light-product refineries in America, two outside the US, and holds interests in 13 other refineries throughout the world through its Caltex affiliate. It is a top seller of gasoline in the US and markets refined products through 8,500 retail outlets in the US, Canada and the United Kingdom. CHEVRON purchases, sells, trades and transports crude oil, natural gas, liquefied petroleum gas and other products. CHEVRON Shipping Company operates a fleet of 35 vessels and has one of the best safety records in the industry.

In the chemicals sector, CHEVRON produces petrochemicals, additives and other chemicals in plants in 10 states in the US, and in Brazil, France and Japan. In addition, through affiliates and subsidiaries, it operates or markets in more than 80 countries.

CHEVRON's Business Operations in Saudi Arabia

On May 29,1933, Lloyd Hamilton, a lawyer working on behalf of the Standard Oil Company of California, met in Jeddah with Saudi Arabia's minister of finance, Abdallah As-Sulayman. The meeting was a milestone as it resulted in the signing of the basic Concession Agreement granting Socal exclusive rights to explore 320,000 square miles in the most promising areas of the Kingdom.

On September 23, 1933, Chevron geologists set foot in the Kingdom of Saudi Arabia at Jubail. Five days and 25 miles later, the team arrived at a hilly area they had earmarked for the centre of exploration activity. Their decision was based on the area's geologic features, similar to those found in Bahrain where Chevron had made the first crude oil discovery the previous year.

CHEVRON began its drilling activity in the Dammam on April 30, 1935. For nearly three years, the activity had remained fruitless. However, Dammam No. 7 well found large quantities of oil at a depth of 4,727 feel (1,441 metres) in a geological formation called the "Arab Zone" on March 3, 1938. In its first 50 days, Dammam No. 7 had produced more than 100,000 barrels of oil. This was, indeed, a milestone as it marked Saudi Arabia's future as a world leader in crude oil production.

Over the years since mid 1930s, Chevron allowed other American oil majors — CALTEX, MOBIL and EXXON — to have equity interests in its Saudi operations, which became known as the Arabian-American Oil Company (ARAMCO). In the mid-1970s the Saudi government began to acquire the assets of ARAMCO. By 1980, it became a wholly owned Saudi company.

CHEVRON does not have anymore equity interest in petroleum operations in the Kingdom. However, its presence in the Kingdom remains strong partly through a partnership with Saudi

International Services Company (SISCO), which provides technical services to Saudi ARAMCO. Chevron also maintains long-term supply agreements with Saudi ARAMCO to purchase Saudi crude at market prices, and is one of the largest lifters of Saudi crude for its US-based refining system, and for its Caltex affiliate in the Far East.

In a first-of-its-kind arrangement with the Saudi private sector announced in September 1996, Arabian Chevron Petrochemical, a wholly owned subsidiary of the Corporation, and Saudi Industrial Venture Capital Group (SIVCG) formed a 50/50 joint-venture to build and operate a $650-million petrochemical complex at Al-Jubail. Saudi Chevron Petrochemical is a limited liability partnership registered under the laws of the Kingdom of Saudi Arabia.

Construction of a brand-new, 480,000-tonne-per-year benzene plant and a 220,000-tonne-per-year cydohexane unit is scheduled for completion in mid-1999. Chevron's proprietary AR-OMAX@ processing technology, developed and patented by Chevron and designed to produce higher yields of benzene than conventional reforming methods, will be used to manufacture benzene from a natural gasoline feedstock supplied by Saudi Arabia. Today, Chevron manages and co-ordinates its business interests in the Kingdom through Arabian Chevron Inc, its wholly owned subsidiary, headquartered in Riyadh (Saudi Gazette Supplement, 31 October 1998: 40).

General Electric Company

Company Background and International Business Operations

General Electric (GE) Company is also one of the largest multinational companies in the world. It has business interests ranging from power generation to sophisticated diagnostic medical equipment to information services. It is the world's largest electrical equipment producer, and has diversified investments in electronics, gas turbines, nuclear power and natural resources. GE was incorporated in 1892 to assume ownership of Edison General Electric and the Stanley Electric Works. It has wholly-owned subsidiaries in the United States, Argentina, Denmark, France, Germany, Hong Kong, India, Indonesia and Ireland, Japan, Liberia, Mexico, Philippines, Portugal, Turkey, United Kingdom and Uruguay. It has also joint ventures (either majority-owned or minority-owned) in Australia, Brazil, Canada, Colombia, Italy, Mexico, Netherlands, Spain, Taiwan and Venezuela (Stopford, Dunning and Haberich 1980: 426).

GE ranks among the world's top companies as listed yearly in the Fortune magazine. With total sales revenue of $79.2 billion General Electric ranked Number 12, in terms of revenue, on the list of the world's 500 largest corporations in 1996. (Fortune No. 15, August 4, 1997) In terms of profit, General Electric's huge profit of around $7.3 billion made it as the world's Number Three most profitable company in 1996. It is third only to the Royal Dutch/SHELL Group (No. 1) and EXXON (No. 2), in terms of profit performance in 1996. Within the United States General Electric is the second most profitable company after EXXON (Fortune No. 8, April 4, 1997). GE improved its profit position to No. 2 in the world, both in 1997 and 1998 (Fortune No. 15, August 3, 1998: F-1; August 2, 1999: F-1). In fact, the company's group profit rose to around $9.3 billion in 1998, from $8.2 billion in 1997 (General Electric Company Annual Report 1998).

GE's sales revenues consistently followed an upward trend in recent years — $55.7 billion in 1993, $60.1 billion in 1994 and $70 billion in 1995. (General Electric Company 1995 Annual Report). 1995 revenues were considered terrific by GE's Corporate Executive Office, but the 1996 sales figures were even more terrific, being a record performance.

GE is a long-term player, approaching its business relationships across the globe with the same degree of commitment and integrity. Its local partners are all high quality technology companies and it continues to learn a lot from them. With its long-term view and commitment to stay during the difficult times, GE and its partners now enjoy increased profitability and, just as importantly, the well-earned respect of the local business community.

General Electric's Business Operations in Saudi Arabia

General Electric has eight joint venture projects in the Kingdom of Saudi Arabia, namely:

- General Electric Middle East Engineering Ltd. Saudi Arabia (GE MEELSA), engaged in power generation and electrical equipment service and repair;
- Jeddah Electrical Distribution Assemblies Company (JEDAC), which manufactures electrical distribution equipment;
- Saudi American General Electric Company (SAMGE), which carries out contracting and information services;
- Saudi Electric Supply Company (SESCO), which is a full line electric product distributor;
- Saudi Conduit Coating Company (S3C), which engages in specialist coating application and manufacture;
- Middle East Diagnostic Imaging Company (Medico), whose business is medical equipment service and installation;
- Middle East Propulsion Company (MEPC), which performs aircraft engine overhaul and repair; and
- The Middle East Power Company (MEPCO), engaged in power, gas, and steam turbines manufacturing.

GE has been an active participant in the Saudi Arabian market for over 60 years, with a trading relationship that dates back to 1933. In 1976 the company established in the Kingdom a full-time office which now operates as the regional headquarters, supporting more than 20 GE offices throughout the Middle East, Africa, and Central and Eastern Europe (Stewart. Middle East Insight 1995: 102).

Recently GE successfully completed a number of strategic projects, including the radar systems on the Peace Shield Project and a state-of-the-art ground Satellite Tracking Station for King Abdulaziz City for Science and Technology. On June 7, 1995, through its local affiliate, Saudi American General Electric (SAMGE), GE Power Systems signed a $1.3 billion contract with Saudi Consolidated Electricity Company for the Central Region (SCECO-C), to build a 1,285-megawatt combined cycle plant in Riyadh. This plant, Riyadh Power Plant 9, will be the largest crude oil-fired power plant of its kind in the world. It will be constructed 20 miles from Riyadh, and will be executed in a phased construction program over the next six years. Power projects totalling $4 billion over the next five years are currently being tendered and GE is also in active negotiation with Saudi partners for the local manufacture of turbines. A substantial local presence has been a key point in the company's market strategy. The company has gone to great lengths to create this through joint ventures and strategic alliances, believing this combination of its technology, coupled with local content and local experience gives it a strong competitive advantage (Stewart. Middle East Insight 1995: 102).

Today GE, and GE affiliates, account for more than 50 percent of the gas turbine market in Saudi Arabia, having installed 283 units for utility and industrial use in the Kingdom. In addition, GE has installed a base of 26 mechanical drive steam turbines and 9 large steam turbines. A recent GE acquisition, Nuovo Pignone, supplied 18 GE-technology gas turbine-driven crude oil pumps and 3 turbogenerator sets, plus 21 GE LM2500 aeroderivate units to the 462-Megawatt Pipeline Project in Saudi Arabia. Nuovo Pignone also provided all critical machinery for Saudi

Arabia's first MTBE (Methyl Tertiary Butyl Ether) petrochemical plant in Al Jubail, and key compressors for the gas lift at the gas and oil separation plant at the Al-Kurais Field.

In the future, Saudi Arabia is expected to remain an attractive market for power generation equipment sales. Frosty Berg, Director for GE Power Systems Middle East Region, remarks:

> *"Demand for power is currently greater than supply. Saudi Arabia is undergoing rapid industrialisation and is forecast to need an additional 10 to 12 gigawatts over the next 10 years. This is a potentially huge market and we are very keen to be a major player in it."* (Middle East Insight 1995: 103)

In June 1995, as part of a partnership with Saudi companies, GE won the $1.3 billion order to supply and install equipment for SCECO-C's Riyadh Power Plant 9, and to add additional gas turbines to Riyadh Power Plant 8. Subsequently, contracts were awarded to GE to extend the Rabigh and Medina power plants. The Riyadh Power Plant 9 will offer the highest ever local content for a Saudi power plant, demonstrating local support for the spare parts and services industry. GE is also a 75 percent owner of GE MEELSA, which provides the Kingdom with turbine apparatus overhaul capabilities and is a focused, dedicated customer support centre and a major power generation service centre.

Based in Dammam, MEPCO, a joint venture between GE Power Systems and Ali Abdullah Al-Tamimi & Co., is building a new plant for the manufacture of gas and steam turbine-generator sets, and high value spare parts for gas and steam turbines. This capability to manufacture turbines and associated spare parts in Saudi Arabia will enable MEPCO to expand its business into the other GCC markets. By procuring its products locally, the company keeps its costs down, and will be able to respond quickly when required to provide turnkey power plants to other parts of the region (Middle East Insight, 104-105).

The GE joint ventures are consistent with Saudi Arabia's industrialisation policy, as they establish indigenous suppliers, create increased market for local industries, reduce outflow of foreign capital and create export potential for hi-tech products. GE benefits through an increased market share and an increased commitment to the Kingdom. GE partner Ali Abdallah Al-Tamimi & Company, a leading Saudi enterprise, gets access to a new market and a broader range of GE technology. This is a win-win-win situation."

GE's Aircraft Engine business is a well-established supplier in Saudi Arabia. Active since 1970, it currently supplies engines to meet Saudi Arabia's defence needs and is competing on the Saudi fleet renewal program. It is also the supplier of choice for the AWACS (Airborne Warning and Control Systems) and tanker fleets and is well positioned to respond to all the Kingdom's future requirements. GE has established MEPC as a dedicated aircraft engine overhaul facility, developed to fulfil its offset obligations. When operational, the overhaul facility will provide a unique capability in the Arab Gulf region (Middle East Insight 1995: 105).

Through its local distributor the El-Seif group, GE Medical Systems has been a supplier of medical diagnostic equipment to the Kingdom since 1978 and currently accounts for 57 percent of the installed base. GE's equipment is present in all major central and government hospitals in the Region and in most private hospitals. In January 1995, GE Medical Systems signed a $26 million order to provide MRI (Magnetic Resonance Imaging), CT Scanners, and other medical equipment to the Ministry of Health.

Other GE businesses such as home appliances, lighting, plastics, motors, electrical distribution, and control and information services divisions are also well represented in the Kingdom. GE Appliances sells its Hotpoint-branded products through its local distributor Abdullah Al-Gaith, and its GE-branded appliances through its other distributor, Saad Al-Swailem. Al-Swailem is the largest GE distributor in the world, selling over $20 million worth of domestic appliances a year.

The very diversity of GE's businesses makes it an ideal partner in the Saudi growing market. GE is able to match its products to the Saudi Arabian business, economic, and social priorities, in the light of the increasing local demand for electrical power, employment in high technology areas, such as health care, infrastructure development, export-geared and energy-savings projects.

INTERNATIONAL BUSINESS MACHINES (IBM) CORPORATION

Company Background and International Business Operations

IBM is the world leader in information technology, with substantial activities in office products. It was incorporated in 1911 in Armonk, NY as the Computing-Tabulating Recording Company by the merger of Tabulating Machine Company, Computing Scale Company of America, and International Time Recording Company (IBM History. IBM Web Site: www.ibm.com). IBM first branched out abroad by opening a wholly owned subsidiary in Canada in 1917 (Stopford, Dunning and Haberich 1980: 540-542). IBM further established other wholly owned international subsidiaries in Americas, Europe, Asia/Pacific and Africa.

IBM earned $5.4 billion profit out of $75.9 billion revenue in 1996; $6.1 billion profit out of $78.5 billion revenue in 1997; $6.3 billion profit out of $81.7 billion revenue in 1998. With these consistently positive growths, IBM has become the world's sixth largest profit earner in 1998. (Fortune No. 15, August 3, 1998: F-1; August 2, 1999: F-1)

IBM has developed numerous products in all the fields of computing and information technology. It has taken a lead in the field of Network Centric Computing (NCC) to provide connectivity and networking on a local and global basis using Open Systems and Client/Server as a vehicle. For instance, IBM Global Network (IGN), which is consistent with the NCC concept, is already operational and is linking customers and services globally.

IBM believes that the Information Technology (IT) market of today is very challenging. Increased competition, economic pressure, diversified customer requirements and the fast evolution of products and applications are all working together to shape the trends of the global IT market. Thus, the company provides a wide range of products and services, which are basically divided into three categories, namely: hardware, software and applications, and consulting and services. In the hardware sector, the IBM product range includes large mainframes all the way down to personal computers, namely, the S/390, AS/400, RS/600 and PC and Server family of products.

In the software sector, IBM produces and markets operating systems, network and systems management, database management and other related products. The IBM popular software products include OS/390, MVS, OS/400, AIX (Unix) and OS/2 including an extensive list of middle-ware and application development products.

IBM's consulting and services sector includes a complete range of business, management and technical consulting. Services cover the development and implementation of a total customer solution, a new business that is expanding rapidly due to complexity of solutions.

IBM's Business Operations in Saudi Arabia

The presence of IBM in Saudi Arabia started in 1947 when the first IBM system was installed in the Kingdom. In 1981, IBM World Trade Corporation appointed as its General Marketing and Services Representative Saudi Business Machines Ltd. (SBM), a subsidiary of Juffali Group of Companies. From then on, SBM has been active marketing and implementing IBM's latest IT technologies in Saudi Arabia. With five decades of active participation and contribution to the development of Saudi computer technology know-how, SBM is looking forward to maintaining and strengthening this market presence in the future.

SBM is collaborating closely with IBM in implementing the strategy of providing Total Solution in Information Technology across a number of industries both in Government and in the private sector. The customers targeted by SBM are those engaged in petroleum, banking, utilities, retail, distribution, manufacturing, airlines, health, education and public transport. SBM's strategy is to provide a complete solution that includes the necessary products and services to meet customer requirements. The solutions include transfer of technology to customers through structured classroom training, practical hands-on experience and on-the-job assistance and support. In addition to the wide spectrum of IBM hardware and software products, SBM keeps abreast with the latest products and developments in the IT industry in order to use such development in designing, tailoring and implementing solutions that meet customer needs.

To increase effectiveness and to meet customer demands, SBM utilises several marketing and support channels. These include in-house professional and experienced teams of system engineers, customer maintenance engineers, software engineers and service and consulting engineers. These also include business ventures and strategic alliances, which add value to customers' requirements by providing specialised products or complementary support services. In addition, IBM's global network links SBM directly to specialised support centres, product development centres, and manufacturing plants.

SBM and IBM strive to meet customer requirements in the Kingdom through running an application system based on his specific needs. These needs vary over time, hence the solution provided should be dynamically responsive to cope with the changes without adversely affecting the customer's business operation. It should also be able to cope with growing business requirements in the future. Thus, SBM structured its in-Kingdom businesses into diverse industries. Each industry group has the resources, support and management structure to ensure quality service to its customer. SBM'S success is based on a dear understanding of customer requirements and the willingness and commitment to meet such requirements in a prompt and equitable manner. SBM considers satisfying customers as the key to future growth.

CATERPILLAR

Company Background and International Business operations

Caterpillar Inc is the world's largest manufacturer of earth-moving and construction equipment and a major manufacturer of diesel and natural gas engines. It was incorporated in Illinois in 1925 to merge C.L. Best Tractor Company and Holt Manufacturing Company. It first branched out overseas with the formation of the UK-based Caterpillar Tractor Company Ltd in 1950. From then on through 1965 it opened a number of wholly owned subsidiaries across national boundaries — Brazil (1954), Australia (1955), Canada (1956), France (1960), Mexico (1962), and Belgium (1965). In 1963 it also branched out to Japan with the formation of Caterpillar Mitsubishi Ltd, a 50/50 joint venture with Mitsubishi Heavy Industries. In the same year it also opened a 50/50 joint venture in India, with the formation of Tractor Engineers Ltd (Stopford, Dunning and Haberich 1980: 213-215).

Today, Caterpillar has a very broad product range of more than 300 machines and engines, and is undoubtedly one of the world's major companies. In 1996 it earned $1.4 billion profit out of $16.5 billion revenue. This revenue performance reflects 2.8 percent increase over that of 1995. In 1996 Caterpillar was No. 232 on the Fortune list of Global 500, in terms of revenue, and No. 98, in terms of profit (Fortune No. 15, August 4, 1997). The company's sales revenue rose to $18.9 billion in 1997, and then reached a peak level of around $21 billion in 1998 (Caterpillar Annual Reports 1997 and 1998). It is worth noting that Caterpillar's profit position, on a global level, significantly improved to No. 87 in 1997. Although in 1998 its profit ranking fell down to No. 92, this is still better than its position in 1996 (Fortune No. 15, August 3, 1998: F-4; August 2, 1999: F-4).

With global sales exceeding $16 billion in 1995 and more than 54,000 employees, the company's products are sold through a global network of 186 independent dealers serving 197 countries. The dealer network and distribution system is the envy of many of its competitors in the industry.

CATERPILLAR's Business Operations in Saudi Arabia

CATERPILLAR has been a well-known name in Saudi Arabia for many years. The company's construction equipment, engines and generator sets have performed a major role in the development of the Kingdom's infrastructure, agriculture, industry and housing programmes.

Caterpillar products played important roles in building many of the Kingdom's major highways, airports and seaports. They were used in the construction of the petrochemical plants, pipelines, steel works and industrial facilities, which have positively contributed to the Saudi economy. Caterpillar equipment today can be seen working throughout Saudi Arabia, building new homes, schools, shopping complexes, hospitals and other public utilities. It is also enabling the Kingdom to become self-sufficient in a variety of raw materials and agricultural produce; and even helps to generate electricity and pump water.

In Saudi Arabia Zahid Tractor & Heavy Machinery Company Ltd., has been the Caterpillar dealer for over 40 years. The company employs 1,250 people and operates from a head office in Jeddah and 16 branches and depots throughout the Kingdom.

This enables Zahid Tractor to provide its customers with a range of rugged, durable machines, engines and generator sets supported by pre-and after-sales services that are unparalleled in the Kingdom. Zahid Tractor's professional team is able to assist customers in the selection and acquisition of all types of equipment.

Any thing from a single machine, engine or generator set up to a complete fleet or power plant. The recent ISO 9001 certification offers testimony to Zahid Tractor's abilities and pursuit of excellence. Caterpillar equipment is working in a number of major projects that include the Shayba Oil Field development in the Eastern Province, and the Kingdomwide telecommunications project.

Fleets of large Caterpillar machines have also been supplied to increase the production capacity of the Kingdom's cement industry. Caterpillar powered generator sets are likewise popular in the Kingdom for generating electricity at a number of SCECO's new power stations, including the 18.25 MW plant it Al-Leith.

NORSK HYDRO

Company Background and International Business Operations

NORSK HYDRO is the largest industrial company in Norway and the largest chemical group in Scandinavia. The group was founded in 1905 to exploit Norway's supplies of cheap hydroelectricity and to use them to fix nitrogen from the atmosphere for the production of fertilisers (Stopford, Dunning and Haberich 1980: 726-728). The government of Norway owns 51 percent of the company shares, with the remainder being held by private shareholders and institutions. NORSK HYDRO's shares are traded on the stock market exchanges in Oslo, New York, London, Paris, Frankfurt and Swiss.

In 1927 it began using the ammonia synthesis process; and today, it is one of the world's leading fertiliser producers. It is also the world leader in granular urea technology. In 1951 NORSK

HYDRO began producing magnesium; and, today, it claims to be the world's leading producer of this product. It is one of the world's major aluminium producers and processors. Likewise, it has international oil and gas activities; and has a leading position in Norway in the production and exploration of oil and gas.

Norsk Hydro's net income declined consistently in the last four years from NOK 7.15 billion in 1995 to NOK 6.2 billion in 1996, NOK 5.2 billion in 1997 and NOK 3.7 billion in 1998. (Norsk Hydro Annual Report 1998). Like other major companies, Norsk Hydro was adversely affected particularly in 1997 and 1998 by the Asian financial crisis, over-capacity, intense competition and falling international prices.

NORSK HYDRO has been listed in the Fortune's Global 500 largest corporations. With total sales revenue of $13.2 billion NORSK HYDRO ranked Number 322, in terms of revenue, on the list of the world's 500 largest corporations in 1996 (Fortune No. 15, August 4, 1997). In terms of profit, it earned in the same year nearly $ 1.0 billion, and was shown on the list as the Number 148 most profitable company in the world.

For years NORSK HYDRO has been diversifying its activities which now include fertiliser, magnesium, aluminium, petrochemicals, oil and gas. With a capitalised market value of $ 10 billion in 1995, NORSK HYDRO is now the biggest industrial firm in Norway. Having 200 offices in 36 countries, the group has definitely gone far in broadening its international business operations across national boundaries. It now employs 33,000 people, of which 50 percent are in Norway.

In the field of agriculture, NORSK HYDRO is Europe's largest producer and supplier of mineral fertiliser (Norsk Hydro Annual Report 1996: 2). It produces 13 million tonnes of mineral fertilisers per year, and sells 3 million tonnes of third party products (Norsk Hydro Environmental Report 1996: 14).

In the oil and gas sectors, NORSK HYDRO operates platforms in the Oseberg, Brage and Troll fields. It also participates in most of the larger fields of the Norwegian continental shelf and elsewhere around the globe. It refines crude oil in Sweden and retails petroleum products through Hydro Texaco in Norway, Denmark and the Baltic States, and through Norsk Olje AB in Sweden. (Norsk Hydro Environmental Report 1996: 20) NORSK HYDRO has principal (virtually all wholly owned) subsidiaries in Norway, Austria, Brazil, Belgium, Canada, Denmark, France, Hong Kong, Netherlands, Sweden, United Kingdom and the United States (Stopford, Dunning and Haberich 1980: 728). In recent years the group has also intensified its joint venture activities as a means of accelerating the achievement of its corporate goals of globalisation, and of strengthening its presence in new markets across national borders. Its international joint ventures now include those in Australia, Denmark, Germany, Malaysia, Norway, Vietnam and Latin America. These partnerships are helping NORSK HYDRO move away from being a mere manufacturer to a real international marketer and distributor (Phosphorus and Potassium No. 212, November-December 1997: 2).

NORSK HYDRO's Business Operations in the Middle East

NORSK HYDRO of Norway is among the major European companies that successfully established joint venture businesses in the Middle East. It entered into an alliance with the Government of Qatar in the 1970s for the formation of Qatar Fertiliser Company (QAFCO). Since early 1970s QAFCO has been operating its own ammonia/urea complex using NORSK HYDRO technology, although the country has absolutely no demand for the product. The idea was to profitably convert the country's abundant and low-cost hydrocarbon resources for the manufacture of urea that is geared to the international market. As an international company, NORSK HYDRO's operations in the Middle East include licensing of its urea technology and international trading of fertilisers, aside from its joint venture in Qatar. NORSK HYDRO's granular urea technology was used in the new urea plants in Bahrain and Saudi Arabia.

AT&T

Company Background and International Business Operations

AT&T is also one of the largest multinational companies in the world. For more than 120 years, the company's innovations have laid the foundations of the world's communication services and systems (AT&T Annual Report 1996: 13). AT&T's research arm, AT&T Bell Laboratories, successfully came out with its 25,000th patent in 1994. This was virtually one patent a day since the inception of Bell Laboratories in 1925 (AT&T Annual Report 1994: 17).

AT&T is among the world's top earners as listed yearly in the Fortune magazine. In terms of revenue, AT&T ranked Number 17 on the list of the world's 500 largest corporations in 1996 (Fortune No. 15, August 4, 1997). It is worth noting here that AT&T's total revenues increased nearly 5 percent per year to $52.2 billion in 1996 from $43.8 billion in 1992 (AT&T Annual Report 1996: 28). In terms of profit, AT&T's net income of around $5.9 billion made was the Fifth largest in the world in 1996.

AT&T's vision is encompassed in its mission statement: "Being the world's best at bringing people together — giving them easy access to each other and to the information and services they want-any-time, anywhere." AT&T communication and information services are geared towards helping people enrich their lives as highlighted in its 1996 annual report:

> *We are in business to enrich the lives of our customers through communications, using the most powerful network on earth. Long distance calling is just one component of end-to-end capabilities that can include local, wireless, online services, access to home entertainment and many other services. We can help customers transform their businesses to be more successful. Our message to customers is that when it comes to the benefits of the communications revolution, "it's all within your reach."* (AT&T 1996 Annual Report)

Bob Allen, AT&T Chairman, recently conveyed the following message to the shareholders, concerning the direction that the company is taking in line with its mission:

> *AT&T is smack in the middle of an emerging global information industry that's advancing at breakneck speed. This is a $1.5 trillion industry today with every prospect of doubling in size early in the new century. With 5 percent of this $1.5 trillion global information industry, AT&T has plenty of room to grow. We're going after that growth with a strategy built around AT&T's strength as the world's networking leader. We're taking the lead in creating a world where smart networks connect to smart devices, giving people easy access to each other and to the advanced information services that will enrich the way they live, work and play.* (Wyatt. Middle East Insight 1995: 107)

AT&T wants to globalise the business more quickly and, at the same time, take advantage of new market opportunities, which are emerging as a result of the convergence of the communications, computer, consumer, electronics, and entertainment industries. The company tries to establish and expand a local presence through local research and development, as well as product sourcing. This may include technology transfer and local manufacture, whenever feasible. (Wyatt. Middle East Insight 1995: 108)

AT&T operates in more than 200 countries, and has some 130,400 employees across the globe. The company has strategic alliances around the world, including Alestra in Mexico, AT&T/Unisource in Europe, Birla AT&T in India and Cantel AT&T in Canada. These joint ventures are helping the company reach new customers in growing markets with AT&T-branded services (AT&T Annual Report 1996: 1).

In 1994 AT&T formed the Versit Partnership jointly with Apple, IBM and Siemens to better link computer and telephone systems, to enable customers to communicate using a variety of devices. It also formed a joint venture with Silicon Graphics to tap the burgeoning market for interactive visual-computing services (AT&T Annual Report 1994: 19).

On the other hand, AT&T divested some of its sub-performing businesses in recent years. For instance, it sold its credit card division, Universal Card Services, to Citibank for $3.5 billion. It also sold Solutions Customer Care Unit, which provides outsourcing and consulting for call centres, to Cincinnati Bell for $625 million. It bought Teleport Telecommunications Group, an upstart local phone company, for $11.3 billion. To further enhance company performance, AT&T restructured its top management, closely linking salary to performance (Fortune No. 3, February 16, 1998: 42).

AT&T's Business Operations in Saudi Arabia

On August 8, 1994, AT&T International and the Kingdom of Saudi Arabia entered into the Economic Offset Investment Commitment Agreement. On this basis, the company confirmed its intention to work with the Kingdom to help establish and develop a world-class high technology telecommunications sector in the Saudi economy.

AT&T's objectives are consistent with those of the Economic Offset Investment Program. As a result, both the Kingdom and AT&T will benefit from the deal. The objectives of the Economic Offset Program are to enhance investments in Saudi Arabia in high technology industry, diversify the economy of the Kingdom, and provide employment and investment opportunities for its citizens. In line with these objectives, the AT&T Economic Offset Investment Program is designed to provide the Kingdom of Saudi Arabia with employment and investment opportunities in the high technology telecommunications sector. The AT&T offset ventures not only have a strong link to the Telecommunications Expansion Program and the Economic Offset Investment Program, but are also linked to AT&T's long term goals, which include globalisation (Wyatt. Middle Insight 1995: 107).

AT&T's continuing presence in Saudi Arabia spans two decades. In choosing investment opportunities, AT&T looks for indicators such as regional leadership, a strong economy, as well as expanding infrastructure, a well-educated work force, plentiful natural resources, and access to thriving markets. All of these exist in Saudi Arabia.

In August 1995, AT&T signed with the Saudi government authorities the largest telecommunications contract ever awarded outside the United States. This telecommunications expansion project (TEP) is valued at $4 billion over seven years. During this period AT&T will install Kingdom-wide a fully digital communications network, including 1.5 million new digital lines and thousands of associated network components. This will provide Saudi Arabia with a world-class, state-of-the-art telecommunications network. The powerful new integrated solutions being installed by AT&T will support the Kingdom's continued growth and expansion well into the next century (Wyatt. Middle East Insight 1995: 108).

Under the Economic Offset Investment Commitment Agreement, AT&T is actively participating in opportunities to invest in suitable telecommunications projects in the Kingdom where the company can share and transfer its development, manufacturing, system integration, and management expertise. Last December 1994, AT&T entered into a contract with a Saudi company, Advanced Electronics Company, for the local manufacture of state-of-the-art printed circuit boards. Under this contract, the circuit boards will be manufactured and integrated into SESS® switches — the AT&T flagship product for digital telecommunications networks. The SESS switches, in turn, will become a key part of the TEP-system. This business relationship enables AT&T's Saudi partners to move into high volume, high technology manufacturing and to diversify its business base. It also provides challenging new technical assignments for Saudi employees. The associated technology transfer includes advanced surface mount manufacturing and systems test technology together with state-of-the-art, "Just In Time" material management and quality control systems, making AT&T the only company in Saudi Arabia with this capability. The company expects a long-term relationship with AEC, which may result in a joint venture for electronics product manufacturing. Another example of AT&T's commitment to help develop and expand Saudi Arabia's telecommunications industry involves creating a software centre of excellence.

In August 1995, AT&T, together with the Saudi company International Systems Engineering, agreed to establish a new joint venture Saudi company to be called International Network Engineering Company, Inc. This venture will result in a local source for the company's critical network management and control objectives. Over time this new company will expand to meet the growing market needs and provide economic, technological, and human development benefits similar to those of the electronics venture (Wyatt. Middle Insight 1995: 109).

BECHTEL

Company Background and International Business Operations

BECHTEL is a private-owned company founded in Oklahoma around 100 years ago in 1898. After 100 years of successful operations, the company celebrated its centennial in 1998. The year was also a milestone as the company earned a record revenue of $12.6 billion and booked $13.3 billion in new work (BECHTEL Global Report 1999). This marked a significant increase in revenue over those of the previous years from 1995 to 1997 (BECHTEL Global Reports 1996 to 1998). BECHTEL, with San Francisco as its headquarters, is a professional engineering and construction organisation that designs and builds facilities for many industries including: power, petroleum, chemicals, mining and metals, pipeline, surface transportation, aviation, space facilities, telecommunications, water management, environmental and pollution control, hazardous waste clean-up, industrial and commercial construction.

BECHTEL has 29,400 manual and non-manual employees. It has handled diverse projects in 68 countries on six continents. It has been under the leadership of its founding family for four generations. Riley P. Bechtel, great-grandson of the founder, is President and Chief Executive Officer of Bechtel Group Inc., the holding company for the organisation. His father, Stephen D. Bechtel, Jr., is Chairman Emeritus.

BECHTEL Group and its subsidiaries serve as the centres of the organisation's engineering and construction business. The regional offices, which include the engineering, construction and non-technical work force necessary to execute projects, are located in San Francisco; Los Angeles; Houston; London, and Gaithersburg, Maryland. The BECHTEL companies are : Bechtel Civil Company; Bechtel National Inc.; Bechtel Petroleum, Chemical & Industrial Company; Bechtel Power Corporation; Bechtel Construction Company; and Becon Construction Company, Inc. Another unit, Bechtel Enterprises Inc., provides expanded assistance to clients in the development, financing, and execution of projects.

All BECHTEL units are supported by a wide variety of services, including: global project financing, a world-wide procurement operation, information services, community relations, and the US engineering industry's largest research and development staff.

BECHTEL has recently been involved in a number of major construction projects. These include the following:

- Eurotunnel between France and England;
- Restoration of post-war Kuwait's oil production facilities;
- Jubail, a new industrial city for 275,000 in Saudi Arabia;
- A 170-mile segment of the Trans-National highway system in Turkey;
- New international airports for both Hong Kong and Seoul, South Korea;
- The Shoubrah El-Kheima fossil power plant in Egypt;
- The Qatar North Field offshore gas development;
- The SEMASS waste-to-energy project in Massachusetts;
- Boston's Central Artery/Tunnel project;
- The PGT/PG&E pipeline expansion project that will transport natural gas from Canada to the Pacific Northwest and California;
- The Disney-MGM Studio Tour attraction in Florida;
- The Shoaiba Power Plant in Saudi Arabia;
- Cleanup Management at the 560-square-mile Hanford Site in Washington State; and
- The Tengizchevroil Kazakhstan oil field development project.

BECHTEL's Business Operations in Saudi Arabia

BECHTEL started its operation in Saudi Arabia in 1944, with the first project of building a refinery at Ras Tanura on the Arab Gulf coast for the company now called Saudi ARAMCO (Middle East Insight 1995: 114). At that time, Bechtel was already known in the United States for having taken part in many large infrastructure projects, including such landmarks as the Hoover Dam and the San Francisco-Oakland Bay Bridge. Bechtel also had significant experience in refinery, pipeline, railroad, and mining projects. Its initial Ras Tanura job quickly grew into assignments for Aramco and the Saudi Arabian government on a variety of infrastructure projects in the late 1940s and early 1950s. These include the first commercial airports at Riyadh and Jeddah, the electrification of Riyadh, the Dammam-Riyadh railroad, paving of the Jeddah-Makkah road, and construction of numerous hospitals, hotels, and commercial buildings.

In the 1947-50 period, Bechtel undertook the world's biggest pipeline, the Trans-Arabian Pipeline (Tapline), stretching from the Gulf to the Mediterranean at Sidon, Lebanon. As in many of its Saudi projects, Bechtel provided extensive training of Arab workers on the Tapline, transferring skills and expertise in many disciplines. Successful completion of this pipeline, on schedule and within budget, brought Saudi oil cost-effectively to European markets for the first time, providing revenues to allow development of the Kingdom's human and natural resources (Middle East Insight 1995: 114).

In the following years BECHTEL also undertook work in Saudi Arabia in the areas of water desalination, power generation, transportation, and urban development, coupled with various petroleum-related projects.

Bechtel's history in the Kingdom entered a great milestone in the 1970s, with the establishment of the Royal Commission for Jubail and Yanbu which was created to oversee development of these two entirely new industrial cities.

Bechtel had also undertaken large-scale continuing assignments for the International Airports Projects (IAP) of the Ministry of Defence and Aviation. These include management services for the construction of two new international airports, King Khalid International Airport in Riyadh and King Fahd International Airport in the Eastern Province (Middle East Insight 1995: 115). The two widely acclaimed facilities reflect Arab and Islamic architectural heritage, and are designed to serve the Kingdom's needs today and tomorrow.

Bechtel's work for both the Royal Commission and TAP continued the tradition of providing training and technology transfer to Saudi project and client employees. Over the course of these activities, thousands of Saudis have received training from Bechtel, both in the Kingdom and in the United States, in a broad range of disciplines and skills, including: engineering, architecture, construction management, business management, accounting, human resources development, marketing, public relations, and many other subjects. Saudis trained by Bechtel now occupy responsible managerial positions in a number of businesses and organisations throughout the Kingdom and abroad.

Afterward the Gulf War, Bechtel managed the largest recovery of spilled oil in history, helping protect Saudi drinking water facilities from the pollution of war. Bechtel is currently working on several projects in the Kingdom, all focused on delivering top value to its varied customer base. In addition to continuing services to the Royal Commission and International Airports Projects, Bechtel's Saudi Arabian workload today includes many other projects. These are the Shoaiba power plant north of Jeddah, a lump sum (fixed price) desalination and electrical generation facility; a polyester plant and PTA/ Aromatics plant for SABIC in Yanbu; and further expansion projects at Saudi Aramco's Ras Tanura refinery, site of Bechtel's 1944 work.

The last 50 years have brought more advances in physical development to the Arabian Peninsula than any region of the world has ever experienced in a similar length of time. Steve Bechtel, Jr., Chairman Emeritus of Bechtel Group, remarks:

> *The single most impressive change is not physical, but rather the improvement in the style of living of the average person in Saudi Arabia, the education, the health care. I attribute this to the philosophy and leadership of the Royal Family, and I'm proud we could play a supporting role.*

Riley Bechtel, CEO of Bechtel, also remarks:

> *From our very first job in the Kingdom, we learned the importance of honouring Saudi culture and beliefs, and conducting ourselves in a way that made us welcome in the community. We have never stopped working to be good citizens in Saudi Arabia, and we think that our 50 years of experience and three generations of familiarity and commitment help us do a better job for our customers there.*

Babcock & Wilcox Power Generation Group

Company Background and International Business Operations

Babcock is a diversified engineering group concerned with the design, manufacture and installation of a wide range of engineering plants, broilers, construction equipment and the provision of related engineering and construction services. The group was incorporated in 1900 as Bobcock and Wilcox Ltd, the subsidiary of Bobcock and Wilcox Inc. of the United States. In

1975 the group became totally independent of its U.S.-based parent company (Stopford, Dunning and Haberich 1980: 98-101). With headquarters in the United States, the group is known today as the Babcock & Wilcox Power Generation Group (B&W PGG) and its parent company is now McDermott International (Stultz. Middle East Insight 1995: 110).

Bobcock's international operations have been bolstered by several successful projects, and by the corporation's steadfast commitment to excellence in providing energy solutions to its customers. B&W PGG, one of five major operating units of McDermott International, Inc., supplies fossil-fuelled steam generating systems and associated equipment, replacement nuclear steam generators, and environmental control equipment world-wide. Other McDermott units supply engineering and construction services for the offshore oil and natural gas industry; engineering, procurement and construction to onshore energy-related' industries, including production facilities; nuclear reactor components to the US Navy and high-precision manufactured components for other government and commercial programs; and shipbuilding and other industrial services. J. Ray McDermott, a majority-owned marine construction subsidiary, operates in the Middle East through McDermott-ETPM, a joint venture with the French company ETPM, to serve the Arabian Gulf, the Red Sea, and India, as well as other regions of the world, on an export basis. The joint venture's Jebel Ali fabrication yard in the United Arab Emirates recently won the Dubai Quality Award for the quality of its products and the standards by which it conducts its business (Stultz. Middle East Insight, 1995: 110).

Proven experience has given B&W and McDermott an edge throughout the world for decades. Today, the corporation boasts unmatched capabilities in managing and executing projects in each of its principal markets-power generation, government, engineering and construction, shipbuilding and marine construction. Good project management will remain a critical area of focus for McDermott and Babcock & Wilcox in the future.

Bobcock's Business Operations in Saudi Arabia and the Middle East

Bobcock's involvement in the Kingdom started in 1960 when it began the initial development program of the Saudi Arabia-Kuwait Divided Zone for the Arabian Oil Company, Ltd. At the beginning of the project, the company pre-pack aged four flow stations, a gathering station, a quarters platform, and a super tanker loading dock, and shipped them from the United States. By the project's end, the company had also installed 22 drilling plat forms, a central control station, and approximately 160 km of pipe and flow lines. These facilities had a capacity of up to 400,000 barrels of oil per day, and floating storage for 2 million barrels. This was the largest such offshore system in the Gulf at the time (Stultz. Middle East Insight 1995: 110).

Babcock and Wilcox involvement in Saudi Arabia's infrastructure development includes a series of very high capacity package boilers for Aramco. B&W also supplied five 150 megawatt oil- and gas-fired steam generators and related equipment for the Al Khobar Saline Water Conversion project, which has been in successful operation since1982.

For Babcock & Wilcox, new equipment and major service customers in the region also include Saudi Consolidated Electric Company (SCECO) East and West, the Saudi Arabian Navy, the University of Riyadh, the Saudi Methanol Company, the Kuwait National Petroleum Company, and the Kuwait Oil Tanker Company.

Project Management and Walter E. Seamer McDermott's Middle Eastern business, like that of its Babcock & Wilcox unit, focuses on large projects for energy production and industry development. While the size and complexity of each project varies, the corporation's strong project management capabilities have been key to their successful completion.

The Ralph M. Parsons Company: Its Project Management and Construction Works in Saudi Arabia

The Ralph M. Parsons Company of Pasadena, California started work in Saudi Arabia with water aquifer studies for the national water and agricultural land survey and with work on the Civil Air Terminal in Dhahran in the late 1950s. Since then, the Parsons Corporation has been involved in a wide variety of projects that spanned Saudi national interests in water development, civil and public works, aviation, national defence, the chemical industry, gas processing, and other industrial endeavours (Terhune. Middle East Insight 1995: 112).

Parsons' earliest job in Saudi Arabia was the design and construction of the Dhahran Civil Air Terminal in Dhahran. The Terminal building's architectural theme incorporates the richness of Arabic design and is carried throughout its interior. This project won the 1963 First Honour Award from the American Institute of Architects but has been seldom used since its completion as either a domestic or international terminal. In the spring of 1965, the Saudi Arabian Ministry of Agriculture and Water awarded Parsons a four-year contract for Nefud Basin Water Development.

Parsons also provided complete architect-engineer services for Riyadh Broadcasting Complex, comprising a radio studio building, 17 story administration building, and power plant. The studio building contains ten acoustically isolated studios and a 200-seat auditorium. The administration building houses the offices of the Minister of Information and his staff. Diesel-electric generators provide 2000 KW of standby electrical capacity. The site provides parking for 450 automobiles. Parsons completed work on this project in 1967.

Starting in 1972, Parsons master-planned 2 complete Saudi naval bases at Jeddah and Jubail and an inland headquarters base for the Royal Navy Command in Riyadh. It also designed all on-shore facilities. The twin coast bases provide operations, logistical, and technical support-including ship repair and maintenance for the Saudi Navy. The Riyadh base will serve as a command, training, and communications centre for all naval operations.

In 1976, Parsons formed Saudi Arabian Parsons Limited, a local affiliate which initially handled the company's role in the gas conservation programme. Today, this affiliate is Parsons' centre of construction, construction management, and related technical services in Saudi Arabia. Parsons is likewise providing engineering, project, and construction management services for steam generation and for gas-based sulphur recovery units under Saudi Arabia's multi-billion dollar Gas Conservation Programme.

A joint venture of Saudi Arabian Parsons Limited and Daniel International (Saudi Arabia) completed Jeddah International Airport. This airport is the world's largest integrated aviation complex. Parsons' responsibilities included new runways, aprons, an administration building, hangars, terminal expansion and air cargo and food handling buildings. The airport includes a special Hajj terminal for pilgrims making the sacred journey to Makkah.

Parsons developed and carried out a complete master plan for Yanbu Industrial City, in accordance with the contract awarded in mid-1976 by the Royal Commission for Yanbu and Jubail. The project is part of a $144 billion, five-year national development program based on the use of local resources. The master plan comprised a hydrocarbon processing complex, with a 500,000 barrels per day refinery; an ethylene plant for low density polyethylene, ethylene glycol and styrene monomer; a natural gas liquids plant; a crude oil terminal; a minerals-based industrial group, with steel mill, aluminium smelter, and related industries/ support facilities.

Permanent infrastructure facilities and systems were planned to keep pace with industrial development, including a crude oil terminal, petrochemical complex, natural gas liquid fraction plant, refinery complex, sulphuric acid plant, and other industrial plants for fabrication of materials and supplies related to these industries. Permanent infrastructure provided by the Royal Commission in support of industry over the first seven years of the development of the Yanbu Complex was broken down into separate program items, which were further broken down into specific projects. Construction of basic industrial facilities was initiated at Yanbu on November 1, 1977. Support projects already underway or completed include power generation, security fencing, construction support port, water supply, construction support camps, and communications.

In January 1996 Parsons' development arm, Parsons Development Co., and a Bechtel subsidiary, Bechtel Enterprises, signed a formal Development Agreement with the Royal Commission, to build and operate new infrastructure and utilities at Yanbu and Jubail (Pampanini 1997: 111).

Parsons has indeed played a key role in the development of Yanbu, which is a modern industrial city with diverse world-class products and services to offer now and in the future. With more industrial projects underway, Yanbu is increasingly growing as an important base for the export of crude oil, refined petroleum products, and petrochemicals (Pampanini 1997: 126).

Citibank: Its Financing and Banking Operations in Saudi Arabia

Citibank/Citicorp is one of the world's largest corporations. It was No. 79 on the "Fortune Global 500" in 1996. With sales revenues of $32.6 billion, Citicorp was in 1996 the fourth largest bank in the world. In the same year it generated a net profit of $3.8 billion, which was second only to Hong Kong Shanghai Bank Corporation (Fortune No. 15, August 4, 1997).

Citibank operates in Saudi Arabia through Saudi American Bank (SAMBA), the most successful commercial banking joint venture of its size in the world (Taecker. Middle East Insight 1995: 116). SAMBA was founded in mid-1980 as a 40:60 joint venture between Citibank and Saudi shareholders. The company was initially capitalised at a level of SR 300 million ($80 million) through a public share offering to over 200,000 investors. Riyadh is its headquarters. Today, the company's capitalisation has increased manifold to SR 2.4 billion ($640 million). Since its formation, SAMBA's capital increases have been achieved solely through capitalising retained earnings, rather than through new share offerings or government infusions.

The first Citibank branch in Saudi Arabia opened in Jeddah in 1955. This branch rendered trade finance and money transfers, in addition to foreign exchange and other travellers' services. The systems in use, although antiquated by today's standards, were among the best at the time. In the early 1950s the Kingdom's currency system was an amalgam of pilgrims' receipts (scrip) and coins (gold, silver, and alloys) that fluctuated widely in value. The Saudi Arabian Monetary Agency (SAMA), the central bank, was only two years old. It was actively consulting with foreign bankers in search of a stable system. Early Citibank branch managers and visiting officials played a role. They contributed in formal and informal ways to the formulation of the first Import, Exchange, and Currency Control Laws in 1957 and 1958. In 1961 this resulted in the creation of a stable and convertible Saudi Riyal (then at a parity rate of SR 4.50 per US dollar, compared to today's rate of SR 3.75 per dollar).

In 1966, Citibank opened its first branch in Riyadh. From then on, Citibank banking businesses in Saudi Arabia expanded Kingdom-wide and include a variety of trade-related products including letters of credit and foreign exchange. Corporate banking activities further covered project bid and performance guarantees, and the establishment of credit facilities for local contracting and trading companies. Citibank also gained prominence among the growing group of international banks that sought to advise and manage the financial assets of the government and private citizens.

SAMBA has contributed positively to the development of the Kingdom's physical infrastructure, its financial markets, and its vital and growing private sector. Since the 1970s, the Kingdom's drive to diversify its economy and reduce dependence on oil has resulted in the establishment of thousands of industrial enterprises reflecting a total investment of $40 billion. These include the wholly owned and joint venture enterprises of the Saudi Arabian Basic Industries Corporation (SABIC). Loans from SAMBA have contributed to the financing of some of these ventures (Taecker. Middle East Insight 1995: 118). As a consequence, Saudi Arabia's non-oil private sector now accounts for about half of the Kingdom's gross national product compared to less than 20 percent in the 1970s.

With regard to the Saudi financial markets, SAMBA manages the largest bank portfolio of Saudi government bonds and chaired the special SAMA/banks committee to establish secondary market trading in Saudi official paper. It has also provided a number of direct loans to the government and its wholly owned companies. Financing facilities also support the national oil, shipping, and airline companies, and have gone toward building new capacity to generate electricity (with SCECO), desalinate water (SWCC), and extend telephone lines and services (PTT).

SAMBA likewise operates the most active brokerage business in the local equities markets where capitalisation is about $40 billion. It also manages a family of mutual funds for all assets classes with global coverage. It led in 1990 the bank group that established the Saudi Share Registration Company, a centralised share-clearing house. SAMBA also chaired the SAMA/banks committee that established standardised rules governing the brokerage and fiduciary activities of the banks in both local and inter-national markets.

As an advisor and facilitator for mergers and acquisitions, SAMBA has led the formation of a number of Saudi Arabia's most vibrant new companies. These include Savola, a leading national company for the manufacture of edible oils, and Al-Mara'ee, one of the leading local producer of dairy products. SAMBA has also led the Kingdom's first aircraft leasing deal in 1989. It was among the first banks to launch automatic teller machines (ATM's) and international debit/credit cards.

With respect to human resource development, SAMBA established its own Centre for Banking and Finance (CB&F) in 1982. Every year since then, CB&F has offered an expanded curriculum of courses in banking and finance to help develop a strong cadre of Saudi bankers. In 1994, CB&F trained more than 1600 student-days of instruction. The emphasis is on enhancing the capabilities of Saudis, who now comprise three-fourths of participating students. The centre also supports SAMA'S Banking Institute, in terms of curriculum development.

Other Forms of International Business in Saudi Arabia

Other multinational companies have been successfully operating in the Middle East particularly Saudi Arabia through appointing local agents, setting up their own representative offices, or by granting licenses or franchises to Saudi companies or individual businessmen. In fact, many of the large-scale European companies prefer appointing local agents as a means of establishing business presence in Saudi Arabia. For instance, ABB Transformatoren GMBH of Germany has established Asea Brown Boveri Saudi Arabia Ltd, with offices in many parts of the Kingdom. However, agency is the nature of co-operation with local partners.

BASF of Germany is a multinational company that is comparatively strong in chemical commodities. It has a very strong engineering culture, which ensures its strength in the commodity sector (European Chemical News, 2-8 September 1996: 16-17). With total sales of DM 48.8 billion in 1996 (BASF Annual Report 1996), the company is listed in Fortune as the No. 82 largest corporation (Fortune No. 15, August 4, 1997). In Saudi Arabia, BASF has appointed Y.B.A. Kanoo as its local agent for the marketing and distribution of chemicals, plastics and pigments.

Another German Company, Bayer, follows BASF on the list of the Global 500. With a total revenue of $32.3 billion, Bayer was No. 83 on the Fortune list in 1996. Bayer is a diversified international company, with a diverse scope of cross-border operations ranging from health care and agriculture, through engineering materials and speciality chemicals, to photography and graphic systems (Bayer Annual Report 1995). In Saudi Arabia, the company has a representative office in Jeddah, which carries the name Bayer Scientific and Technical Office. It handles scientific services for health care products. Hoechst of Germany has established Hoechst Saudi Arabia, but agency is the nature of co-operation with local partners. Thyssen has a representative office in Riyadh, which arranges/manages export shipments, as well as cargo deliveries of all kinds. Siemens AG has joint venture, agency, representative offices and appointed local distributors in Saudi Arabia (GESLO 1996: 1-248).

The U.S.-based Westinghouse Electric Corporation is represented in Saudi Arabia through Westinghouse Electric Saudi Arabia with offices in Riyadh and Al-Khobar. In November 1972 Westinghouse Electric Saudi Arabia entered into a joint venture agreement with the Jeddah-based Abbar & Zainy Ltd. and formed ISCOSA Industries and Maintenance Ltd. ISCOSA has been involved in the manufacture of motor control centres, switchgear, transformers, electrical and mechanical packages. It also offers diverse services including project management, consulting, construction, operation and shutdown maintenance, power systems studies, equipment relocation, quality control, loop checking, transformer oil checking and purification. (ISCOSA Pre-Qualification Document) Westinghouse offices in Riyadh and Al-Khobar handle bidding-related transactions and issues related to project management. Westinghouse and Siemens recently merged their operations in Saudi Arabia.

Marubeni, one of the world's leading trading companies, is represented in Saudi Arabia through Marubeni Saudi Arabia Company Ltd, a joint venture with the Jamjoom group (Bricault 1995: 604). Marubeni Saudi Arabia is engaged in civil, electrical, mechanical, contracting and construction activities. Marubeni is notably the world's 4th largest trading company, with total revenues of $124 billion and a profit of $179 million in 1996 (Fortune No. 15, August 4, 1997).

Dow Chemical Company is represented in the Middle East/Africa through the Jeddah-based Dow Chemical Mid-East/Africa SA (Bricault 1995: 562). This company has representative offices in Dammam and Riyadh for marketing and distribution of chemical products. Dow is notably the world's 5th largest chemical company, with total revenues of $20.1 billion and a profit of $1.9 billion in 1996. (Fortune No. 15, August 4, 1997) The company was in the 1960s already acclaimed as the world's leading producer of chlorine and caustic soda. It has joint venture with major global companies like DuPont (See DU PONT Annual Report 1996: 3). More than three decades ago, Dow also ranked at the top or near the top in supplying industries with vinyl chloride, propylene oxide, glycol, phenol, synthetic glycerine, hydrochloric acid, methylene chloride, bromine, aspirin granules, magnesium, plastic monomers and polymers (Whitehead. 1968: 258).

There are many more international companies, which operate in Saudi Arabia through their appointed local agents, representative/liaison offices, as well as franchises or licences to local companies or individual businessmen. These include Carrier, Pepsi, Coca-Cola, General Motors, Toyota, Hyundai, Daewoo, Samsung, York, SNAS/DHL, Federal Express, Ford, Kodak, Hertz, Budget, Dresser Industries, Kentucky, McDonald and many others, which are too numerous to be included here. However, the researcher believes that the selected cases of major companies discussed above suffice to show the broad scope of multinational activities in the Middle East, particularly Saudi Arabia.

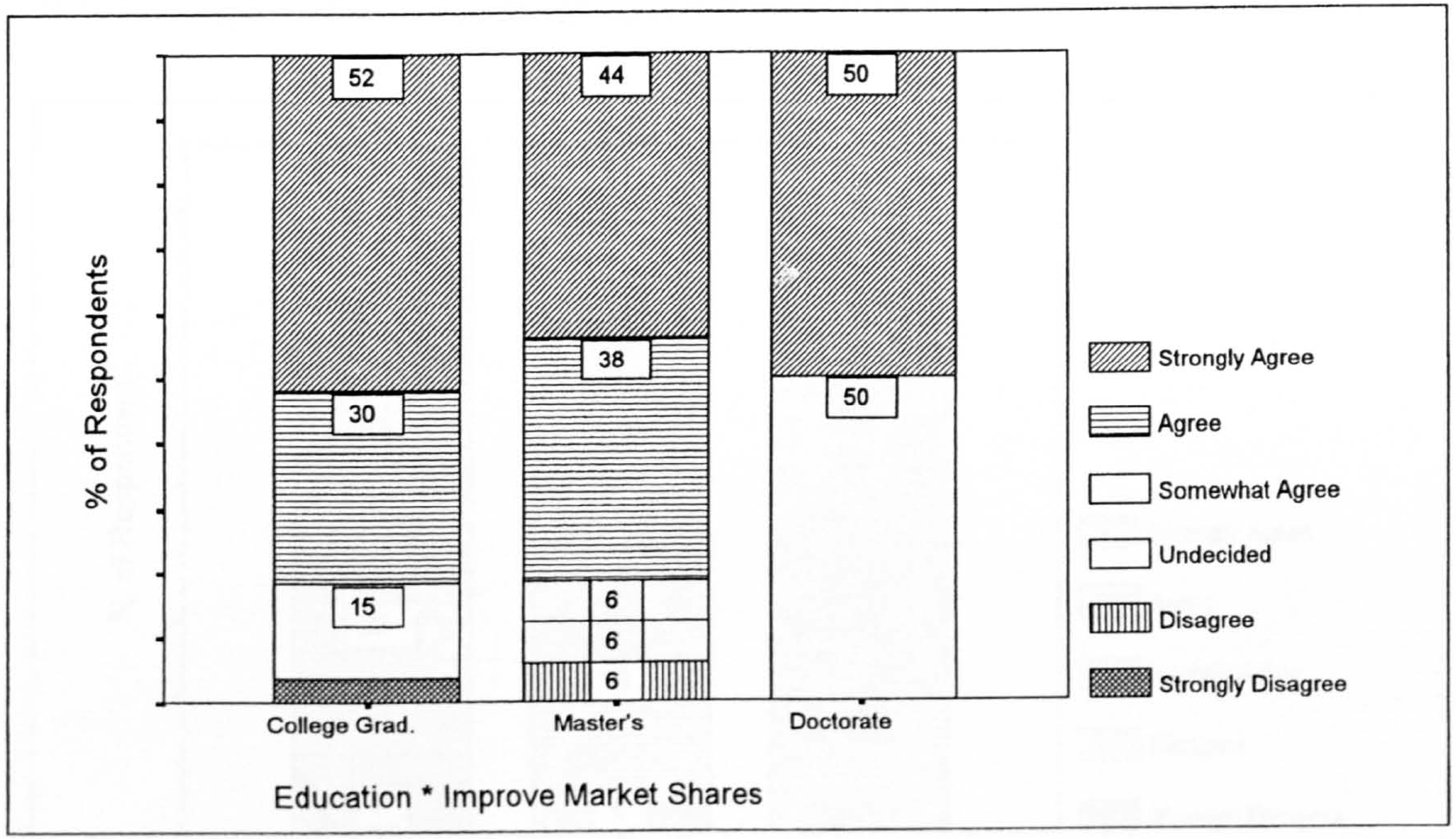
Appendix 5

Other Charts and Statistical Summary Tables Used in Chapters 5 and 6

Appendix 5a
Charts and Summary Tables
Cited in the Notes to Chapter 5

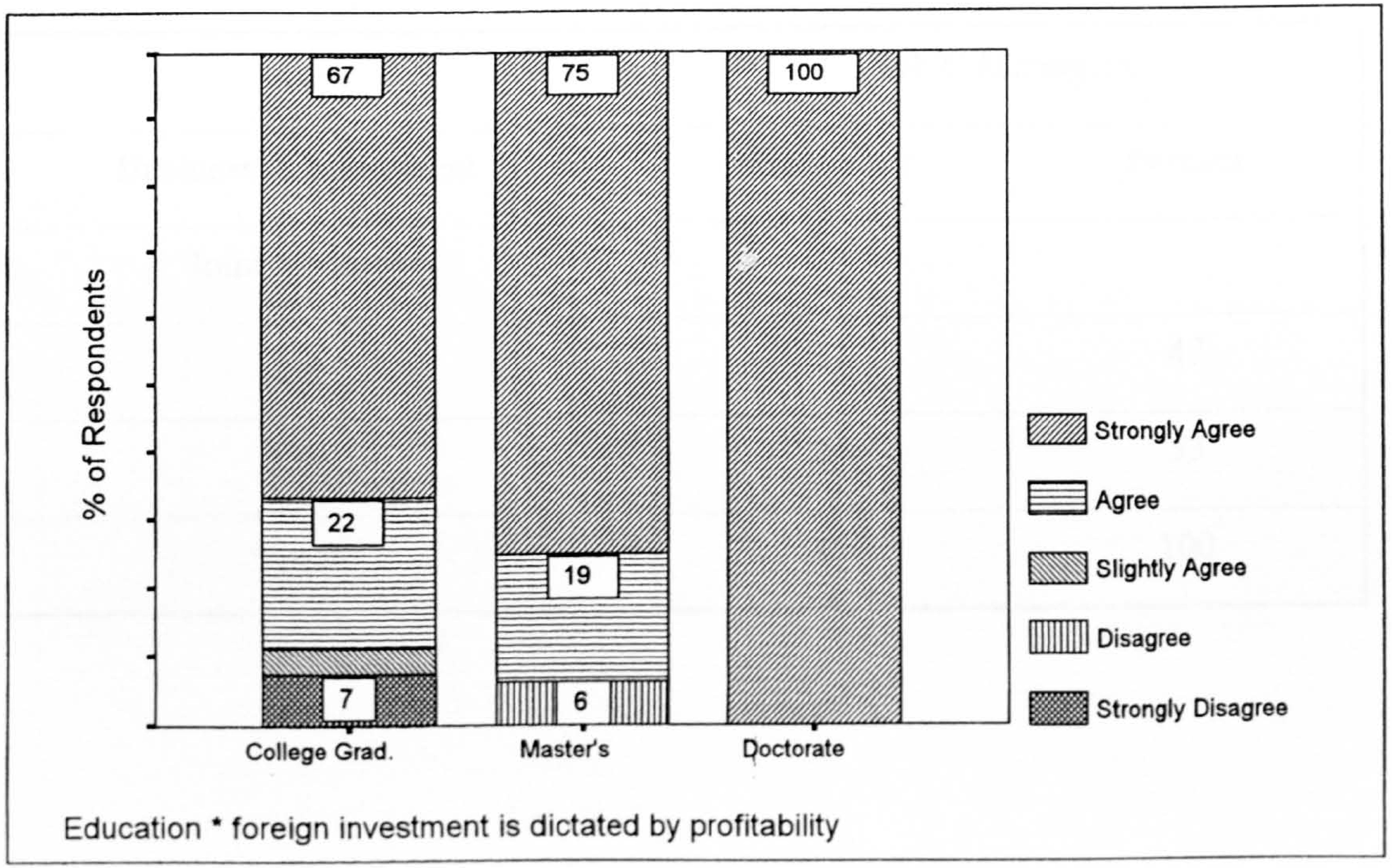
MNC Managers' Perceptions

Figure 6.1 Improving Market Shares as the Reason for the Type of MNC Business in Saudi Arabia



Chi-Square test: Non-significant, $\chi^2 = 7.941$ (df=10, N=45), $\rho = .635$.

Figure 6.2 Profitability Dictates Foreign Investment



Chi-Square test: Non-significant, $\chi^2 = 4.6$ (df=8, N=45), $\rho = .796$.

MNC Managers' Perceptions

Table 6.2a Types of MNC Business in Saudi Arabia

	MNC Managers	
Business Arrangement	Frequency	Percent
Joint Venture		
No	21	47
Yes	24	53
Total	45	100

MNC Managers' Perceptions

Table 6.2b Types of MNC Business in Saudi Arabia

	MNC Managers	
Business Arrangement	Frequency	Percent
Wholly Owned Production Branch		
No	45	100
Yes	0	0
Total	45	100
Marketing/Distribution Branch		
No	36	80
Yes	9	20
Total	45	100
Consulting/Professional Services		
No	32	71
Yes	13	29
Total	45	100
Saudi Economic Offset Programme		
No	42	93
Yes	3	7
Total	45	100
Technology/Product Franchise Only		
No	43	96
Yes	2	4
Total	45	100

MNC Managers' Perceptions

Table 6.3 Why the Respondents' Firms Chose the Kinds of Business Arrangement They Have in Saudi Arabia

	Overall Descriptive Statistics				Religion (Rel)		Education (Ed)			Years (Yr) in S A				Chi-Square Test			2-Tailed Test of Significance		
					Musl	Non-Musl	Coll	MS	PhD	< 5 Yrs	5-<10	10-<15	> 15	Rel	Ed	Yr	Rel	Ed	Yr
	Xo	S	SE	*t*	Mean	Mean	Mean	Mean	Mean	Mean	Mean	Mean	Mean	χ^2	χ^2	χ^2	Sig. Level		
AB01 To maintain/improve local market share	6.1	1.3	0.2	11	6.2	6.1	6.2	6.0	6.0	6.6	5.4	6.6	5.9	5.4	7.9	14.2	0.37	0.64	0.51
AB02 To enjoy location-specific advantages	3.1	2.0	0.3	-3	3.8	2.7	3.3	2.8	3.5	2.4	2.6	3.1	4.1	13.3	19.7	19.6	**0.04**	0.07	0.36
AB03 To enjoy other invest. opport. in KSA	4.6	2.1	0.3	2	5.2	4.2	4.9	4.3	3.0	4.0	4.4	4.4	5.3	4.9	10.0	27.4	0.43	0.44	**0.03**
AB04 To make KSA import-dependent	2.9	1.9	0.3	-4	3.8	2.3	2.9	2.7	3.5	2.0	2.3	3.4	3.6	10.3	12.4	18.2	0.11	0.41	0.45
AB05 To protect technology/other secrets	2.7	1.9	0.3	-4	3.4	2.3	2.5	3.0	3.0	1.9	2.5	3.7	2.9	7.3	9.7	24.1	0.30	0.64	0.15

Notes: 1. Xo=Overall Mean; S=Standard Deviation; SE=Standard Error of the Mean; N=45; SCALE: Strongly agree 7,6,5,4,3,2,1 Strongly disagree.

2. Using one-sample t test, the mean (Xo) on each test variable is evaluated to determine whether it is significantly different from a constant, called a test value by SPSS. The hypothesised test value is 4, which represents the midpoint on the bipolar 7-1 response scale. The test is done at 95 % confidence level, 44 df.

3. The mean scores for AB02, AB04 and AB05 fall on the left side of the mid-point test value (4), indicating the respondents' slight disagreement on the given variables as the reasons why MNCs chose the kinds of business arrangements they have in S. Arabia. The t test's absolute values are all statistically significant.

4. The significance level of .05 or better is shown in **bold** for each test variable vis-à-vis category variable, with a statistically significant chi-square value.

Table 6.4 Which of the following best describe(s) your firm's global operation network?

	MNC Managers	
Nature of Business Operation	Frequency	Percent
Products/parts are produced in Saudi Arabia		
No	39	87
Yes	6	13
Total	45	100
Products/parts are produced in the home country		
No	18	40
Yes	27	60
Total	45	100
Products/parts are produced in affiliates elsewhere		
No	18	40
Yes	27	60
Total	45	100
Products/parts are imported from other countries		
No	28	62
Yes	17	38
Total	45	100
Others		
No	41	91
Yes	4	9
Total	45	100

Table 6.5a Why Multinational Companies Invest in Saudi Arabia

Code	Variables	Overall Descriptive Statistics: Xo	S	SE	t	Religion (Rel): Musl Mean	Non-Musl Mean	Education (Ed): Coll Mean	MS Mean	PhD Mean	Years (Yr) in S A: < 5 Yrs Mean	5-<10 Mean	10-<15 Mean	> 15 Mean	Chi-Square Test: Rel χ^2	Ed χ^2	Yr χ^2	2-Tailed Test of Significance (Sig. Level): Rel	Ed	Yr
BA01	Tax incentive (attractive tax holiday)	4.5	2.2	0.3	1.5	4.5	4.5	4.7	4.1	5.0	4.3	4.6	4.8	4.5	3.1	15.4	6.1	0.80	0.22	0.99
BA02	Availability of abundant/low-cost r. materials	3.4	2.2	0.3	-1.7	4.0	3.1	3.4	3.1	6.5	2.8	3.0	3.8	4.0	4.7	9.7	8.8	0.58	0.64	0.96
BA03	Presence of world-class basic industries	4.2	2.0	0.3	0.5	4.4	4.0	4.2	3.9	5.5	3.3	4.1	4.8	4.6	10.3	11.4	29.5	0.11	0.50	**0.04**
BA04	Availability of improved comm. services	4.2	2.0	0.3	0.7	5.2	3.6	4.7	3.3	5.0	2.8	4.2	3.9	5.6	14.0	14.6	34.4	**0.03**	0.27	**0.01**
BA05	Presence of modern seaport/logistic facilities	4.6	1.7	0.3	2.4	5.4	4.1	4.9	4.1	4.5	3.0	4.6	5.4	5.4	8.3	10.8	28.9	0.22	0.55	**0.05**
BA06	Presence of modern airports/aviation facilities	4.8	1.6	0.2	3.2	5.4	4.4	5.0	4.5	4.5	3.3	4.9	5.6	5.5	6.4	12.0	26.7	0.38	0.45	0.08
BA07	Presence of all other basic infra. facilities	5.0	1.5	0.2	4.2	5.3	4.8	5.1	4.6	5.0	4.3	4.5	5.6	5.5	8.7	9.2	19.8	0.19	0.69	0.35
BA08	Stable & fully convertible local currency	5.8	1.3	0.2	9.5	6.2	5.6	6.0	5.4	6.5	5.0	5.8	6.1	6.4	3.6	8.4	17.2	0.61	0.59	0.31
BA09	Free inflow/outflow of foreign currencies	6.0	1.5	0.2	8.9	6.4	5.8	6.3	5.3	7.0	5.3	5.7	6.3	6.6	2.9	13.8	17.1	0.82	0.32	0.52
BA10	No rigid regulation on transfer pricing	5.1	1.7	0.2	4.3	5.8	4.6	5.4	4.4	6.0	3.4	5.0	5.6	6.2	15.7	15.6	34.1	**0.01**	0.11	**0.00**
BA11	Low-cost loans & good banking services	4.2	1.8	0.3	0.8	4.9	3.8	4.5	3.7	5.0	3.3	3.9	4.4	5.1	5.5	18.0	17.9	0.49	0.12	0.46
BA12	Growing local mkt for various goods/services	5.4	1.4	0.2	6.7	5.6	5.2	5.2	5.5	6.5	5.3	4.6	5.7	5.9	5.0	5.8	18.7	0.42	0.83	0.23
BA13	Poor/declining demand in the home country	3.9	2.0	0.3	-0.2	4.6	3.5	3.9	3.8	6.0	3.3	3.0	4.2	4.9	5.2	13.3	26.8	0.52	0.35	0.08
BA14	Kingdom's strategic location	4.5	2.0	0.3	1.7	4.8	4.3	4.8	4.1	4.0	3.4	4.7	5.3	4.8	2.6	15.6	22.8	0.86	0.21	0.20
BA15	Available cheap labour from Asia/Afr. & M.E.	4.7	1.9	0.3	2.6	5.3	4.4	4.7	4.7	5.5	3.8	4.7	4.8	5.4	11.0	4.8	25.4	0.09	0.97	0.11
BA16	Peaceful business environment	5.4	1.5	0.2	6.3	5.8	5.1	5.6	4.8	6.5	4.4	5.5	5.2	6.2	5.6	11.2	15.1	0.35	0.34	0.44
BA17	Government's promotional role in new venture	4.6	1.6	0.2	2.5	5.3	4.2	4.5	4.8	5.5	3.9	4.3	4.9	5.3	7.6	8.0	30.0	0.27	0.78	0.04
BA18	Increasing role of the domestic private sector	4.6	1.7	0.3	2.4	5.4	4.2	4.6	4.7	5.0	3.3	4.5	5.3	5.4	9.5	16.0	18.9	0.15	0.19	0.40
BA19	Minimizing raw material supply uncertainties	3.6	1.9	0.3	-1.5	4.1	3.3	3.9	2.9	5.0	2.3	3.8	4.3	4.0	5.4	23.2	27.7	0.49	**0.03**	0.07
BA20	Min. transaction costs in r.m. procurement	3.6	1.9	0.3	-1.4	3.9	3.4	3.9	2.9	5.5	2.5	4.0	3.9	4.1	8.3	21.9	20.3	0.22	**0.04**	0.32
BA21	Min. uncertainties in post-procure. servicing	3.9	1.9	0.3	-0.2	4.1	3.8	4.1	3.4	5.0	2.9	4.6	3.8	4.4	7.2	10.9	27.4	0.30	0.54	0.07
BA22	Need for min. costs of coordinating inputs	4.1	1.9	0.3	0.2	4.6	3.7	4.2	3.7	5.0	3.2	4.0	4.1	4.9	5.9	9.3	20.6	0.44	0.68	0.30
BA23	Need for gaining or improving market share	5.6	1.4	0.2	7.3	5.8	5.4	5.5	5.6	6.0	5.9	4.9	5.4	5.8	7.4	8.1	25.1	0.29	0.78	0.12
BA24	Avoid cost of broken contract/litigation	4.0	2.1	0.3	-0.1	4.2	3.8	4.4	3.4	3.0	2.8	4.3	4.3	4.5	6.2	10.4	25.1	0.40	0.58	0.12
BA25	Controlling supplies/cond. of inputs sales	4.4	1.9	0.3	1.6	4.8	4.2	4.9	3.7	5.0	3.9	4.5	4.3	4.9	3.3	19.3	21.5	0.77	0.08	0.26
BA26	Kingdom's free mkt economy/conditions	5.1	1.8	0.3	4.3	5.9	4.7	5.4	4.7	5.0	3.8	4.9	5.1	6.4	6.0	10.8	25.8	0.43	0.54	0.10

Notes: 1. Xo=Overall Mean; S=Standard Deviation; SE=Standard Error of the Mean; N=45; SCALE: Strongly agree 7,6,5,4,3,2,1 Strongly disagree.
2. Using one-sample t test, the mean (Xo) on each test variable is evaluated to determine whether it is significantly different from a constant, called a test value by SPSS. The hypothesised test value is 4, which represents the midpoint on the bipolar 7-1 response scale. The test is done at 95 % confidence level, 44 df.
3. Only those t-tests with absolute values of around 2 or more are statistically significant.
4. The significance level of .05 or better is shown in **bold** for each test variable vis-à-vis category variable, with a statistically significant chi-square value.

MNC Customers' Perceptions

Table 6.5b Why Multinational Companies Invest in Saudi Arabia

		Overall Descriptive Statistics				Religion (Rel)		Education (Ed)				Years (Yr) in S A				Chi-Square Test			2-Tailed Test of Significance		
						Musl	Non-Musl	< Coll	Coll	MS	PhD	< 5 Yrs	5-<10	10-<15	> 15	Rel	Ed	Yr	Rel	Ed	Yr
Code	Variables	Xo	S	SE	*t*	Mean	Mean	Mean	Mean	Mean	Mean	Mean	Mean	Mean	Mean	χ^2	χ^2	χ^2	Sig. Level		
BA01	Tax incentive (attractive tax holiday)	5.5	1.4	0.1	15	5.5	5.6	4.0	5.5	5.8	5.9	5.5	5.5	5.6	5.5	8.1	23.0	10.1	0.23	0.19	0.93
BA02	Availability of abundant/low-cost r. materials	4.7	1.6	0.1	6	4.7	4.7	5.3	4.6	4.9	4.9	5.0	4.7	4.7	4.3	11.9	12.5	20.2	0.07	0.82	0.32
BA03	Presence of world-class basic industries	5.1	1.4	0.1	10	5.1	5.1	5.2	5.2	4.9	4.6	5.3	5.0	4.9	5.1	7.6	10.6	9.9	0.27	0.91	0.94
BA04	Availability of improved comm. services	5.6	1.2	0.1	18	5.7	5.5	5.3	5.7	5.4	5.1	5.4	5.5	5.6	5.9	9.6	20.2	24.1	0.09	0.17	0.06
BA05	Presence of modern seaport/logistic facilities	5.7	1.2	0.1	20	5.7	5.7	5.0	5.8	5.6	5.4	5.7	5.5	5.7	5.9	13.2	20.8	14.6	**0.04**	0.29	0.69
BA06	Presence of modern airports/aviation facilities	5.8	1.2	0.1	20	5.9	5.6	5.5	5.9	5.7	5.5	5.7	5.6	5.8	6.0	10.9	35.6	13.0	0.09	**0.01**	0.79
BA07	Presence of all other basic infra. facilities	5.7	1.1	0.1	20	5.7	5.6	5.5	5.8	5.5	5.1	5.8	5.4	5.6	5.8	2.9	25.7	16.5	0.83	0.11	0.56
BA08	Stable & fully convertible local currency	6.0	1.0	0.1	27	6.1	5.9	5.3	6.0	6.3	5.8	5.9	5.8	6.0	6.3	4.6	42.6	21.2	0.47	**0.00**	0.13
BA09	Free inflow/outflow of foreign currencies	5.9	1.1	0.1	25	6.1	5.7	5.2	5.9	6.1	5.9	5.9	5.7	6.0	6.1	7.6	33.9	19.0	0.18	**0.00**	0.21
BA10	No rigid regulation on transfer pricing	5.2	1.3	0.1	14	5.4	5.0	5.3	5.2	5.3	5.4	4.9	5.0	5.4	5.7	7.7	6.9	24.9	0.26	0.99	0.13
BA11	Low-cost loans & good banking services	5.3	1.3	0.1	14	5.2	5.4	6.3	5.5	4.5	4.9	5.4	5.1	5.3	5.4	5.1	44.3	20.1	0.53	**0.00**	0.33
BA12	Growing local mkt for various goods/services	5.6	1.0	0.1	21	5.6	5.5	5.5	5.7	5.3	5.3	5.7	5.4	5.6	5.7	4.4	16.5	19.5	0.63	0.56	0.36
BA13	Poor/declining demand in the home country	4.7	1.4	0.1	7	4.8	4.5	5.7	4.7	4.3	5.0	4.8	4.6	4.8	4.5	22.9	12.1	22.2	**0.00**	0.84	0.22
BA14	Kingdom's strategic location	5.3	1.2	0.1	15	5.4	5.1	5.3	5.4	5.1	4.9	5.3	5.2	5.3	5.5	13.3	20.3	16.8	**0.04**	0.32	0.53
BA15	Available cheap labour from Asia/Afr. & M.E.	5.2	1.5	0.1	11	5.1	5.4	5.7	5.4	5.0	4.4	5.4	5.0	5.2	5.2	6.7	23.5	22.1	0.35	0.17	0.23
BA16	Peaceful business environment	6.0	1.2	0.1	23	6.2	5.6	5.7	6.2	5.5	5.5	6.0	5.7	5.9	6.3	14.9	32.8	22.3	**0.02**	**0.02**	0.22
BA17	Government's promotional role in new venture	5.6	1.1	0.1	20	5.7	5.5	6.0	5.7	5.3	5.2	5.5	5.6	5.7	5.6	8.7	21.8	18.3	0.19	0.24	0.43
BA18	Increasing role of the domestic private sector	5.5	1.1	0.1	19	5.6	5.3	6.0	5.5	5.3	5.2	5.5	5.3	5.4	5.7	9.7	25.9	12.4	0.14	0.10	0.83
BA19	Minimizing raw material supply uncertainties	5.0	1.3	0.1	11	5.0	5.0	5.2	5.2	4.6	4.8	5.2	5.1	4.9	4.8	6.9	23.2	29.0	0.33	0.18	**0.05**
BA20	Min. transaction costs in r.m. procurement	4.8	1.3	0.1	8	4.8	4.8	5.2	4.9	4.4	5.0	5.0	5.0	4.8	4.5	8.3	14.3	21.4	0.22	0.71	0.26
BA21	Min. uncertainties in post-procure. servicing	4.7	1.4	0.1	8	4.7	4.8	4.3	4.9	4.1	4.6	5.0	5.0	4.7	4.3	4.9	27.8	25.1	0.55	0.07	0.12
BA22	Need for min. costs of coordinating inputs	4.9	1.2	0.1	10	4.9	4.9	5.2	5.1	4.4	4.6	5.1	5.1	4.9	4.5	4.4	33.3	27.9	0.49	**0.00**	**0.02**
BA23	Need for gaining or improving market share	5.4	1.1	0.1	17	5.5	5.3	5.8	5.6	4.8	5.3	5.6	5.3	5.5	5.1	7.0	23.3	33.6	0.22	0.08	**0.00**
BA24	Avoid cost of broken contract/litigation	4.8	1.5	0.1	7	4.8	4.7	4.8	5.0	4.1	4.5	4.8	4.6	5.1	4.6	4.6	26.8	30.0	0.59	0.08	**0.04**
BA25	Controlling supplies/cond. of inputs sales	5.1	1.3	0.1	12	5.1	5.0	5.5	5.4	4.3	4.4	5.0	5.0	5.4	5.0	6.7	44.4	27.0	0.35	**0.00**	0.08
BA26	Kingdom's free mkt economy/conditions	5.5	1.1	0.1	18	5.7	5.2	5.8	5.5	5.6	5.1	5.3	5.4	5.6	5.7	18.2	20.0	13.7	**0.01**	0.33	0.75

Notes: 1. Xo=Overall Mean; S=Standard Deviation; SE=Standard Error of the Mean; N=189; SCALE: Strongly agree 7,6,5,4,3,2,1 Strongly disagree.

2. Using one-sample t test, the mean (Xo) on each test variable is evaluated to determine whether it is significantly different from a constant, called a test value by SPSS. The hypothesised test value is 4, which represents the midpoint on the bipolar 7-1 response scale. The test is done at 95 % confidence level, 188 df.

3. The *t*-values are all statistically significant, implying that the mean on each test variable is significantly different from the hypothesised test value (4).

4. The significance level of .05 or better is shown in **bold** for each test variable vis-à-vis category variable, with a statistically significant chi-square value.

MNC Managers' Perceptions

Table 6.5c Respondents' on Some Investment Related Issues in the Host Country

Code	Variables	Overall Descriptive Statistics				Religion (Rel)		Education (Ed)			Years (Yr) in S A				Chi-Square Test			2-Tailed Test of Significance		
						Musl	Non-Musl	Coll	MS	PhD	< 5 Yrs	5-<10	10-<15	> 15	Rel	Ed	Yr	Rel	Ed	Yr
		Xo	S	SE	t	Mean	Mean	Mean	Mean	Mean	Mean	Mean	Mean	Mean	χ^2	χ^2	χ^2	Sig. Level		
BB01	MNC's foreign investment is dictated by the corresponding profitability	6.38	1.45	0.22	11	6.4	6.4	6.3	6.5	7.0	5.9	6.6	6.1	6.8	4.6	4.6	17.4	0.33	0.80	0.14
CC01	Local industrialists will do business alone if they can secure the needed technology	5.69	1.31	0.2	9	5.8	5.6	5.9	5.4	4.5	5.4	5.3	5.9	6.1	3.5	12.9	17.2	0.63	0.23	0.31
CC03	Local businessmen succumb to MNC pressures due to technolgy needs	3.84	1.8	0.27	-1	4.1	3.7	4.0	3.3	6.0	3.8	2.8	4.6	4.1	9.1	20.0	23.9	0.17	0.07	0.16
CC04	Local industrialists opt for collusion with MNCs only as an alternative option	4.76	1.76	0.26	3	4.9	4.6	4.9	4.3	6.0	4.8	4.5	4.7	5.0	4.3	8.1	17.5	0.63	0.78	0.49
CC02	MNC terms for technology transfer	5.4	1.0	0.1	9	5.4	5.4	5.4	5.3	4.5	5.3	5.0	5.6	5.5	1.2	9.4	7.6	0.88	0.31	0.82

Notes: 1. Xo=Overall Mean; S=Standard Deviation; SE=Standard Error of the Mean.
2. N=45; SCALE for BB01, CC01, CC03 & CC04: Strongly agree 7,6,5,4,3,2,1 Strongly disagree.
3. N=45; SCALE for CC02: Very fair 7,6,5,4,3,2,1 Very unfair.
4. Using one-sample t test, the mean (Xo) on each test variable is evaluated to determine whether it is significantly different from a constant, called a test value by SPSS. The hypothesised test value is 4, which represents the midpoint on the bipolar 7-1 response scale. The test is done at 95 % confidence level, 44 df.
5. Except for CC03, all t values are statistically significant.
6. The significance level of .05 or better is shown in **bold** for each test variable vis-à-vis category variable, with a statistically significant chi-square value.

MNC Customers' Perceptions

Table 6.5d Respondents' Agreement on Some Investment Related Issues in the Host Country

Code	Variables	Overall Descriptive Statistics				Religion (Rel)		Education (Ed)				Years (Yr) in S A				Chi-Square Test			2-Tailed Test of Significance		
						Musl	Non-Musl	< Coll	Coll	MS	PhD	< 5 Yrs	5-<10	10-<15	> 15	Rel	Ed	Yr	Rel	Ed	Yr
		Xo	S	SE	t	Mean	Mean	Mean	Mean	Mean	Mean	Mean	Mean	Mean	Mean	χ^2	χ^2	χ^2	Sig. Level		
BB01	MNC's foreign investment is dictated by the corresponding profitability	6.1	1.3	0.1	23	6.1	6.0	5.3	6.0	6.4	6.2	7 Yrs	5.8	6.3	6.2	4	35	17	0.65	**0.01**	0.51
CC01	Local industrialists prefer to do business alone if they can secure the needed foreign tech.	5.7	1.3	0.1	19	5.9	5.5	5.7	5.7	5.8	5.7	5.5	5.8	5.9	5.8	17	15	14	**0.01**	0.63	0.76
CC03	Local businessmen succumb to MNC pressures because of the need for technolgy	4.3	1.5	0.1	3	4.6	4.0	4.7	4.4	3.9	4.5	4.3	4.4	4.3	4.4	14	15	19	**0.03**	0.66	0.40
CC04	Local industrialists opt for some collusion with MNCs only as an alternative option	5.0	1.5	0.1	9	5.2	4.6	5.2	5.1	4.7	5.1	4.7	5.0	5.3	5.1	16	9	15	**0.02**	0.96	0.65
	(N=189; SCALE: Very fair 7,6,5,4,3,2,1 Very unfair)																				
CC02	MNC terms for technology transfer	4.9	1.3	0.1	10	5.0	4.9	5.5	5.1	4.6	4.7	4.9	5.1	5.0	4.8	11	18	20	0.10	0.46	0.34

Notes: 1. Xo=Overall Mean; S=Standard Deviation; SE=Standard Error of the Mean.

2. N=189; SCALE for BB01, CC01, CC03 & CC04: Strongly agree 7,6,5,4,3,2,1 Strongly disagree.

3. Using one-sample t test, the mean (Xo) on each test variable is evaluated to determine whether it is significantly different from a constant, called a test value by SPSS. The hypothesised test value is 4, which represents the midpoint on the bipolar 7-1 response scale. The test is done at 95 % confidence level, 188 df.

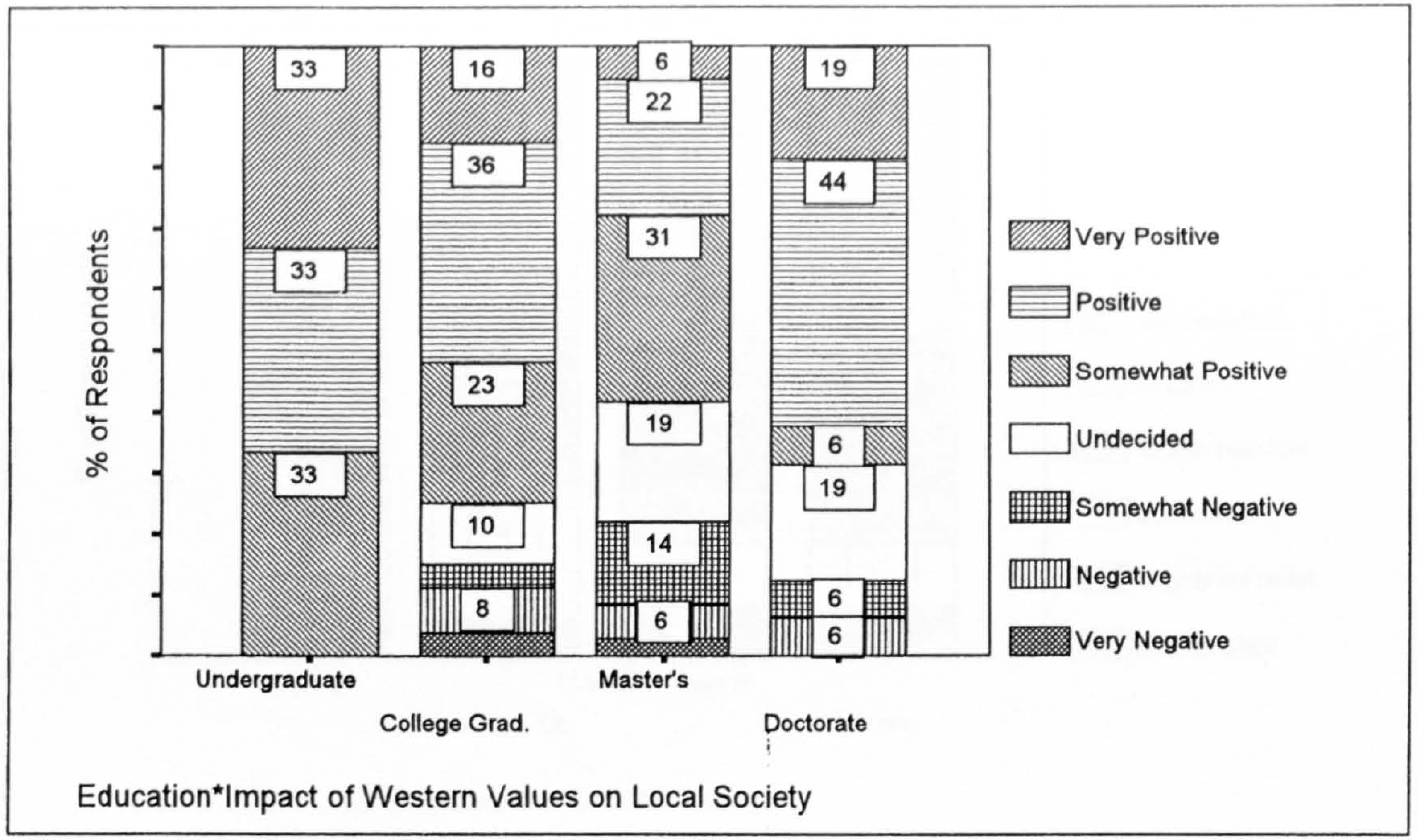
4. The t-values are all statistically significant, implying that the mean on each test variable is significantly different from the hypothesised test value (4).

5. The significance level of .05 or better is shown in **bold** for each test variable vis-à-vis category variable, with a statistically significant chi-square value.

Appendix 5b

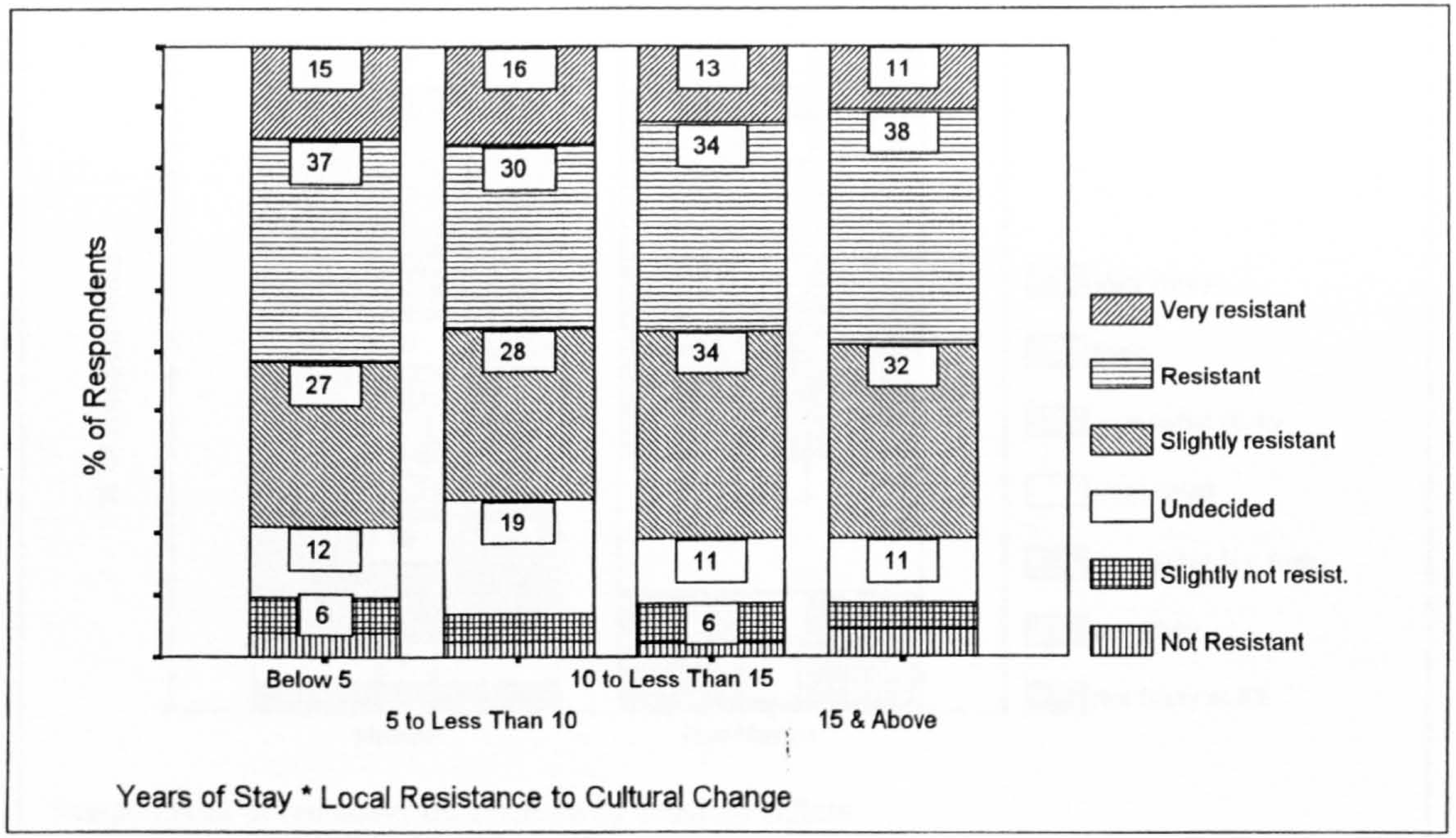
Other Charts and Summary Tables Used in Chapter 6

Figure 6.3b Impact of Western Values on the Local Society



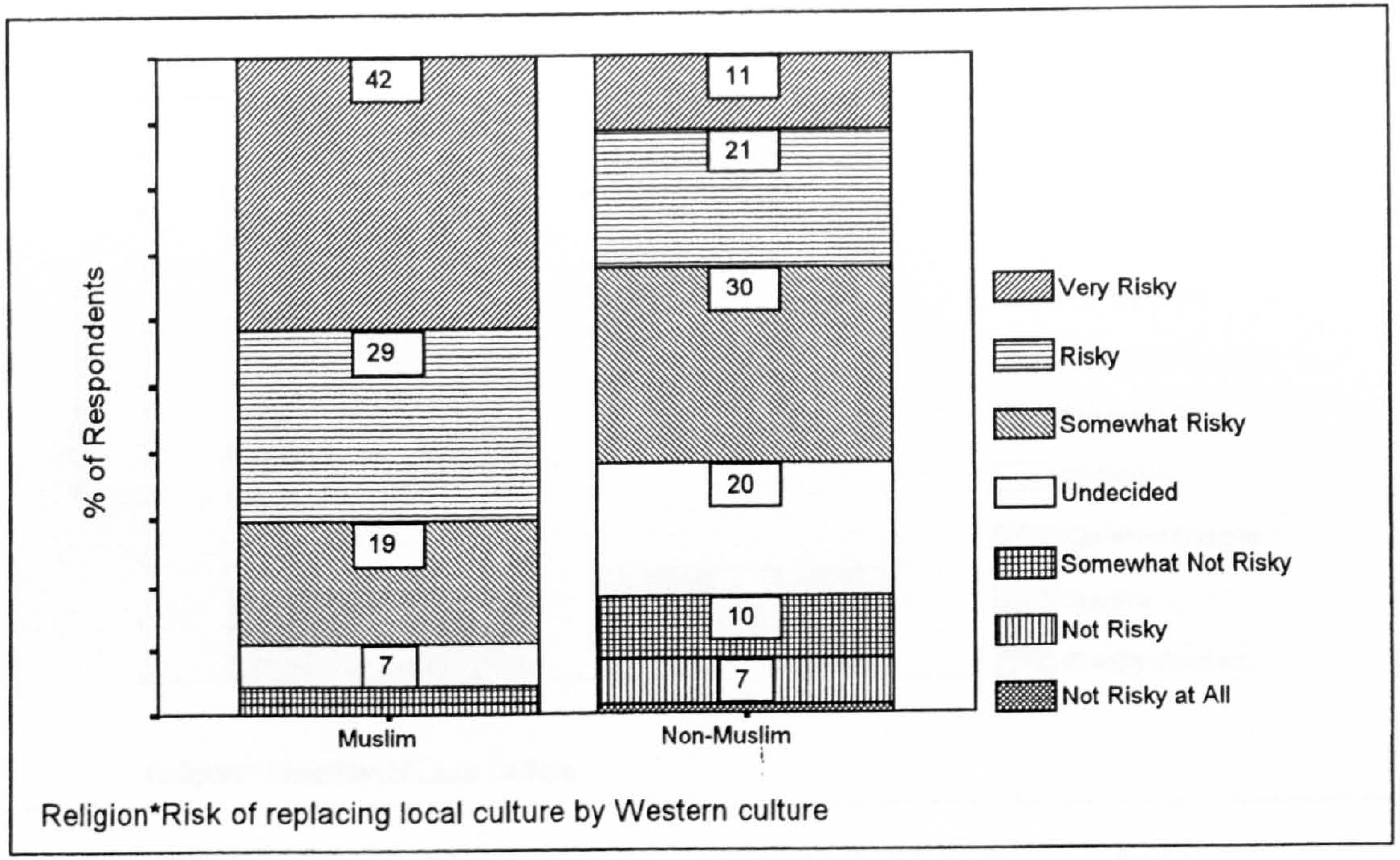
Chi-Square test: Non-significant, $\chi^2 = 19.1$ (df=18, N=189), $\rho = .385$.

Figure 6.4 Local Resistance to Cultural Change



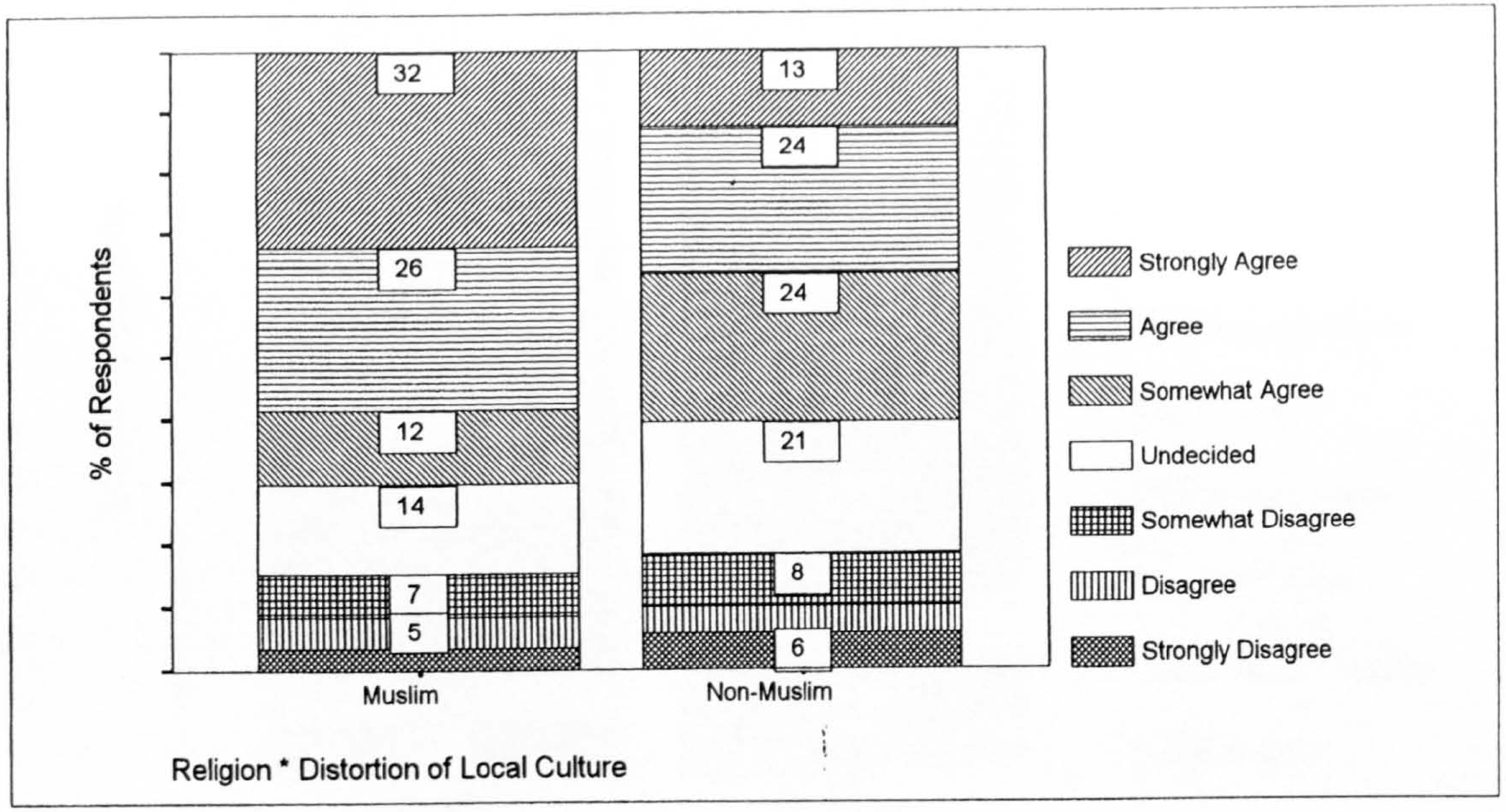
Chi-Square test: Non-significant, $\chi^2 = 3.99$ (df=15, N=189), $\rho = .998$.

Figure 6.5b Risk of Replacing Local Culture by Western Culture



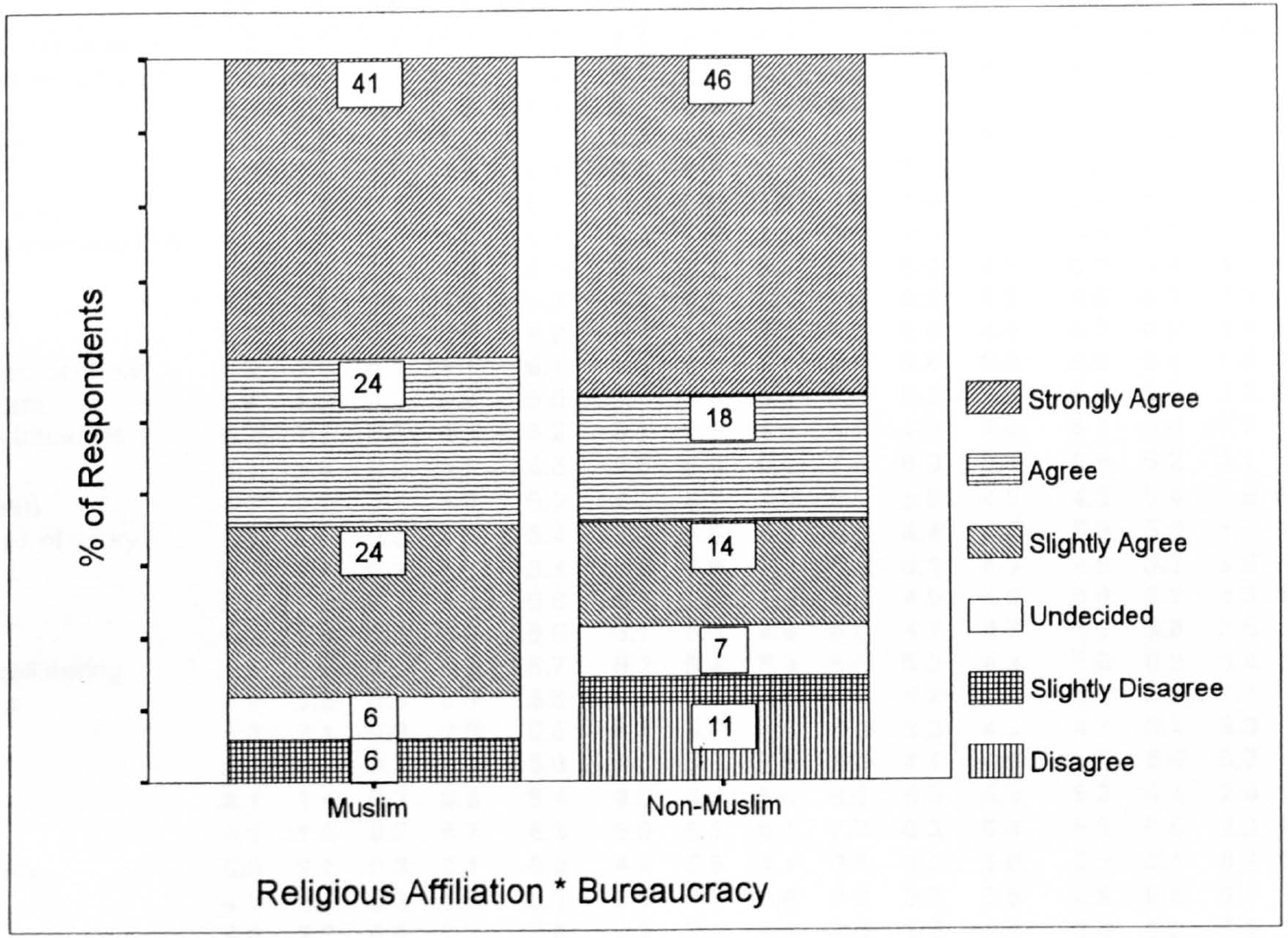
Chi-Square test: Significant, $\chi^2 = 32.7$ (df=6, N=189), $\rho = .000$.

Figure 6.8 Distortion of Local Culture as Caused by MNCs



Chi-Square test: Significant, $\chi^2 = 12.8$ (df=6, N=189), ρ **= .0473**.

Figure 6.9 Bureaucracy as a Constraint to MNC Operations in KSA



Chi-Square test: Non-significant, $\chi^2 = 2.7$ (df=5, N=45), $\rho = .743$.

MNC Managers' Perceptions

Table 6.6a Cultural Values to Be Understood by MNCs Doing or Planning to Do Business in Saudi Arabia

		Overall Descriptive Statistics				Religion (Rel)		Education (Ed)			Years (Yr) in S A				Chi-Square Test			2-Tailed Test of Significance		
						Musl	Non-Musl	Coll	MS	PhD	< 5 Yrs	5-<10	10-<15	> 15	Rel	Ed	Yr	Rel	Ed	Yr
Code	Variables	Xo	S	SE	*t*	Mean	Mean	Mean	Mean	Mean	Mean	Mean	Mean	Mean	χ^2	χ^2	χ^2	Sig. Level		
GI01	Fair/honest dealing in trading/business	6.3	0.9	0.1	16.3	6.1	6.4	6.3	6.2	7.0	6.6	6.1	6.7	6.0	5.3	11.1	11.8	0.26	0.20	0.47
GI02	Documentation & fulfillment of contract	6.7	0.5	0.1	34.3	6.6	6.7	6.7	6.6	7.0	6.7	6.6	6.9	6.6	1.9	3.6	4.4	0.38	0.46	0.62
GI03	Paying workers on time	6.5	0.8	0.1	20.2	6.5	6.6	6.6	6.4	6.0	6.7	6.3	6.8	6.4	3.1	13.3	8.8	0.38	**0.04**	0.46
GI04	Obligatory payment of debts	6.5	0.8	0.1	19.7	6.4	6.5	6.5	6.3	7.0	6.8	5.9	6.8	6.4	0.6	4.5	10.3	0.89	0.60	0.33
GI05	Moderation/wise spending	5.5	1.4	0.2	6.9	5.8	5.3	5.6	5.3	6.0	5.1	5.1	6.0	5.8	4.2	4.1	18.0	0.53	0.94	0.26
GI06	Discouragement of miserliness	5.2	1.7	0.2	4.7	5.5	5.0	5.5	4.6	5.0	4.8	4.6	5.7	5.6	3.5	7.6	18.0	0.74	0.82	0.46
GI07	Discouraging conspicuous consumption	5.2	1.8	0.3	4.5	5.4	5.0	5.6	4.5	5.0	4.8	4.6	5.6	5.6	1.2	8.7	15.6	0.94	0.56	0.41
GI08	Emphasis on hard work	5.8	1.7	0.3	7.4	6.0	5.8	6.2	5.4	5.0	6.0	4.8	6.0	6.4	4.1	19.4	17.5	0.53	**0.04**	0.29
GI09	Patience/perseverance	6.2	1.0	0.2	14.6	6.2	6.2	6.2	6.1	7.0	6.2	5.9	6.6	6.3	3.5	6.3	11.0	0.48	0.61	0.53
GI10	Value of time	5.9	1.6	0.2	8.0	6.2	5.7	6.0	5.5	7.0	6.0	4.9	6.2	6.2	3.4	13.7	20.5	0.75	0.32	0.31
GI11	Deliberation/consult. instead of haste	5.9	1.0	0.1	13.1	6.1	5.8	6.0	5.8	7.0	5.8	5.5	6.3	6.1	1.5	6.6	11.2	0.83	0.58	0.52
GI12	Protection of the environment	5.4	1.6	0.2	5.9	5.5	5.3	5.5	5.2	5.0	5.2	4.8	5.9	5.6	2.3	13.6	12.8	0.80	0.19	0.62
GI13	Balance bet. material & spiritual life	5.2	1.7	0.3	4.5	5.2	5.1	5.3	4.9	4.5	4.9	4.6	5.7	5.4	17.7	9.0	32.4	**0.01**	0.70	**0.02**
GI14	Truthfulness	6.1	1.4	0.2	9.7	6.3	6.0	6.0	6.1	7.0	6.0	5.4	6.8	6.2	3.1	6.5	10.1	0.55	0.59	0.61
GI15	Prohibition of usury (interest)	4.5	2.0	0.3	1.6	5.2	4.0	4.7	4.0	5.0	3.9	4.0	4.3	5.4	11.6	13.7	26.4	0.07	0.32	0.09
GI16	Encouraging trading instead of usury	5.1	1.7	0.2	4.5	5.4	4.9	5.6	4.3	5.5	4.4	4.7	5.9	5.5	1.7	14.9	14.9	0.94	0.25	0.67
GI17	Encouraging partnership	5.1	1.4	0.2	5.2	5.4	4.9	4.9	5.3	6.0	5.2	4.3	4.9	5.7	3.0	6.5	22.3	0.81	0.89	0.22
GI18	Prohibition of monopoly	5.4	1.5	0.2	6.1	5.8	5.1	5.8	4.6	6.0	4.9	4.6	5.6	6.2	4.3	16.7	18.2	0.50	0.08	0.25
GI19	Prohibition of hoarding	5.3	1.6	0.2	5.3	5.6	5.1	5.5	4.8	6.0	4.7	4.7	5.9	5.8	2.6	10.8	17.6	0.76	0.37	0.29
GI20	Prohibition of excessive profiteering	5.4	1.5	0.2	6.3	5.7	5.2	5.4	5.3	5.5	5.3	4.3	5.6	6.2	6.4	4.9	18.4	0.27	0.90	0.24
GI21	Prohibition of land grabbing	4.9	1.8	0.3	3.4	5.3	4.7	5.1	4.6	5.0	4.2	4.5	5.1	5.7	4.1	9.4	17.8	0.54	0.50	0.27
GI22	Prohibition of gambling	4.8	2.1	0.3	2.5	5.6	4.3	5.0	4.6	4.0	3.3	4.9	4.7	6.1	5.3	8.7	21.9	0.38	0.56	0.11
GI23	Avoidance of begging	4.8	1.8	0.3	2.9	5.3	4.5	5.0	4.5	4.0	4.1	4.5	4.7	5.6	5.7	7.7	23.8	0.34	0.66	0.07
GI24	Prohibition of cheating	6.1	1.4	0.2	9.8	6.4	6.0	6.4	5.5	6.5	6.3	5.3	6.2	6.4	2.9	12.2	19.0	0.83	0.43	0.39
GI25	Prohibition of bribery	6.1	1.6	0.2	8.7	6.3	5.9	6.6	5.1	7.0	6.3	5.4	5.8	6.5	2.2	12.8	13.0	0.82	0.24	0.60
GI26	Prohibitions of all intoxicants	5.0	2.1	0.3	3.1	5.9	4.4	5.5	4.4	2.5	3.3	5.0	5.3	6.1	6.7	12.3	21.4	0.24	0.27	0.12
GI27	Avoidance of smoking	4.3	2.1	0.3	1.0	5.1	3.8	4.6	3.9	3.0	3.8	3.6	4.8	5.0	9.1	8.4	17.1	0.17	0.75	0.51
GI28	Prohibition of pork	4.8	2.2	0.3	2.3	5.6	4.2	5.2	4.1	4.0	3.3	4.7	5.0	5.9	7.1	9.5	30.1	0.31	0.66	**0.04**
GI29	Prohibition of adultery & prostitution	5.4	2.1	0.3	4.6	5.9	5.2	6.0	4.7	4.0	4.5	5.7	5.6	6.0	7.5	14.8	24.7	0.28	0.26	0.13
GI30	Prohibition of drug abuse/drug trafficking	6.5	1.1	0.2	15.5	6.5	6.6	6.8	6.1	6.5	6.3	6.8	6.4	6.6	4.0	7.0	5.1	0.26	0.32	0.83
GI31	Prohibition of murder & other crimes	6.5	1.1	0.2	15.5	6.6	6.5	6.9	6.1	6.0	6.3	6.7	6.4	6.7	2.3	13.8	10.7	0.68	0.09	0.56

Notes: 1. Xo=Overall Mean; S=Standard Deviation; SE=Standard Error of the Mean; N=45; SCALE: Very important 7,6,5,4,3,2,1 Not important at all.

2. Using one-sample t test, the mean (Xo) on each test variable is evaluated to determine whether it is significantly different from a constant, called a test value by SPSS. The hypothesised test value is 4, which represents the midpoint on the bipolar 7-1 response scale. The test is done at 95 % confidence level, 44 df.

3. Except for GI27, all *t*-values are statistically significant, implying that the mean on each test variable is significantly different from the hypothesised test value.

4. The significance level of .05 or better is shown in **bold** for each test variable vis-à-vis category variable, with a statistically significant chi-square value.

Table 6.6b Cultural Values to Be Understood by MNCs Doing or Planning to Do Business in Saudi Arabia

		Overall Descriptive Statistics				Religion (Rel)		Education (Ed)			Years (Yr) in S A				Chi-Square Test			2-Tailed Test of Significance		
						Musl	Non-Musl	Coll	MS	PhD	< 5 Yrs	5-<10	10-<15	> 15	Rel	Ed	Yr	Rel	Ed	Yr
Code	Variables	Xo	S	SE	t	Mean	Mean	Mean	Mean	Mean	Mean	Mean	Mean	Mean	χ^2	χ^2	χ^2	Sig. Level		
GI32	Prohibition of suicide	5.8	1.9	0.3	6.3	6.1	5.6	6.4	5.1	3.5	5.4	5.1	5.9	6.5	2.9	13.3	18.5	0.58	0.10	0.10
GI33	Prohibition of homosexuality	5.6	2.0	0.3	5.3	6.0	5.4	5.9	5.4	4.0	5.2	5.2	5.7	6.2	7.1	4.7	27.9	0.21	0.91	**0.02**
GI34	Protection given to orphans & widows	5.6	1.6	0.2	6.4	5.6	5.5	5.7	5.2	6.5	6.1	4.3	6.0	5.7	1.5	8.4	27.6	0.91	0.59	**0.02**
GI35	Care for the elderly, weak & poor	5.8	1.5	0.2	8.0	6.0	5.7	6.0	5.4	6.0	5.8	4.9	6.2	6.2	4.3	11.3	22.6	0.64	0.51	0.21
GI36	Love & care for children	6.0	1.3	0.2	9.7	5.7	6.1	6.1	5.5	7.0	6.3	5.5	6.3	5.8	4.8	8.3	12.6	0.31	0.41	0.40
GI37	Respect to eminent personalities	5.6	1.3	0.2	8.6	5.5	5.7	5.9	5.4	5.0	5.5	5.5	5.9	5.7	2.1	5.5	9.1	0.73	0.71	0.69
GI38	Respect and kindness to women	5.8	1.4	0.2	8.5	5.6	5.9	5.9	5.5	6.5	6.3	4.9	6.2	5.8	6.0	5.3	23.8	0.30	0.87	0.07
GI39	Respect to non-Muslims	5.7	1.5	0.2	7.6	5.6	5.7	5.7	5.5	7.0	6.0	4.9	6.0	5.7	7.8	6.3	25.2	0.17	0.79	**0.05**
GI40	Enjoining right & forbidding wrong	6.0	1.4	0.2	10.1	6.1	6.0	6.4	5.3	7.0	6.1	5.5	6.0	6.4	2.7	9.5	21.0	0.74	0.48	0.14
GI41	Kindness to people and animals	5.6	1.5	0.2	7.5	5.5	5.8	5.9	5.3	5.5	5.7	5.3	6.1	5.6	5.2	12.1	19.9	0.40	0.28	0.18
GI42	Obedience to the authorities	6.0	1.1	0.2	12.2	6.4	5.9	6.4	5.6	5.0	5.6	5.6	6.3	6.6	3.0	17.9	9.8	0.56	**0.02**	0.63
GI43	Obligation to family/parents/relatives	5.9	1.2	0.2	11.0	5.7	6.0	6.1	5.6	5.5	5.8	5.9	6.2	5.8	3.8	7.0	17.6	0.43	0.53	0.13
GI44	Close family ties	5.8	1.4	0.2	8.4	5.6	5.9	6.1	5.3	6.0	5.7	5.5	6.2	5.8	4.1	8.9	19.1	0.54	0.54	0.21
GI45	Social responsibility to community	5.8	1.3	0.2	9.5	5.8	5.8	5.9	5.4	7.0	5.8	5.2	6.2	5.9	3.1	7.9	18.7	0.68	0.64	0.23
GI46	Obligation to acquire right education	5.7	1.2	0.2	9.4	5.9	5.6	5.8	5.5	7.0	6.0	4.8	6.4	5.7	2.2	6.7	16.0	0.70	0.57	0.19
GI47	Supremacy of human life	6.0	1.5	0.2	8.9	5.8	6.1	6.3	5.4	7.0	6.1	5.9	6.0	6.1	7.2	10.3	11.1	0.21	0.42	0.75
GI48	Law of equality and justice	5.9	1.5	0.2	8.4	5.8	6.0	6.0	5.6	7.0	6.0	5.5	6.3	5.9	1.2	5.2	12.1	0.89	0.73	0.44
GI49	Proper slaughtering of animal for food	5.3	1.9	0.3	4.7	5.9	5.0	5.7	4.8	4.0	4.7	4.9	5.3	6.2	7.4	11.5	31.2	0.28	0.49	**0.03**
GI50	Modest dress for women in public	4.8	2.2	0.3	2.5	5.9	4.1	5.2	4.3	4.0	3.3	4.5	5.2	6.1	9.1	9.0	28.3	0.17	0.70	0.06
GI51	Male-fem. segregation in some occ.	4.8	2.2	0.3	2.3	6.2	3.9	5.1	4.2	4.0	3.7	3.8	5.0	6.2	12.3	7.8	26.1	0.06	0.80	0.10
GI52	Belief in the Oneness of God (Allah)	5.7	1.8	0.3	6.3	6.5	5.2	6.0	5.1	5.5	4.6	5.0	6.7	6.5	9.0	9.1	30.6	0.11	0.52	**0.01**
GI53	Belief that Allah alone deserves worship	5.4	1.9	0.3	4.9	6.4	4.8	6.0	4.4	5.5	4.0	4.9	6.3	6.4	9.6	17.8	24.6	0.14	0.12	0.14
GI54	Belief in the Names/Attributes of Allah	5.3	1.9	0.3	4.5	6.4	4.6	5.7	4.4	5.5	4.0	4.6	6.0	6.4	12.1	14.0	25.5	0.06	0.30	0.11
GI55	Prayer/Salah on time	5.3	1.9	0.3	4.4	6.4	4.6	5.6	4.8	5.5	4.1	4.6	5.6	6.6	11.7	15.1	27.2	0.07	0.24	0.08
GI56	Charity/Zakat	5.5	1.5	0.2	6.7	6.2	5.0	5.7	5.0	5.5	4.6	5.0	5.9	6.3	9.5	7.5	17.4	0.09	0.68	0.29
GI57	Fasting/Sawm	5.6	1.5	0.2	7.0	6.4	5.1	5.9	5.0	5.5	4.9	4.8	6.0	6.4	8.8	8.1	18.1	0.12	0.62	0.26
GI58	Pilgrimage/Haj	5.2	1.8	0.3	4.6	6.2	4.6	5.5	4.7	5.5	4.3	4.6	5.6	6.2	11.2	6.9	22.1	0.08	0.87	0.23
GI59	Eid holidays (Ramadan & Haj)	5.5	1.5	0.2	6.6	6.2	5.1	5.8	5.0	5.5	4.8	4.7	6.2	6.2	9.1	10.9	18.3	0.11	0.37	0.25
GI60	Islamic greeting (Assalamo Alaikum)	5.3	1.8	0.3	4.9	6.4	4.6	5.5	4.9	5.5	4.3	4.3	6.3	6.2	12.3	11.7	21.3	**0.03**	0.31	0.13
GI61	Avoiding clothes/decors with animals	4.6	2.0	0.3	1.9	5.6	4.0	4.8	4.3	4.0	4.1	3.5	4.3	5.9	15.3	11.7	19.7	**0.02**	0.47	0.35

Notes: 1. Xo=Overall Mean; S=Standard Deviation; SE=Standard Error of the Mean; N=45; SCALE: Very important 7,6,5,4,3,2,1 Not important at all.

2. Using one-sample t test, the mean (Xo) on each test variable is evaluated to determine whether it is significantly different from a constant, called a test value by SPSS. The hypothesised test value is 4, which represents the midpoint on the bipolar 7-1 response scale. The test is done at 95 % confidence level, 44 df.

3. Except for GI60, all t-values are statistically significant, implying that the mean on each test variable is significantly different from the hypothesised test value.

4. The significance level of .05 or better is shown in **bold** for each test variable vis-à-vis category variable, with a statistically significant chi-square value.

MNC Customers' Perceptions

Table 6.6c Cultural Values to Be Understood by MNCs Doing or Planning to Do Business in Saudi Arabia

		Overall Descriptive Statistics				Religion (Rel)		Education (Ed)				Years (Yr) in S A				Chi-Square Test			2-Tailed Test of Significance		
						Musl	Non-Musl	< Coll	Coll	MS	PhD	< 5 Yrs	5-<10	10-<15	> 15	Rel	Ed	Yr	Rel	Ed	Yr
Code	Variables	Xo	S	SE	t	Mean	Mean	Mean	Mean	Mean	Mean	Mean	Mean	Mean	Mean	χ^2	χ^2	χ^2	Sig. Level		
GI01	Fair/honest dealing in trading/business	6.3	1.0	0.1	32	6.4	6.0	6.8	6.3	6.1	6.6	6.3	6.2	6.4	6.2	12.1	10.7	11.7	**0.03**	0.78	0.70
GI02	Documentation & fulfillment of contract	6.3	0.9	0.1	33	6.5	6.0	6.7	6.3	6.1	6.6	6.3	6.3	6.4	6.2	18.8	9.0	20.2	**0.00**	0.88	0.16
GI03	Paying workers on time	6.3	1.1	0.1	28	6.4	6.2	6.7	6.3	5.9	6.6	6.4	6.3	6.4	6.0	4.7	14.8	13.4	0.59	0.68	0.76
GI04	Obligatory payment of debts	6.3	1.0	0.1	33	6.4	6.2	6.8	6.3	6.1	6.6	6.4	6.3	6.4	6.1	6.8	12.7	15.0	0.24	0.63	0.45
GI05	Moderation/wise spending	5.9	1.1	0.1	23	6.1	5.6	5.8	6.0	5.5	6.4	6.0	5.7	6.1	5.8	15.6	15.5	18.3	**0.01**	0.42	0.25
GI06	Discouragement of miserliness	5.5	1.4	0.1	15	5.7	5.2	6.0	5.5	5.1	6.1	5.6	5.2	5.9	5.4	10.3	20.6	27.7	0.11	0.30	0.07
GI07	Discouraging conspicuous consumption	5.5	1.4	0.1	15	5.7	5.2	5.8	5.5	5.2	6.1	5.5	5.2	5.7	5.6	14.3	22.4	23.3	**0.03**	0.22	0.18
GI08	Emphasis on hard work	5.9	1.4	0.1	19	6.0	5.8	6.7	6.0	5.4	6.1	6.1	5.9	6.1	5.6	9.1	16.5	14.7	0.17	0.54	0.68
GI09	Patience/perseverance	6.2	1.0	0.1	29	6.4	5.9	6.5	6.3	5.9	6.2	6.3	6.0	6.3	6.2	20.7	19.8	22.5	**0.00**	0.34	0.21
GI10	Value of time	6.3	1.3	0.1	24	6.5	5.9	6.7	6.4	5.7	6.1	6.2	6.2	6.2	6.4	17.3	24.6	21.4	**0.02**	0.27	0.43
GI11	Deliberation/consult. instead of haste	6.0	1.1	0.1	25	6.2	5.7	6.7	6.0	5.8	6.1	6.2	5.7	6.0	6.2	12.7	13.2	12.8	**0.03**	0.59	0.62
GI12	Protection of the environment	6.2	1.0	0.1	30	6.3	6.0	6.5	6.3	5.8	6.5	6.5	5.9	6.2	6.2	10.7	12.6	17.6	**0.03**	0.40	0.13
GI13	Balance bet. material & spiritual life	6.0	1.3	0.1	21	6.1	5.6	6.7	6.0	5.5	6.6	6.0	5.6	6.2	6.1	21.0	19.2	19.2	**0.00**	0.38	0.38
GI14	Truthfulness	6.3	1.1	0.1	30	6.6	6.0	7.0	6.4	5.8	6.8	6.5	6.0	6.3	6.4	21.2	24.4	35.5	**0.00**	0.14	**0.01**
GI15	Prohibition of usury (interest)	6.0	1.3	0.1	21	6.2	5.8	6.8	6.2	5.4	6.0	6.0	5.9	6.4	5.9	17.5	19.0	20.9	**0.01**	0.39	0.29
GI16	Encouraging trading instead of usury	6.1	1.2	0.1	24	6.2	5.8	6.7	6.2	5.6	6.1	6.1	6.0	6.2	6.0	18.2	14.3	12.4	**0.01**	0.71	0.82
GI17	Encouraging partnership	6.0	1.1	0.1	24	6.1	5.7	6.7	6.0	5.5	6.1	6.1	5.9	6.0	5.8	20.2	18.2	13.8	**0.00**	0.25	0.54
GI18	Prohibition of monopoly	5.8	1.3	0.1	19	6.0	5.5	6.0	5.9	5.3	6.1	6.0	5.6	5.9	5.7	33.3	19.5	17.3	**0.00**	0.36	0.50
GI19	Prohibition of hoarding	5.9	1.2	0.1	22	6.2	5.6	6.8	6.0	5.6	6.2	6.3	5.8	6.0	5.7	18.5	14.8	19.5	**0.01**	0.47	0.19
GI20	Prohibition of excessive profiteering	5.9	1.3	0.1	20	6.1	5.6	6.3	6.0	5.6	6.2	6.3	5.8	5.9	5.7	16.1	14.3	19.0	**0.00**	0.71	0.39
GI21	Prohibition of land grabbing	5.9	1.4	0.1	20	6.3	5.4	6.8	6.1	5.3	6.0	6.0	5.8	5.8	6.1	23.0	22.5	7.9	**0.00**	0.21	0.98
GI22	Prohibition of gambling	6.3	1.2	0.1	27	6.5	5.8	6.8	6.3	6.1	6.1	6.1	6.2	6.4	6.4	33.0	12.1	19.3	**0.00**	0.84	0.38
GI23	Avoidance of begging	5.9	1.4	0.1	19	6.2	5.5	6.8	6.0	5.5	5.8	5.9	5.7	6.0	6.0	33.6	15.7	11.9	**0.00**	0.79	0.94
GI24	Prohibition of cheating	6.2	1.3	0.1	24	6.4	5.8	6.8	6.3	5.7	5.9	6.3	6.0	6.2	6.2	28.1	30.3	10.5	**0.00**	**0.03**	0.92
GI25	Prohibition of bribery	6.2	1.2	0.1	25	6.4	5.8	6.8	6.3	5.8	6.1	6.2	6.1	6.0	6.4	23.9	15.3	12.0	**0.00**	0.43	0.68
GI26	Prohibitions of all intoxicants	6.2	1.2	0.1	24	6.4	5.8	6.7	6.2	6.1	6.2	6.2	6.0	6.3	6.2	29.5	11.5	13.1	**0.00**	0.87	0.78
GI27	Avoidance of smoking	5.4	1.6	0.1	12	5.7	5.0	6.2	5.5	4.9	5.7	5.9	4.8	5.5	5.4	22.4	24.5	30.5	**0.00**	0.14	**0.03**
GI28	Prohibition of pork	6.1	1.5	0.1	19	6.6	5.2	6.5	6.1	5.8	6.2	5.7	5.8	6.3	6.5	45.6	11.2	18.9	**0.00**	0.88	0.40
GI29	Prohibition of adultery & prostitution	6.4	1.2	0.1	27	6.7	5.9	7.0	6.4	6.2	6.5	6.3	6.1	6.5	6.6	30.3	14.0	13.7	**0.00**	0.73	0.75
GI30	Prohibition of drug abuse/drug trafficking	6.6	0.9	0.1	40	6.7	6.4	7.0	6.6	6.7	6.4	6.5	6.6	6.7	6.7	19.0	10.0	16.2	**0.00**	0.82	0.37
GI31	Prohibition of murder & other crimes	6.6	0.9	0.1	41	6.7	6.4	7.0	6.6	6.7	6.5	6.6	6.6	6.6	6.7	13.5	7.5	11.3	**0.02**	0.94	0.73

Notes: 1. Xo=Overall Mean; S=Standard Deviation; SE=Standard Error of the Mean; N=189; SCALE: Very important 7,6,5,4,3,2,1 Not important at all.

2. Using one-sample t test, the mean (Xo) on each test variable is evaluated to determine whether it is significantly different from a constant, called a test value by SPSS. The hypothesised test value is 4, which represents the midpoint on the bipolar 7-1 response scale. The test is done at 95 % confidence level, 188 df.

3. The t-values are all statistically significant, implying that the mean on each test variable is significantly different from the hypothesised test value (4).

4. The significance level of .05 or better is shown in **bold** for each test variable vis-à-vis category variable, with a statistically significant chi-square value.

MNC Customers' Perceptions

Table 6.6d Cultural Values to Be Understood by MNCs Doing or Planning to Do Business in Saudi Arabia

		Overall Descriptive Statistics				Religion (Rel)			Education (Ed)			Years (Yr) in S A				Chi-Square Test			2-Tailed Test of Significance		
						Musl	Non-Musl	< Coll	Coll	MS	PhD	< 5 Yrs	5-<10	10-<15	> 15	Rel	Ed	Yr	Rel	Ed	Yr
Code	Variables	Xo	S	SE	t	Mean	Mean	Mean	Mean	Mean	Mean	Mean	Mean	Mean	Mean	χ^2	χ^2	χ^2	Sig. Level		
GI32	Prohibition of suicide	6.3	1.3	0.1	23	6.5	5.8	7.0	6.3	6.0	6.4	6.0	6.1	6.4	6.4	31	20	16	**0.00**	0.36	0.63
GI33	Prohibition of homosexuality	6.3	1.2	0.1	25	6.6	5.7	7.0	6.3	5.9	6.4	6.2	6.0	6.5	6.5	27	18	17	**0.00**	0.46	0.52
GI34	Protection given to orphans & widows	6.0	1.3	0.1	22	6.2	5.8	6.5	6.1	5.8	6.1	6.2	5.7	6.2	6.1	15	21	18	**0.02**	0.29	0.46
GI35	Care for the elderly, weak & poor	6.1	1.2	0.1	24	6.2	6.0	6.5	6.2	5.8	6.3	6.3	5.9	6.1	6.1	10	10	14	0.11	0.93	0.74
GI36	Love & care for children	6.2	1.2	0.1	25	6.3	6.1	6.7	6.2	5.8	6.6	6.3	5.9	6.3	6.3	6	11	14	0.28	0.73	0.52
GI37	Respect to eminent personalities	6.0	1.4	0.1	19	6.2	5.6	6.2	6.1	5.3	6.4	6.1	5.5	6.3	6.0	11	21	20	0.10	0.30	0.32
GI38	Respect and kindness to women	6.2	1.2	0.1	26	6.4	6.0	6.7	6.3	5.8	6.4	6.5	5.9	6.3	6.2	16	13	22	**0.01**	0.81	0.24
GI39	Respect to non-Muslims	6.1	1.3	0.1	22	6.1	6.0	6.7	6.1	5.6	6.4	6.4	5.8	6.0	5.9	9	21	15	0.17	0.29	0.67
GI40	Enjoining right & forbidding wrong	6.2	1.0	0.1	30	6.4	6.0	6.8	6.3	6.0	6.4	6.5	6.1	6.3	6.1	9	9	20	0.09	0.87	0.16
GI41	Kindness to people and animals	6.1	1.1	0.1	26	6.3	5.9	6.7	6.2	5.8	6.3	6.5	5.9	6.0	6.1	14	14	16	**0.02**	0.52	0.37
GI42	Obedience to the authorities	6.3	1.0	0.1	31	6.6	5.9	6.7	6.3	6.1	6.6	6.5	6.0	6.4	6.3	21	8	19	**0.00**	0.93	0.18
GI43	Obligation to family/parents/relatives	6.3	1.0	0.1	31	6.4	6.0	6.5	6.3	6.1	6.6	6.4	5.9	6.4	6.4	12	9	19	**0.04**	0.89	0.23
GI44	Close family ties	6.2	1.0	0.1	29	6.3	6.1	6.5	6.3	5.9	6.6	6.4	5.9	6.3	6.2	6	12	28	0.30	0.69	**0.02**
GI45	Social responsibility to community	6.0	1.1	0.1	24	6.2	5.7	6.3	6.0	5.7	6.3	6.3	5.7	6.1	5.9	14	15	21	**0.03**	0.69	0.30
GI46	Obligation to acquire right education	6.1	1.2	0.1	25	6.2	5.9	6.3	6.2	5.6	6.3	6.1	5.9	6.1	6.1	10	19	9	0.06	0.20	0.88
GI47	Supremacy of human life	6.2	1.2	0.1	26	6.4	6.0	5.7	6.3	5.9	6.5	6.2	6.3	6.1	6.3	22	24	7	**0.00**	0.06	0.95
GI48	Law of equality and justice	6.3	1.1	0.1	29	6.4	6.0	6.8	6.3	6.0	6.4	6.5	6.3	6.1	6.2	8	15	16	0.13	0.46	0.37
GI49	Proper slaughtering of animal for food	6.2	1.2	0.1	26	6.4	5.9	6.8	6.2	6.1	6.4	6.4	5.8	6.4	6.2	16	13	18	**0.02**	0.78	0.48
GI50	Modest dress for women in public	6.1	1.3	0.1	22	6.3	5.8	6.7	6.1	5.9	6.4	6.1	5.6	6.5	6.2	17	10	33	**0.01**	0.92	**0.02**
GI51	Male-fem. segregation in some occ.	5.9	1.5	0.1	16	6.3	5.1	5.8	5.8	5.9	6.0	5.9	5.3	6.3	6.0	31	20	20	**0.00**	0.36	0.32
GI52	Belief in the Oneness of God (Allah)	6.3	1.3	0.1	25	6.7	5.7	6.2	6.3	6.4	6.6	6.4	5.9	6.5	6.6	33	16	16	**0.00**	0.57	0.62
GI53	Belief that Allah alone deserves worship	6.3	1.4	0.1	23	6.8	5.5	6.2	6.3	6.2	6.6	6.2	5.8	6.5	6.6	44	37	19	**0.00**	**0.01**	0.42
GI54	Belief in the Names/Attributes of Allah	6.2	1.4	0.1	21	6.6	5.5	6.2	6.2	6.0	6.3	6.1	5.8	6.3	6.5	31	17	23	**0.00**	0.49	0.20
GI55	Prayer/Salah on time	6.2	1.4	0.1	22	6.6	5.5	6.2	6.2	6.1	6.6	6.2	5.7	6.4	6.3	28	19	20	**0.00**	0.37	0.36
GI56	Charity/Zakat	6.1	1.3	0.1	23	6.5	5.4	6.5	6.1	5.9	6.3	6.1	5.7	6.3	6.4	41	17	23	**0.00**	0.54	0.19
GI57	Fasting/Sawm	6.2	1.3	0.1	24	6.7	5.5	6.2	6.3	6.0	6.3	6.2	5.7	6.4	6.5	52	51	26	**0.00**	**0.00**	0.09
GI58	Pilgrimage/Haj	6.1	1.3	0.1	22	6.6	5.4	6.0	6.2	6.0	5.9	6.2	5.6	6.3	6.4	38	24	25	**0.00**	0.15	0.12
GI59	Eid holidays (Ramadan & Haj)	6.2	1.2	0.1	25	6.6	5.6	6.2	6.3	6.1	6.1	6.4	5.6	6.3	6.4	33	20	23	**0.00**	0.31	0.20
GI60	Islamic greeting (Assalamo Alaikum)	6.0	1.3	0.1	21	6.3	5.5	5.5	6.1	5.8	6.1	6.1	5.5	6.3	6.1	24	32	20	**0.00**	**0.03**	0.34
GI61	Avoiding clothes/decors with animals	5.2	1.6	0.1	10	5.6	4.4	6.2	5.2	5.0	5.0	5.3	4.7	5.3	5.2	36	23	17	**0.00**	0.18	0.53

Notes: 1. Xo=Overall Mean; S=Standard Deviation; SE=Standard Error of the Mean; N=189; SCALE: Very important 7,6,5,4,3,2,1 Not important at all.

2. Using one-sample t test, the mean (Xo) on each test variable is evaluated to determine whether it is significantly different from a constant, called a test value by SPSS. The hypothesised test value is 4, which represents the midpoint on the bipolar 7-1 response scale. The test is done at 95 % confidence level, 188 df.

3. The t-values are all statistically significant, implying that the mean on each test variable is significantly different from the hypothesised test value (4).

4. The significance level of .05 or better is shown in **bold** for each test variable vis-à-vis category variable, with a statistically significant chi-square value.

MNC Managers' Perceptions

Table 6.7a Importance to MNCs Planning & Decision-Making Process of the Following Variables

		Overall Descriptive Statistics				Religion (Rel)		Education (Ed)			Years (Yr) in S A				Chi-Square Test			2-Tailed Test of Significance		
						Musl	Non-Musl	Coll	MS	PhD	< 5 Yrs	5-<10	10-<15	> 15	Rel	Ed	Yr	Rel	Ed	Yr
Code	Variables	Xo	S	SE	t	Mean	Mean	Mean	Mean	Mean	Mean	Mean	Mean	Mean	χ^2	χ^2	χ^2	Sig. Level		
GM01	Local commercial regulations	6.38	0.81	0.12	19.8	6.4	6.4	6.5	6.1	7.0	6.5	6.2	6.2	6.5	0.8	3.6	2.2	0.66	0.47	0.91
GM02	Dos and don'ts in Islam	5.22	1.57	0.23	5.2	4.9	5.4	5.1	5.3	6.0	5.3	5.2	5.1	5.2	7.1	8.7	22.6	0.31	0.73	0.21
GM03	Local social values	5.29	1.58	0.23	5.5	4.9	5.5	5.1	5.4	6.5	5.5	5.2	5.2	5.2	6.4	14.1	20.9	0.39	0.29	0.29
GM04	Islamic religious doctrines	4.78	1.88	0.28	2.8	4.6	4.9	4.8	4.9	3.5	4.5	4.7	4.8	5.1	3.6	11.3	28.0	0.73	0.50	0.06

Table 6.7b Respondents' Rating of MNCs Knowledge of the Following Cultural Variables

		Overall Descriptive Statistics				Religion (Rel)		Education (Ed)			Years (Yr) in S A				Chi-Square Test			2-Tailed Test of Significance		
						Musl	Non-Musl	Coll	MS	PhD	< 5 Yrs	5-<10	10-<15	> 15	Rel	Ed	Yr	Rel	Ed	Yr
Code	Variables	Xo	S	SE	t	Mean	Mean	Mean	Mean	Mean	Mean	Mean	Mean	Mean	χ^2	χ^2	χ^2	Sig. Level		
GN01	Kingdom's business regulations	5.7	1.1	0.2	10.3	6.0	5.5	5.7	5.6	5.5	5.9	4.9	5.7	6.0	7.2	4.9	16.6	0.13	0.76	0.16
GN02	Islamic economic and financial systems	5.0	1.4	0.2	4.8	5.8	4.6	5.1	4.9	4.5	4.3	4.2	5.8	5.8	9.3	4.1	29.5	0.10	0.94	**0.01**
GN03	Islamic legal system	5.0	1.5	0.2	4.4	5.8	4.5	5.3	4.7	3.5	4.0	4.4	6.3	5.4	12.5	13.8	31.6	**0.05**	0.31	**0.03**
GN04	Prohibitions in Islam	5.6	1.5	0.2	7.5	6.3	5.3	5.6	5.7	5.5	5.2	4.9	6.7	5.9	6.5	5.5	18.0	0.26	0.85	0.26
GN05	Local social values and customs	5.6	1.3	0.2	8.6	6.2	5.3	5.7	5.4	5.5	5.2	5.0	6.4	5.9	7.5	3.4	25.0	0.19	0.97	**0.05**
GN06	Islamic religious doctrines & beliefs	4.4	2.1	0.3	1.4	6.2	3.4	4.6	4.3	4.0	3.3	3.4	4.6	6.1	23.1	14.0	32.1	**0.00**	0.30	**0.02**

Notes: 1. Xo=Overall Mean; S=Standard Deviation; SE=Standard Error of the Mean; N=45; SCALE for GM01…GM04: Very important 7,6,5,4,3,2,1 Not important at all.

2. N=45; SCALE for GN01…GN06: Know well 7,6,5,4,3,2,1 Do not know.

3. Using one-sample t test, the mean (Xo) on each test variable is evaluated to determine whether it is significantly different from a constant, called a test value by SPSS. The hypothesised test value is 4, which represents the midpoint on the bipolar 7-1 response scale. The test is done at 95 % confidence level, 44 df.

4. Except for GN06, all t-values are statistically significant, implying that the mean on each test variable is significantly different from the hypothesised test value.

5. The significance level of .05 or better is shown in **bold** for each test variable vis-à-vis category variable, with a statistically significant chi-square value.

Table 6.7c Importance to MNCs Planning & Decision-Making Process of the Following Variables

		Overall Descriptive Statistics				Religion (Rel)		Education (Ed)				Years (Yr) in S A				Chi-Square Test			2-Tailed Test of Significance		
						Musl	Non-Musl	< Coll	Coll	MS	PhD	< 5 Yrs	5-<10	10-<15	> 15	Rel	Ed	Yr	Rel	Ed	Yr
Code	Variables	Xo	S	SE	t	Mean	Mean	Mean	Mean	Mean	Mean	Mean	Mean	Mean	Mean	χ^2	χ^2	χ^2	Sig. Level		
GM01	Local commercial regulations	6.2	0.9	0.1	33	6.2	6.1	6.3	6.2	6.1	6.4	6.2	6.1	6.2	6.2	3.9	9.6	8.6	0.42	0.66	0.74
GM02	Dos and don'ts in Islam	6.1	1.3	0.1	23	6.2	6.0	6.2	6.1	5.9	6.7	6.1	5.9	6.6	5.9	8.8	14.6	20.4	0.18	0.69	0.31
GM03	Local social values	6.0	1.1	0.1	25	6.2	5.9	6.0	6.1	5.9	6.4	6.0	5.9	6.4	5.9	15.3	10.2	20.6	**0.02**	0.93	0.30
GM04	Islamic religious doctrines	6.0	1.3	0.1	20	6.2	5.6	6.3	6.0	5.8	6.3	5.8	5.8	6.4	5.9	23.2	13.5	18.5	**0.00**	0.76	0.42

Table 6.7d Respondents' Rating of MNCs Knowledge of the Following Cultural Variables

		Overall Descriptive Statistics				Religion (Rel)		Education (Ed)				Years (Y) in S A				Chi-Square Test			2-Tailed Test of Significance		
						Musl	Non-Musl	< Coll	Coll	MS	PhD	< 5 Yrs	5-<10	10-<15	> 15	Rel	Ed	Yr	Rel	Ed	Yr
Code	Variables	Xo	S	SE	t	Mean	Mean	Mean	Mean	Mean	Mean	Mean	Mean	Mean	Mean	χ^2	χ^2	χ^2	Sig. Level		
GN01	Kingdom's business regulations	5.6	1.3	0.1	17	5.7	5.5	5.7	5.6	5.7	5.2	5.8	5.7	5.4	5.5	4.8	20.8	16.0	0.56	0.29	0.59
GN02	Islamic economic/financial systems	4.9	1.7	0.1	8	4.8	5.1	5.5	5.1	4.7	3.6	5.1	5.1	4.8	4.6	10.4	39.2	15.1	0.11	**0.00**	0.66
GN03	Islamic legal system	4.8	1.8	0.1	6	4.8	4.8	5.5	4.9	4.6	3.5	5.0	4.9	4.6	4.5	3.7	33.4	23.3	0.71	**0.02**	0.18
GN04	Prohibitions in Islam	4.6	1.7	0.1	5	4.5	4.7	5.2	4.5	4.8	4.1	4.9	4.3	4.7	4.4	3.4	19.5	24.2	0.75	0.36	0.15
GN05	Local social values and customs	4.2	1.7	0.1	2	4.1	4.5	3.3	4.3	4.6	3.7	4.3	4.0	4.1	4.5	4.8	33.4	14.1	0.57	**0.02**	0.72
GN06	Islamic religious doctrines & beliefs	2.8	1.4	0.1	-11	2.5	3.3	1.8	2.9	2.7	2.9	2.7	2.7	3.2	2.7	27.7	20.1	23.0	**0.00**	0.33	0.19

Notes: 1. Xo=Overall Mean; S=Standard Deviation; SE=Standard Error of the Mean; N=45; SCALE for GM01...GM04: Very important 7,6,5,4,3,2,1 Not important at all.
2. N=45; SCALE for GN01...GN06: Know well 7,6,5,4,3,2,1 Do not know.
3. Using one-sample t test, the mean (Xo) on each test variable is evaluated to determine whether it is significantly different from a constant, called a test value by SPSS. The hypothesised test value is 4, which represents the midpoint on the bipolar 7-1 response scale. The test is done at 95 % confidence level, 44 df.
4. The t-values are all statistically significant, implying that the mean on each test variable is significantly different from the hypothesised test value (4).
5. The significance level of .05 or better is shown in **bold** for each test variable vis-à-vis category variable, with a statistically significant chi-square value.

MNC Managers' Perceptions

Table 6.8a Respondents' Agreement on the Following Cultural Variables

Code	Variables	Overall Descriptive Statistics				Religion (Rel)		Education (Ed)			Years (Yr) in S A				Chi-Square Test			2-Tailed Test of Significance		
		Xo	S	SE	t	Musl Mean	Non-Musl Mean	Coll Mean	MS Mean	PhD Mean	< 5 Yrs Mean	5-<10 Mean	10-<15 Mean	> 15 Mean	Rel χ^2	Ed χ^2	Yr χ^2	Rel Sig. Level	Ed Sig. Level	Yr Sig. Level
GI62	Responsiveness to local culture	5.6	1.1	0.2	9.6	5.5	5.6	5.6	5.5	6.5	5.8	5.2	5.7	5.6	6.1	7.1	14.5	0.20	0.52	0.27
GI63	Sensitivity to local prohibitions	5.8	1.1	0.2	11.0	5.8	5.8	5.7	5.8	6.0	5.6	5.6	6.1	5.8	2.2	6.3	19.9	0.82	0.79	0.18
GI64	Importance of Arabic to MNCs	4.8	1.9	0.3	2.7	4.6	4.9	4.7	4.8	5.5	4.8	4.2	4.9	5.0	6.5	11.8	19.7	0.37	0.46	0.35
GI65	Presence of Arab staff in MNCs	5.1	1.8	0.3	4.0	5.4	4.9	4.6	5.8	5.5	4.8	4.8	4.8	5.7	8.8	10.0	20.6	0.19	0.61	0.30
GI66	Usefulness to MNCs of Arab personnel	5.8	1.4	0.2	9.0	5.9	5.8	5.6	6.3	5.5	6.1	5.1	5.4	6.4	0.2	6.7	10.4	0.99	0.57	0.58
GI67	Impact of western values on loc culture	5.0	1.6	0.2	4.2	4.2	5.5	5.0	5.1	3.5	5.5	5.4	5.2	4.1	7.2	20.8	16.2	0.30	**0.05**	0.58
GI68	Local resistance to foreign cultures	5.3	1.2	0.2	7.7	5.4	5.3	5.1	5.6	6.0	5.6	4.8	5.8	5.2	2.7	7.4	16.5	0.62	0.49	0.17
GI69	Risk of replacing loc culture by Western's	5.1	1.7	0.2	4.4	5.9	4.6	5.1	4.9	6.5	3.9	4.5	6.2	5.8	9.6	5.5	24.3	0.14	0.94	0.15

Notes: 1. Xo=Overall Mean; S=Standard Deviation; SE=Standard Error of the Mean; N=45; SCALE for GI62: Very responsive 7,6,5,4,3,2,1 Not responsive at all.
2. N=45; SCALE for GI63: Very sensitive 7,6,5,4,3,2,1 Not sensitive at all.
3. N=45; SCALE for GI64: Very important 7,6,5,4,3,2,1 Not important at all.
4. N=45; SCALE for GI65: Too many 7,6,5,4,3,2,1 None.
5. N=45; SCALE for GI66: Very useful 7,6,5,4,3,2,1 Not useful at all.
6. N=45; SCALE for GI67: Very positive 7,6,5,4,3,2,1 Very negative.
7. N=45; SCALE for GI68: Too much resistant 7,6,5,4,3,2,1 Not resistant at all.
8. N=45; SCALE for GI69: Too much risky 7,6,5,4,3,2,1 Not risky at all.
9. Using one-sample t test, the mean (Xo) on each test variable is evaluated to determine whether it is significantly different from a constant, called a test value by SPSS. The hypothesised test value is 4, which represents the midpoint on the bipolar 7-1 response scale. The test is done at 95 % confidence level, 44 df.
10. The t-values are all statistically significant, implying that the mean on each test variable is significantly different from the hypothesised test value (4).
11. The significance level of .05 or better is shown in **bold** for each test variable vis-à-vis category variable, with a statistically significant chi-square value.

MNC Customers' Perceptions

Table 6.8b Respondents' Agreement on the Following Cultural Variables

		Overall Descriptive Statistics				Religion (R)		Education (E)				Years (Y) in S A				Chi-Square Test			2-Tailed Test of Significance		
						Musl	Non-Musl	< Coll	Coll	MS	PhD	< 5 Yrs	5-<10	10-<15	> 15	Rel	Ed	Yr	Rel	Ed	Yr
		Xo	S	SE	t	Mean	Mean	Mean	Mean	Mean	Mean	Mean	Mean	Mean	Mean	χ^2	χ^2	χ^2	Sig. Level		
GI62	Responsiveness to local culture	5.2	1.3	0.1	12	5.1	5.3	5.7	5.3	4.9	4.7	5.3	5.2	5.2	5.0	8.4	23.5	14.3	0.21	0.17	0.71
GI63	Sensitivity to local prohibitions	5.3	1.3	0.1	13	5.3	5.3	5.8	5.5	4.8	4.9	5.4	5.3	5.4	5.2	26.7	23.6	15.6	**0.00**	0.17	0.62
GI64	Importance of Arabic to MNCs	5.4	1.4	0.1	14	5.6	5.2	5.7	5.6	4.7	5.1	5.3	5.3	5.7	5.4	12.9	36.9	16.6	**0.05**	**0.01**	0.55
GI65	Presence of Arab staff in MNCs	5.7	1.2	0.1	19	5.7	5.6	5.7	5.8	5.3	5.6	5.7	5.5	5.6	5.8	3.6	15.6	18.6	0.61	0.41	0.23
GI66	Usefulness to MNCs of Arab personnel	5.9	1.1	0.1	24	6.0	5.7	6.3	6.0	5.7	5.8	5.8	5.8	6.0	6.1	4.5	8.1	15.0	0.34	0.77	0.24
GI67	Impact of western values on loc culture	5.1	1.6	0.1	9	4.9	5.4	6.0	5.1	4.6	5.3	5.4	5.2	5.0	4.6	10.9	19.1	20.8	0.09	0.39	0.29
GI68	Local resistance to foreign cultures	5.3	1.2	0.1	15	5.3	5.3	5.3	5.4	4.9	5.3	5.3	5.3	5.3	5.3	14.3	11.8	4.0	**0.01**	0.70	0.99
GI69	Risk of replacing loc culture by Western's	5.5	1.4	0.1	15	5.9	4.8	5.8	5.5	5.5	5.5	5.0	5.4	5.9	5.8	32.7	12.7	31.0	**0.00**	0.81	**0.03**

Notes: 1. Xo=Overall Mean; S=Standard Deviation; SE=Standard Error of the Mean; N=45; SCALE for GI62: Very responsive 7,6,5,4,3,2,1 Not responsive at all.
2. N=45; SCALE for GI63: Very sensitive 7,6,5,4,3,2,1 Not sensitive at all.
3. N=45; SCALE for GI64: Very important 7,6,5,4,3,2,1 Not important at all.
4. N=45; SCALE for GI65: Too many 7,6,5,4,3,2,1 None.
5. N=45; SCALE for GI66: Very useful 7,6,5,4,3,2,1 Not useful at all.
6. N=45; SCALE for GI67: Very positive 7,6,5,4,3,2,1 Very negative.
7. N=45; SCALE for GI68: Too much resistant 7,6,5,4,3,2,1 Not resistant at all.
8. N=45; SCALE for GI69: Too much risky 7,6,5,4,3,2,1 Not risky at all.
9. Using one-sample t test, the mean (Xo) on each test variable is evaluated to determine whether it is significantly different from a constant, called a test value by SPSS. The hypothesised test value is 4, which represents the midpoint on the bipolar 7-1 response scale. The test is done at 95 % confidence level, 44 df.
10. The t-values are all statistically significant, implying that the mean on each test variable is significantly different from the hypothesised test value (4).
11. The significance level of .05 or better is shown in **bold** for each test variable vis-à-vis category variable, with a statistically significant chi-square value.

MNC Managers' Perceptions

Table 6.11a Problems Perceived as Caused by MNCs

Code	Variables	Overall Descriptive Statistics Xo	S	SE	t	Religion (Rel) Musl Mean	Non-Musl Mean	Education (Ed) Coll Mean	MS Mean	PhD Mean	Years (Yr) in S A < 5 Yrs Mean	5-<10 Mean	10-<15 Mean	> 15 Mean	Chi-Square Test Rel χ^2	Ed χ^2	Yr χ^2	2-Tailed Test of Significance Sig. Level Rel	Ed	Yr
EP01	Ecological imbalance/pollution	4.1	1.7	0.2	0.4	4.1	4.1	4.2	3.6	6.5	3.8	3.4	4.0	4.9	7.4	24.0	18.5	0.29	**0.02**	0.42
EP02	Unwanted compet'n w/ local industries	4.2	1.9	0.3	0.6	4.6	3.9	4.6	3.4	5.0	3.5	3.6	3.9	5.4	8.6	13.4	27.3	0.20	0.34	0.07
EP03	Greater foreign exchange outflow	4.6	1.8	0.3	2.1	4.8	4.4	4.9	4.2	3.5	4.1	4.4	4.7	5.0	2.1	14.9	18.5	0.91	0.25	0.42
EP04	Exploitation of local resources	3.8	1.7	0.3	-0.8	4.2	3.6	3.9	3.4	6.0	3.3	3.1	4.2	4.4	10.6	15.5	23.4	0.10	0.21	0.18
EP05	Profit repatriation	4.5	1.8	0.3	2.0	4.7	4.4	4.6	4.2	6.5	4.0	4.7	4.3	5.0	6.4	14.3	20.0	0.38	0.28	0.33
EP06	Discriminatory employment	3.8	2.1	0.3	-0.5	4.4	3.5	4.3	3.0	4.5	2.3	4.1	4.4	4.6	6.2	12.8	25.0	0.40	0.39	0.13
EP07	Favouritism	3.8	2.0	0.3	-0.5	4.3	3.6	4.1	3.2	5.5	2.5	3.9	4.9	4.3	6.9	9.8	22.0	0.18	0.64	0.23
EP08	Unfair access to local bank facilities	3.3	1.8	0.3	-2.8	3.8	2.9	3.2	3.4	3.0	2.3	2.9	3.6	4.2	6.7	9.0	29.7	0.35	0.70	**0.04**
EP09	Scarcity of needed labour supply	3.7	1.7	0.3	-1.2	3.6	3.7	3.8	3.6	3.5	3.3	3.7	3.7	4.1	7.9	11.7	29.1	0.25	0.47	**0.05**
EP10	Brain drain from local indus. to MNCs	3.6	2.0	0.3	-1.3	3.9	3.4	3.7	3.3	6.0	3.2	2.8	3.4	4.7	4.8	13.5	25.2	0.57	0.34	0.12
EP11	Materialism	3.8	2.0	0.3	-0.8	4.3	3.4	3.9	3.4	5.5	3.1	3.3	3.7	4.7	4.7	11.4	24.1	0.58	0.50	0.15
EP12	Neocolonialism	3.6	2.0	0.3	-1.3	4.0	3.4	3.8	2.9	6.0	2.6	3.4	4.0	4.4	3.0	19.2	29.5	0.81	0.08	**0.04**
EP13	Perpetuation of colonial mentality	3.6	2.0	0.3	-1.2	4.4	3.2	3.9	2.8	6.5	2.6	3.3	3.8	4.7	8.4	23.2	32.3	0.21	**0.03**	**0.02**
EP14	Distortion of local culture	3.8	2.3	0.3	-0.6	4.7	3.2	4.0	3.0	6.5	2.1	3.8	4.2	4.9	5.7	7.9	25.4	0.46	0.80	0.11

Notes: 1. Xo=Overall Mean; S=Standard Deviation; SE=Standard Error of the Mean; N=45; SCALE: Strongly agree 7,6,5,4,3,2,1 Strongly disagree.

2. Using one-sample t test, the mean (Xo) on each test variable is evaluated to determine whether it is significantly different from a constant, called a test value by SPSS. The hypothesised test value is 4, which represents the midpoint on the bipolar 7-1 response scale. The test is done at 95 % confidence level, 44 df.

3. Only those t-tests with absolute values of around 2 or more are statistically significant.

4. The significance level of .05 or better is shown in **bold** for each test variable vis-à-vis category variable, with a statistically significant chi-square value.

Table 6.11b Problems Perceived as Caused by MNCs

		Overall Descriptive Statistics				Religion (Rel)		Education (Ed)				Years (Yr) in S A				Chi-Square Test			2-Tailed Test of Significance		
						Musl	Non-Musl	< Coll	Coll	MS	PhD	< 5 Yrs	5-<10	10-<15	> 15	Rel	Ed	Yr	Rel	Ed	Yr
Code	Variables	Xo	S	SE	t	Mean	Mean	Mean	Mean	Mean	Mean	Mean	Mean	Mean	Mean	χ^2	χ^2	χ^2	Sig. Level		
EP01	Ecological imbalance/pollution	4.9	1.6	0.1	7	5.0	4.6	5.3	4.9	4.3	5.4	5.1	4.7	4.9	4.7	10.9	16.4	22.8	0.09	0.57	0.20
EP02	Unwanted compet'n w/ local industries	4.8	1.6	0.1	7	4.9	4.6	5.8	4.9	4.1	5.2	5.1	4.9	4.9	4.4	4.3	25.9	27.1	0.63	0.10	0.08
EP03	Greater foreign exchange outflow	5.1	1.4	0.1	11	5.3	4.8	5.7	5.2	4.8	5.1	5.6	5.2	5.1	4.5	18.1	20.4	27.8	**0.01**	0.31	0.07
EP04	Exploitation of local resources	5.0	1.5	0.1	10	5.2	4.8	5.3	5.0	4.9	5.3	5.3	5.0	5.1	4.7	7.1	12.9	23.0	0.32	0.80	0.19
EP05	Profit repatriation	5.1	1.4	0.1	11	5.3	4.8	6.0	5.2	4.9	4.9	5.4	5.0	5.1	4.9	15.9	16.7	23.2	**0.01**	0.55	0.18
EP06	Discriminatory employment	4.8	1.7	0.1	7	5.0	4.6	6.0	5.0	4.2	4.6	4.9	5.0	5.0	4.6	12.1	24.4	41.1	0.06	0.14	**0.00**
EP07	Favouritism	4.7	1.7	0.1	6	4.8	4.6	5.7	4.8	4.4	4.9	4.9	4.7	4.9	4.5	3.8	15.4	20.1	0.70	0.64	0.33
EP08	Unfair access to local bank facilities	4.4	1.6	0.1	4	4.5	4.3	5.0	4.5	3.9	4.5	4.6	4.2	4.7	4.1	8.0	16.6	19.2	0.24	0.55	0.38
EP09	Scarcity of needed labour supply	4.4	1.7	0.1	3	4.4	4.4	5.8	4.6	3.6	4.2	4.7	4.4	4.4	4.0	7.7	29.3	22.0	0.26	**0.05**	0.23
EP10	Brain drain from local indus. to MNCs	4.6	1.7	0.1	5	4.6	4.7	5.8	4.8	3.8	4.8	5.1	4.7	4.6	4.1	7.1	28.0	23.2	0.31	0.06	0.18
EP11	Materialism	5.1	1.5	0.1	10	5.2	4.8	5.3	5.1	4.7	5.1	5.3	5.0	5.2	4.7	18.1	10.6	40.0	**0.01**	0.91	**0.00**
EP12	Neocolonialism	4.9	1.6	0.1	8	5.0	4.8	5.5	5.1	4.3	5.1	5.2	4.9	5.0	4.6	8.2	15.3	26.9	0.22	0.65	0.08
EP13	Perpetuation of colonial mentality	5.0	1.6	0.1	9	5.2	4.7	5.2	5.1	4.6	5.0	5.1	5.1	5.2	4.8	15.0	21.3	15.6	**0.02**	0.26	0.62
EP14	Distortion of local culture	5.1	1.7	0.1	9	5.3	4.8	6.0	5.1	4.9	5.4	5.2	5.1	5.4	4.8	12.8	10.6	37.3	**0.05**	0.91	**0.01**

Notes: 1. Xo=Overall Mean; S=Standard Deviation; SE=Standard Error of the Mean; N=189; SCALE: Strongly agree 7,6,5,4,3,2,1 Strongly disagree.

2. Using one-sample t test, the mean (Xo) on each test variable is evaluated to determine whether it is significantly different from a constant, called a test value by SPSS. The hypothesised test value is 4, which represents the midpoint on the bipolar 7-1 response scale. The test is done at 95 % confidence level, 188 df.

3. The t-values are all statistically significant, implying that the mean on each test variable is significantly different from the hypothesised test value (4).

4. The significance level of .05 or better is shown in **bold** for each test variable vis-à-vis category variable, with a statistically significant chi-square value.

MNC Managers' Perceptions

Table 6.11c Constraints to MNCs Operations in Saudi Arabia

Code	Variables	Overall Descriptive Statistics				Religion (Rel)		Education (Ed)			Years (Yr) in S A				Chi-Square Test			2-Tailed Test of Significance		
						Musl	Non-Musl	Coll	MS	PhD	< 5 Yrs	5-<10	10-<15	> 15	Rel	Ed	Yr	Rel	Ed	Yr
		Xo	S	SE	*t*	Mean	Mean	Mean	Mean	Mean	Mean	Mean	Mean	Mean	χ^2	χ^2	χ^2	Sig. Level		
FC01	Competitive threats from other MNCs	4.9	1.9	0.3	3.3	6.0	4.3	4.9	4.9	5.5	4.1	4.4	5.2	5.9	13.5	14.5	21.5	**0.04**	0.27	0.25
FC02	Fast development of local industries	3.8	1.9	0.3	-0.6	4.3	3.5	3.9	3.7	3.5	2.9	3.9	4.4	4.1	4.2	7.5	15.5	0.66	0.83	0.63
FC03	Local support to the local industries	4.0	2.0	0.3	0.2	4.4	3.9	4.1	3.9	4.0	3.5	3.8	4.4	4.4	4.2	13.3	12.5	0.65	0.35	0.82
FC04	Expropriation of MNC assets	3.9	2.0	0.3	-0.4	4.4	3.6	3.9	3.9	3.5	3.0	3.6	4.7	4.4	3.8	14.6	19.4	0.70	0.26	0.37
FC05	Saudiization of work force	4.8	1.8	0.3	2.8	4.8	4.8	4.9	4.5	5.0	4.8	4.2	5.2	4.9	9.7	8.7	22.6	0.14	0.73	0.21
FC06	Scarcity of qualified local manpower	5.6	1.5	0.2	7.3	5.5	5.7	5.7	5.4	6.5	6.0	5.4	4.9	6.0	2.3	6.1	21.5	0.81	0.81	0.12
FC07	Local bureaucratic delays/red tape	5.7	1.5	0.2	7.6	5.9	5.6	5.4	6.2	7.0	6.4	4.8	5.4	6.0	2.7	11.8	25.4	0.74	0.30	**0.05**
FC08	Communication problem	4.7	1.8	0.3	2.6	4.3	4.9	4.6	4.6	7.0	5.2	4.7	4.1	4.6	16.7	14.6	31.9	**0.01**	0.26	**0.02**
FC09	Local resistance to change	5.5	1.4	0.2	7.2	5.4	5.6	5.5	5.4	6.0	5.8	5.0	5.1	5.8	2.9	10.9	15.5	0.71	0.37	0.42
FC10	Cultural barriers	5.0	1.6	0.2	4.4	5.0	5.1	5.2	5.0	3.5	5.0	4.6	4.7	5.6	4.6	13.7	16.2	0.59	0.32	0.58

Notes: 1. Xo=Overall Mean; S=Standard Deviation; SE=Standard Error of the Mean; N=45; SCALE: Strongly agree 7,6,5,4,3,2,1 Strongly disagree.

2. Using one-sample t test, the mean (Xo) on each test variable is evaluated to determine whether it is significantly different from a constant, called a test value by SPSS. The hypothesised test value is 4, which represents the midpoint on the bipolar 7-1 response scale. The test is done at 95 % confidence level, 44 df.

3. Only those *t*-tests with absolute values of around 2 or more are statistically significant.

4. The significance level of .05 or better is shown in **bold** for each test variable vis-à-vis category variable, with a statistically significant chi-square value.

MNC Customers' Perceptions

Table 6.11d Constraints to MNCs Operations in Saudi Arabia

		Overall Descriptive Statistics				Religion (Rel)		Education (Ed)				Years (Yr) in S A				Chi-Square Test			2-Tailed Test of Significance		
						Musl	Non-Musl	< Coll	Coll	MS	PhD	< 5 Yrs	5-<10	10-<15	> 15	Rel	Ed	Yr	Rel	Ed	Yr
Code	Variables	Xo	S	SE	t	Mean	Mean	Mean	Mean	Mean	Mean	Mean	Mean	Mean	Mean	χ^2	χ^2	χ^2	Sig. Level		
FC01	Competitive threats from other MNCs	5.2	1.3	0.1	12	5.3	5.0	6.3	5.3	4.9	5.1	5.6	4.9	5.3	5.1	7.8	22.2	24.7	0.25	0.22	0.13
FC02	Fast development of local industries	5.1	1.3	0.1	12	5.3	4.9	6.0	5.2	4.7	5.1	5.4	4.9	5.2	5.0	12.2	12.8	18.4	**0.03**	0.62	0.24
FC03	Local support to the local industries	5.1	1.4	0.1	11	5.3	4.8	6.0	5.3	4.4	4.8	5.4	4.9	5.2	4.9	17.1	33.1	26.4	**0.01**	**0.02**	0.09
FC04	Expropriation of MNC assets	4.8	1.5	0.1	7	4.9	4.7	5.5	5.0	4.1	4.2	5.3	4.7	4.6	4.5	10.6	30.0	28.6	0.10	**0.04**	**0.05**
FC05	Saudiization of work force	5.4	1.5	0.1	13	5.4	5.4	6.0	5.4	5.3	5.3	5.6	5.0	5.8	5.2	4.9	16.3	17.6	0.55	0.57	0.48
FC06	Scarcity of qualified local manpower	5.3	1.4	0.1	12	5.2	5.4	6.2	5.3	5.3	5.1	5.6	5.0	5.4	5.0	8.6	16.5	22.6	0.20	0.56	0.21
FC07	Local bureaucratic delays/red tape	5.2	1.4	0.1	11	5.2	5.2	5.8	5.2	4.8	5.8	5.5	4.9	5.1	5.1	2.4	20.1	23.0	0.88	0.33	0.19
FC08	Communication problem	5.3	1.5	0.1	12	5.2	5.5	6.0	5.4	4.8	5.6	5.7	5.1	5.5	4.8	6.5	13.9	33.8	0.37	0.74	**0.01**
FC09	Local resistance to change	5.2	1.5	0.1	11	5.1	5.3	4.7	5.3	4.6	5.4	5.5	4.9	5.2	4.9	5.8	24.4	27.2	0.45	0.14	0.08
FC10	Cultural barriers	5.3	1.5	0.1	12	5.2	5.5	4.7	5.4	4.9	5.4	5.6	5.3	5.5	4.9	10.3	26.9	17.9	0.11	0.12	0.46

Notes: 1. Xo=Overall Mean; S=Standard Deviation; SE=Standard Error of the Mean; N=189; SCALE: Strongly agree 7,6,5,4,3,2,1 Strongly disagree.

2. Using one-sample t test, the mean (Xo) on each test variable is evaluated to determine whether it is significantly different from a constant, called a test value by SPSS. The hypothesised test value is 4, which represents the midpoint on the bipolar 7-1 response scale. The test is done at 95 % confidence level, 188 df.

3. The t-values are all statistically significant, implying that the mean on each test variable is significantly different from the hypothesised test value (4).

4. The significance level of .05 or better is shown in **bold** for each test variable vis-à-vis category variable, with a statistically significant chi-square value.

Table 6.12a Contributions of Multinational Companies to Saudi Arabian Socio-Economic Development

Code	Variables	Overall Descriptive Statistics				Religion (Rel)		Education (Ed)			Years (Yr) in S A				Chi-Square Test			2-Tailed Test of Significance		
						Musl	Non-Musl	Coll	MS	PhD	< 5 Yrs	5-<10	10-<15	> 15	Rel	Ed	Yr	Rel	Ed	Yr
		Xo	S	SE	t	Mean	Mean	Mean	Mean	Mean	Mean	Mean	Mean	Mean	χ^2	χ^2	χ^2	Sig. Level		
IR01	Foreign exchange inflow	4.7	1.9	0.3	2.6	4.9	4.6	4.5	5.0	5.5	4.3	4.6	4.9	5.1	7.6	14.5	13.3	0.27	0.27	0.77
IR02	Technology transfer	5.7	1.4	0.2	7.9	5.4	5.9	5.7	5.6	6.5	6.3	5.2	5.4	5.7	6.3	7.4	18.9	0.39	0.83	0.40
IR03	Managerial skills	5.6	1.2	0.2	8.7	5.2	5.8	5.6	5.5	6.5	5.7	5.7	5.7	5.4	6.6	10.7	13.9	0.25	0.38	0.54
IR04	Marketing skills	5.4	1.4	0.2	6.5	5.1	5.6	5.4	5.3	6.5	5.4	5.8	5.7	4.9	5.4	8.4	21.9	0.49	0.75	0.24
IR05	Human resource development	5.5	1.5	0.2	6.7	5.8	5.4	5.2	5.9	6.5	5.3	4.9	5.9	5.9	2.1	8.1	19.4	0.91	0.78	0.37
IR06	Consumer welfare thru more competition	5.1	1.4	0.2	5.4	5.4	4.9	5.3	4.6	5.5	4.8	4.7	5.4	5.4	9.8	11.3	26.2	0.08	0.33	**0.04**
IR07	Country's industrialization thrust	5.5	1.3	0.2	7.7	5.4	5.6	5.4	5.6	6.5	6.0	5.2	5.8	5.1	2.7	4.6	11.3	0.75	0.91	0.73
IR08	Supply of technologies	5.8	1.2	0.2	9.5	5.5	5.9	5.8	5.6	6.5	6.4	5.3	5.7	5.6	4.5	6.8	18.6	0.48	0.74	0.23
IR09	Employment of local nationals	4.6	1.9	0.3	2.2	4.6	4.6	4.2	5.4	4.0	4.7	4.4	4.4	4.9	3.9	18.3	19.8	0.70	0.11	0.34
IR10	Country's economic growth	5.0	1.7	0.3	4.0	5.2	4.9	4.8	5.5	4.0	4.4	4.8	5.9	5.1	3.8	18.0	19.3	0.58	**0.05**	0.20
IR11	Investment/capital accumulation	4.7	1.9	0.3	2.4	4.7	4.6	4.6	4.9	4.0	4.2	4.3	5.3	4.9	3.8	14.7	18.2	0.70	0.26	0.45
IR12	Development of natural resources	4.0	2.2	0.3	0.1	4.8	3.6	3.6	4.7	4.0	2.9	3.7	4.8	4.7	11.9	10.2	24.9	0.06	0.60	0.13
IR13	Contribution to national infrastructure	4.5	2.1	0.3	1.7	4.8	4.4	4.1	5.3	4.0	3.8	4.8	5.1	4.6	10.4	11.2	15.7	0.11	0.51	0.61
IR14	Internationalization of country's image	5.0	1.8	0.3	3.9	5.1	5.0	4.9	5.0	7.0	5.1	4.9	4.9	5.1	9.5	18.4	18.1	0.15	0.10	0.45
	Overall effect of MNCs on the Saudi economy (N=45; SCALE: Very positive 7,6,5,4,3,2,1 Very negative)																			
JE01	Overall Effect of MNCs on Saudi Economy	5.5	1.0	0.1	10.5	5.5	5.5	5.4	5.9	4.5	5.3	5.9	5.2	5.6	0.7	5.4	12.9	0.95	**0.00**	0.38

Notes: 1. Xo=Overall Mean; S=Standard Deviation; SE=Standard Error of the Mean; N=45; SCALE for IR01…IR14: Very significant 7,6,5,4,3,2,1 Not significant at all.

2. Using one-sample t test, the mean (Xo) on each test variable is evaluated to determine whether it is significantly different from a constant, called a test value by SPSS. The hypothesised test value is 4, which represents the midpoint on the bipolar 7-1 response scale. The test is done at 95 % confidence level, 44 df.

3. Only those t-tests with absolute values of around 2 or more are statistically significant.

4. The significance level of .05 or better is shown in **bold** for each test variable vis-à-vis category variable, with a statistically significant chi-square value.

MNC Customers' Perceptions
Table 6.12b Contributions of Multinational Companies to Saudi Arabian Socio-Economic Development

Code	Variables	Overall Descriptive Statistics Xo	S	SE	t	Religion (Rel) Musl Mean	Non-Musl Mean	Education (Ed) < Coll Mean	Coll Mean	MS Mean	PhD Mean	Years (Yr) in S A < 5 Yrs Mean	5-<10 Mean	10-<15 Mean	> 15 Mean	Chi-Square Test Rel χ^2	Ed χ^2	Yr χ^2	2-Tailed Test of Significance Sig. Level Rel	Ed	Yr
R01	Foreign exchange inflow	5.5	1.3	0.1	17	5.5	5.7	6.5	5.6	5.3	5.1	5.5	5.4	5.7	5.6	2.9	20.1	16.8	0.82	0.33	0.53
R02	Technology transfer	6.0	1.1	0.1	26	5.9	6.1	6.5	6.0	6.0	5.7	6.1	5.7	6.0	6.1	5.0	13.0	14.5	0.55	0.79	0.70
R03	Managerial skills	5.9	1.1	0.1	23	5.8	6.0	6.5	5.9	6.0	5.2	6.1	5.8	5.9	5.7	4.2	28.0	21.4	0.65	0.06	0.26
R04	Marketing skills	5.9	1.1	0.1	23	5.8	6.0	6.3	5.9	5.9	5.3	6.0	5.7	5.9	5.9	5.0	27.6	20.5	0.54	0.07	0.30
R05	Human resource development	5.9	1.1	0.1	23	5.8	5.9	6.3	5.9	5.8	5.2	6.0	5.7	5.7	6.0	3.1	24.9	12.9	0.80	0.13	0.80
R06	Consumer welfare thru more competition	5.5	1.2	0.1	17	5.5	5.6	6.3	5.6	5.1	5.3	5.8	5.3	5.4	5.6	6.5	30.9	14.8	0.37	**0.03**	0.68
R07	Country's industrialization thrust	5.9	1.1	0.1	24	5.8	5.9	6.2	5.9	5.8	5.6	6.1	5.7	5.7	5.9	1.7	23.1	14.8	0.95	0.19	0.68
R08	Supply of technologies	6.0	1.0	0.1	27	6.0	6.1	6.5	6.0	5.9	5.6	6.1	5.9	5.9	6.0	4.7	17.1	10.6	0.58	0.52	0.91
R09	Employment of local nationals	5.5	1.8	0.1	12	5.5	5.6	6.2	5.5	5.5	5.1	6.0	5.2	5.6	5.2	6.8	28.4	20.0	0.45	0.13	0.52
R10	Country's economic growth	5.9	1.1	0.1	23	5.9	5.8	6.0	5.9	5.9	5.3	5.8	5.7	5.8	6.1	7.1	22.3	14.3	0.31	0.22	0.71
R11	Investment/capital accumulation	5.6	1.2	0.1	18	5.7	5.6	6.2	5.8	5.2	5.3	5.7	5.7	5.4	5.8	11.2	29.7	12.2	0.08	**0.04**	0.84
R12	Development of natural resources	5.6	1.4	0.1	16	5.6	5.6	6.0	5.6	5.3	5.5	5.8	5.5	5.3	5.6	8.7	16.2	15.5	0.19	0.58	0.63
R13	Contribution to national infrastructure	5.6	1.2	0.1	18	5.6	5.7	6.0	5.7	5.3	5.6	5.8	5.5	5.3	5.8	6.0	19.7	18.4	0.42	0.35	0.43
R14	Internationalization of country's image	5.6	1.3	0.1	17	5.7	5.6	6.0	5.7	5.6	5.4	5.7	5.6	5.4	5.9	6.0	8.1	14.0	0.42	0.98	0.73

Code	Overall effect of MNCs on the Saudi economy (N=189; SCALE: Very positive 7,6,5,4,3,2,1 Very negative)	Xo	S	SE	t	Musl	Non-Musl	< Coll	Coll	MS	PhD	< 5 Yrs	5-<10	10-<15	> 15	Rel χ^2	Ed χ^2	Yr χ^2	Rel	Ed	Yr
JE01	Overall Effect of MNCs on Saudi Econ.	5.7	1.0	0.1	23	5.7	5.7	5.5	5.8	5.6	5.7	5.8	5.5	5.7	5.9	2.9	9.2	12.4	0.72	0.87	0.65

Notes: 1. Xo=Overall Mean; S=Standard Deviation; SE=Standard Error of the Mean; N=189; SCALE for IR01…IR14: Very significant 7,6,5,4,3,2,1 Not significant at all.
2. Using one-sample t test, the mean (Xo) on each test variable is evaluated to determine whether it is significantly different from a constant, called a test value by SPSS. The hypothesised test value is 4, which represents the midpoint on the bipolar 7-1 response scale. The test is done at 95 % confidence level, 188 df.
3. The t-values are all statistically significant, implying that the mean on each test variable is significantly different from the hypothesised test value (4).
4. The significance level of .05 or better is shown in **bold** for each test variable vis-à-vis category variable, with a statistically significant chi-square value.

Table 6.13a Variables that Influence the MNC Success in Saudi Arabia

		Overall Descriptive Statistics				Religion (Rel)		Education (Ed)			Years (Yr) in S A				Chi-Square Test			2-Tailed Test of Significance		
						Musl	Non-Musl	Coll	MS	PhD	< 5 Yrs	5-<10	10-<15	> 15	Rel	Ed	Yr	Rel	Ed	Yr
Code	Variables	Xo	S	SE	*t*	Mean	Mean	Mean	Mean	Mean	Mean	Mean	Mean	Mean	χ^2	χ^2	χ^2	Sig. Level		
HS01	Clarity of corporate mission & objectives	6.3	0.8	0.1	19.0	6.3	6.4	6.4	6.1	6.5	6.5	6.1	6.3	6.4	1.3	4.6	7.1	0.74	0.60	0.63
HS02	Effective strategic analysis	6.1	1.0	0.1	14.8	6.1	6.2	6.3	5.9	6.0	6.3	5.9	6.3	6.1	4.0	14.6	8.1	0.41	0.07	0.78
HS03	Effective marketing planning	5.9	1.1	0.2	11.4	6.0	5.9	6.0	5.7	6.5	5.6	5.8	6.3	6.1	4.4	8.5	13.3	0.36	0.38	0.35
HS04	Availability of quality assurance system	6.0	1.1	0.2	12.6	6.0	6.0	6.1	5.9	5.5	5.8	5.9	6.2	6.1	0.5	9.6	7.3	0.98	0.30	0.84
HS05	Adoption of total quality management	5.9	1.2	0.2	10.9	6.2	5.8	6.3	5.3	6.0	5.6	5.6	6.1	6.4	3.1	14.2	15.0	0.54	0.08	0.24
HS06	Effective financial planning & budgeting	5.9	1.3	0.2	9.5	6.2	5.7	6.4	5.1	5.5	5.4	5.5	6.1	6.4	2.5	16.0	20.0	0.77	0.10	0.17
HS07	High degree of product diversification	5.7	1.5	0.2	7.3	6.1	5.4	6.1	4.9	5.5	5.4	4.8	6.0	6.3	5.3	13.0	23.9	0.39	0.23	0.07
HS08	Effective price-setting	6.0	1.1	0.2	11.9	6.2	5.9	6.2	5.8	6.0	5.8	5.3	6.4	6.4	8.3	8.5	20.5	0.14	0.58	0.16
HS09	Emphasis on product quality	6.4	0.9	0.1	17.7	6.5	6.4	6.6	6.2	5.5	6.4	6.0	6.4	6.7	5.0	29.3	23.3	0.29	**0.00**	**0.03**
HS10	Focus on supply reliability	6.2	1.0	0.2	13.9	6.5	6.0	5.3	5.9	6.5	6.3	5.4	5.9	6.7	2.9	2.4	17.4	0.57	0.97	0.14
HS11	Availability of responsive cust. services	6.4	0.9	0.1	18.0	6.6	6.3	6.4	6.2	7.0	6.4	5.7	6.8	6.6	3.6	5.1	21.2	0.46	0.75	**0.05**
HS12	Customer satisfaction	6.6	0.5	0.1	33.5	6.7	6.6	6.7	6.5	7.0	6.9	6.2	6.7	6.7	0.7	5.0	11.4	0.71	0.28	0.08
HS13	Presence of good res. & dev. facilities	5.4	1.7	0.3	5.5	5.6	5.3	5.6	5.2	5.0	5.0	4.9	5.8	5.9	11.4	7.4	22.2	0.08	0.83	0.22
HS14	Stability of raw material supply	5.0	2.0	0.3	3.2	5.5	4.6	5.2	4.5	5.0	4.1	4.6	5.0	5.9	4.7	12.2	10.7	0.59	0.43	0.29
HS15	Effective recruitment policy	5.6	1.6	0.2	6.5	6.2	5.2	5.8	5.3	5.0	5.0	4.5	5.9	6.6	11.0	8.8	23.2	**0.05**	0.55	0.08
HS16	Training & manpower development	5.8	1.5	0.2	7.7	6.1	5.6	5.8	5.8	5.0	6.0	4.6	6.0	6.2	4.7	5.4	16.0	0.49	0.86	0.38
HS17	Employee professional development	5.8	1.4	0.2	8.3	6.1	5.6	5.8	5.7	6.5	5.8	4.8	6.1	6.2	11.0	4.2	17.7	0.47	0.94	0.28
HS18	Employee recogn. & incentive schemes	5.7	1.6	0.2	7.4	5.9	5.6	5.7	5.7	6.0	6.2	4.2	6.4	5.9	4.4	5.9	21.4	0.75	0.82	0.12
HS19	Some degree of control over markets	5.4	1.7	0.2	5.8	5.6	5.3	5.6	5.0	6.0	5.4	4.6	5.8	5.8	4.6	7.4	10.5	0.75	0.68	0.78
HS20	Effective use of local traders or agents	5.6	1.3	0.2	8.0	6.0	5.3	5.5	5.4	7.0	5.7	4.3	5.9	6.1	2.7	11.5	20.3	0.64	0.32	0.16
HS21	High degree of autonomy from parent co.	5.5	1.6	0.2	6.0	5.7	5.3	6.0	4.4	7.0	5.5	4.6	5.6	6.0	2.7	18.8	24.6	0.60	0.09	0.14
HS22	High degree of manpower multinationality	5.4	1.7	0.2	5.7	5.3	5.5	5.7	4.9	6.5	5.5	5.2	5.2	5.6	3.4	5.6	9.4	0.55	0.85	0.86
HS23	Availability of adequate funds and capital	6.1	1.2	0.2	11.9	6.2	6.1	6.4	5.7	6.0	6.0	5.9	5.8	6.6	4.5	7.3	17.2	0.61	0.70	0.31
HS24	Cooperation with local industrialists	5.7	1.2	0.2	9.4	5.9	5.6	5.6	5.9	6.5	5.7	5.1	6.2	5.9	4.9	6.2	14.0	0.30	0.63	0.30
HS25	Good coordination & linking of activities	5.9	1.2	0.2	10.5	6.2	5.7	6.0	5.6	6.5	5.8	5.3	6.3	6.1	3.1	7.3	16.5	0.54	0.50	0.17
HS26	Good public relations	6.0	1.2	0.2	11.1	6.2	5.8	6.2	5.5	6.5	5.9	5.2	6.2	6.4	2.1	10.7	14.2	0.73	0.22	0.29
HS27	Service to the country/community	5.5	1.3	0.2	7.7	5.7	5.4	5.8	5.1	5.5	5.5	4.8	6.1	5.6	3.4	6.6	23.0	0.64	0.76	0.09
HS28	Good knowledge of local culture	5.8	1.3	0.2	9.8	5.9	5.8	5.9	5.8	6.0	6.1	5.0	6.4	5.9	3.4	11.5	21.1	0.64	0.32	0.13
HS29	High respect given to local culture	5.8	1.1	0.2	11.0	5.8	5.9	6.0	5.6	6.5	6.1	5.3	6.4	5.6	5.0	5.6	16.1	0.29	0.69	0.19
HS30	Responsiveness to local cultural needs	5.8	1.2	0.2	10.2	5.9	5.8	5.9	5.6	6.5	6.3	4.7	6.2	5.9	1.8	8.1	20.4	0.88	0.62	0.16

Notes: 1. Xo=Overall Mean; S=Standard Deviation; SE=Standard Error of the Mean; N=45; SCALE: Strongly agree 7,6,5,4,3,2,1 Strongly disagree.

2. Using one-sample t test, the mean (Xo) on each test variable is evaluated to determine whether it is significantly different from a constant, called a test value by SPSS. The hypothesised test value is 4, which represents the midpoint on the bipolar 7-1 response scale. The test is done at 95 % confidence level, 44 df.

3. The *t*-values are all statistically significant, implying that the mean on each test variable is significantly different from the hypothesised test value (4).

4. The significance level of .05 or better is shown in **bold** for each test variable vis-à-vis category variable, with a statistically significant chi-square value.

Table 6.13b Variables that Influence the MNC Success in Saudi Arabia

		Overall Descriptive Statistics				Religion (Rel)		Education (Ed)				Years (Yr) in S A				Chi-Square Test			2-Tailed Test of Significance		
						Musl	Non-Musl	< Coll	Coll	MS	PhD	< 5 Yrs	5-<10	10-<15	> 15	Rel	Ed	Yr	Rel	Ed	Yr
Code	Variables	Xo	S	SE	*t*	Mean	Mean	Mean	Mean	Mean	Mean	Mean	Mean	Mean	Mean	χ^2	χ^2	χ^2	Sig. Level		
HS01	Clarity of corporate mission & objectives	6.1	0.9	0.1	33	6.2	6.0	5.5	6.1	6.2	6.2	6.2	5.9	6.2	6.3	10.5	14.6	14.1	**0.03**	0.27	0.29
HS02	Effective strategic analysis	6.1	0.9	0.1	32	6.2	6.0	6.0	6.1	6.2	6.1	6.3	5.9	6.2	6.2	4.2	5.2	15.7	0.38	0.95	0.21
HS03	Effective marketing planning	6.2	0.9	0.1	33	6.3	6.0	6.0	6.2	6.2	6.1	6.2	6.0	6.2	6.3	9.2	6.1	14.7	0.10	0.98	0.47
HS04	Availability of quality assurance system	6.0	1.0	0.1	29	6.1	5.9	6.2	6.1	5.9	6.0	6.2	5.8	6.0	6.1	11.6	7.1	13.2	**0.04**	0.96	0.59
HS05	Adoption of total quality management	6.1	1.0	0.1	30	6.2	5.9	5.5	6.2	6.0	6.0	6.2	5.9	6.2	6.1	11.7	13.9	11.5	**0.04**	0.54	0.72
HS06	Effective financial planning & budgeting	6.2	0.9	0.1	33	6.3	6.0	6.3	6.2	6.2	6.2	6.3	6.1	6.2	6.2	7.1	6.0	12.4	0.21	0.98	0.65
HS07	High degree of product diversification	5.7	1.2	0.1	20	5.8	5.5	5.2	5.8	5.4	5.7	5.7	5.5	5.8	5.8	8.7	34.5	10.9	0.19	**0.01**	0.90
HS08	Effective price-setting	6.0	0.9	0.1	30	6.1	5.8	6.0	6.0	5.9	5.8	5.9	5.8	6.1	6.0	7.6	6.6	13.2	0.18	0.97	0.58
HS09	Emphasis on product quality	6.1	0.9	0.1	30	6.2	5.9	6.2	6.1	6.2	6.1	6.2	5.9	6.1	6.2	11.5	6.0	9.9	**0.04**	0.98	0.83
HS10	Focus on supply reliability	5.9	0.9	0.1	28	6.0	5.9	5.7	5.9	6.0	5.9	6.0	5.6	6.0	6.1	2.6	11.2	15.4	0.76	0.74	0.42
HS11	Availability of responsive cust. services	6.0	0.9	0.1	32	6.1	5.9	6.2	6.0	6.0	6.0	6.1	5.8	6.0	6.1	4.0	9.7	13.4	0.40	0.64	0.34
HS12	Customer satisfaction	6.2	0.9	0.1	34	6.3	6.1	6.3	6.2	6.3	6.2	6.3	6.0	6.2	6.4	11.8	11.3	17.4	**0.02**	0.51	0.14
HS13	Presence of good res. & dev. facilities	5.9	1.0	0.1	26	6.1	5.7	6.3	6.0	5.6	5.9	5.9	5.7	5.9	6.0	11.6	18.2	13.7	**0.04**	0.25	0.55
HS14	Stability of raw material supply	5.9	1.0	0.1	26	6.1	5.8	6.0	5.9	6.1	5.8	6.0	5.8	5.9	6.1	11.1	14.7	10.0	**0.05**	0.47	0.82
HS15	Effective recruitment policy	6.0	1.0	0.1	28	6.1	5.8	6.2	6.0	5.9	5.9	6.1	5.8	5.9	6.1	9.5	5.8	18.1	0.09	0.98	0.26
HS16	Training & manpower development	6.1	0.9	0.1	30	6.2	5.9	6.3	6.1	5.9	5.9	6.3	5.8	6.1	6.1	4.8	8.1	18.7	0.44	0.92	0.23
HS17	Employee professional development	6.0	1.0	0.1	27	6.1	5.9	6.3	6.0	5.8	5.9	6.2	5.7	6.0	6.0	4.6	8.3	14.8	0.47	0.91	0.47
HS18	Employee recogn. & incentive schemes	6.0	0.9	0.1	30	6.1	5.9	6.3	6.1	5.9	5.9	6.3	5.7	6.0	6.1	14.6	12.0	33.0	**0.01**	0.68	**0.01**
HS19	Some degree of control over markets	5.6	1.1	0.1	20	5.7	5.4	5.7	5.7	5.4	5.4	5.7	5.4	5.5	5.7	9.1	20.8	24.0	0.11	0.14	0.07
HS20	Effective use of local traders or agents	5.9	0.9	0.1	27	6.0	5.6	6.0	6.0	5.7	5.7	6.1	5.6	5.9	6.0	13.0	15.3	14.9	0.09	0.23	0.25
HS21	High degree of autonomy from parent co.	5.7	1.1	0.1	20	5.7	5.5	6.2	5.7	5.4	5.4	5.9	5.5	5.6	5.6	9.5	19.0	23.0	0.51	0.22	0.08
HS22	High degree of manpower multinationality	5.6	1.2	0.1	17	5.6	5.5	5.7	5.7	5.3	5.1	5.8	5.6	5.6	5.3	5.2	22.1	15.3	0.22	0.23	0.64
HS23	Availability of adequate funds and capital	6.1	0.9	0.1	32	6.2	6.0	6.3	6.2	5.9	5.9	6.1	6.1	6.0	6.2	7.0	13.0	8.6	**0.03**	0.60	0.90
HS24	Cooperation with local industrialists	5.9	1.0	0.1	27	6.1	5.8	6.3	6.0	5.8	5.8	6.1	5.7	6.0	6.0	12.9	8.9	17.9	**0.03**	0.88	0.27
HS25	Good coordination & linking of activities	6.0	0.9	0.1	33	6.1	6.0	6.3	6.1	5.8	6.1	6.2	5.8	6.1	6.0	1.8	9.2	13.8	0.78	0.68	0.31
HS26	Good public relations	6.1	1.0	0.1	29	6.2	5.9	6.5	6.1	5.8	6.1	6.3	5.8	6.0	6.1	7.4	12.2	13.0	0.11	0.43	0.37
HS27	Service to the country/community	5.9	1.0	0.1	25	6.0	5.6	6.0	5.9	5.6	5.9	6.0	5.6	5.9	5.9	11.9	21.0	12.8	**0.04**	0.14	0.62
HS28	Good knowledge of local culture	5.9	1.0	0.1	28	6.1	5.6	6.3	5.9	6.0	5.8	5.9	5.8	5.9	5.9	14.5	11.8	7.0	**0.01**	0.46	0.86
HS29	High respect given to local culture	5.9	0.9	0.1	28	6.0	5.6	6.2	5.9	5.9	5.9	5.9	5.7	6.0	6.0	11.2	12.3	12.6	**0.02**	0.42	0.40
HS30	Responsiveness to local cultural needs	5.9	0.9	0.1	28	6.1	5.5	6.2	5.9	6.0	5.6	5.8	5.8	5.9	6.0	18.7	12.5	9.9	**0.00**	0.41	0.62

Notes: 1. Xo=Overall Mean; S=Standard Deviation; SE=Standard Error of the Mean; N=189; SCALE: Strongly agree 7,6,5,4,3,2,1 Strongly disagree.

2. Using one-sample t test, the mean (Xo) on each test variable is evaluated to determine whether it is significantly different from a constant, called a test value by SPSS. The hypothesised test value is 4, which represents the midpoint on the bipolar 7-1 response scale. The test is done at 95 % confidence level, 188 df.

3. The *t*-values are all statistically significant, implying that the mean on each test variable is significantly different from the hypothesised test value (4).

4. The significance level of .05 or better is shown in **bold** for each test variable vis-à-vis category variable, with a statistically significant chi-square value.

MNC Managers' Perceptions

Table 6.14a Variables Perceived to Have Contributed to the Prosperity of Saudi Arabia

		Overall Descriptive Statistics				Religion (Rel)		Education (Ed)			Years (Yr) in S A				Chi-Square Test			2-Tailed Test of Significance		
						Musl	Non-Musl	Coll	MS	PhD	< 5 Yrs	5-<10	10-<15	> 15	Rel	Ed	Yr	Rel	Ed	Yr
Code	Variables	Xo	S	SE	*t*	Mean	Mean	Mean	Mean	Mean	Mean	Mean	Mean	Mean	χ^2	χ^2	χ^2	Sig. Level		
KP01	Presence of MNCs	6.3	1.0	0.1	15.8	6.3	6.3	6.4	6.1	5.5	5.9	6.5	6.1	6.5	6.9	5.4	9.5	0.07	0.49	0.40
KP02	Import of foreign technology	6.5	0.9	0.1	19.2	6.5	6.5	6.6	6.2	7.0	6.3	6.6	6.1	6.8	2.7	5.8	13.5	0.44	0.44	0.14
KP03	God-given natural resources	6.8	0.7	0.1	27.8	6.6	6.9	6.8	6.8	7.0	6.8	6.9	7.0	6.5	2.2	3.6	4.9	0.33	0.47	0.56
KP04	Joint efforts of local industrialists	5.4	1.3	0.2	7.1	5.6	5.2	5.5	5.3	5.0	4.5	5.5	5.8	5.8	4.1	10.6	17.2	0.39	0.23	0.14
KP05	Dynamic trade relations with others	5.4	1.5	0.2	6.4	5.9	5.0	5.6	4.8	6.5	4.5	5.4	5.4	6.1	5.4	9.8	20.6	0.37	0.46	0.15
KP06	Presence of expatriates	6.2	1.1	0.2	13.1	6.1	6.2	6.3	5.9	7.0	5.8	6.5	6.1	6.3	1.8	5.2	12.8	0.77	0.74	0.39
KP07	Availability of trained local manpower	4.2	2.0	0.3	0.7	4.2	4.3	4.3	4.1	4.0	3.9	3.8	4.8	4.4	3.6	8.8	20.2	0.73	0.72	0.32
KP08	Patriotic endeavour of local citizens	4.1	1.9	0.3	0.5	4.8	3.7	4.1	4.2	3.5	3.2	3.5	4.3	5.3	9.3	9.3	26.3	0.16	0.68	0.09
KP09	Government's sound policies	5.3	1.5	0.2	6.0	5.8	5.0	5.4	5.1	6.0	4.4	4.9	6.0	5.9	5.5	10.5	21.1	0.48	0.57	0.28
KP10	Peaceful business environment	6.0	1.2	0.2	11.1	6.3	5.8	6.3	5.4	6.0	5.3	6.0	6.1	6.4	6.8	8.9	9.4	0.15	0.35	0.67
KP11	Nation's adherence to Islam	4.7	2.0	0.3	2.4	5.9	4.0	5.0	4.5	3.0	2.8	4.4	5.6	6.1	17.1	10.7	47.7	**0.01**	0.56	**0.00**

Notes: 1. Xo=Overall Mean; S=Standard Deviation; SE=Standard Error of the Mean; N=45; SCALE: Strongly agree 7,6,5,4,3,2,1 Strongly disagree.

2. Using one-sample t test, the mean (Xo) on each test variable is evaluated to determine whether it is significantly different from a constant, called a test value by SPSS. The hypothesised test value is 4, which represents the midpoint on the bipolar 7-1 response scale. The test is done at 95 % confidence level, 44 df.

3. Only those *t*-tests with absolute values of around 2 or more are statistically significant.

4. The significance level of .05 or better is shown in **bold** for each test variable vis-à-vis category variable, with a statistically significant chi-square value.

MNC Customers' Perceptions

Table 6.14b Variables Perceived to Have Contributed to the Prosperity of Saudi Arabia

		Overall Descriptive Statistics				Religion (Rel)		Education (Ed)				Years (Yr) in S A				Chi-Square Test			2-Tailed Test of Significance		
						Musl	Non-Musl	< Coll	Coll	MS	PhD	< 5 Yrs	5-<10	10-<15	> 15	Rel	Ed	Yr	Rel	Ed	Yr
Code	Variables	Xo	S	SE	t	Mean	Mean	Mean	Mean	Mean	Mean	Mean	Mean	Mean	Mean	χ^2	χ^2	χ^2	Sig. Level		
KP01	Presence of MNCs	5.9	1.0	0.1	25	5.8	6.0	6.2	5.9	5.9	5.8	6.0	5.8	5.8	6.1	6.7	8.3	10.2	0.24	0.91	0.81
KP02	Import of foreign technology	6.2	0.8	0.1	36	6.2	6.2	6.3	6.2	6.2	5.9	6.2	6.1	6.1	6.3	9.5	11.1	4.8	**0.05**	0.52	0.96
KP03	God-given natural resources	6.5	0.8	0.1	42	6.5	6.5	6.7	6.4	6.7	6.6	6.4	6.6	6.4	6.6	1.7	11.3	14.1	0.79	0.50	0.29
KP04	Joint efforts of local industrialists	5.8	0.9	0.1	28	5.8	5.7	6.2	5.9	5.5	5.4	5.8	5.8	5.7	5.8	9.4	17.5	6.8	**0.05**	0.13	0.87
KP05	Dynamic trade relations with others	5.8	1.0	0.1	26	5.9	5.7	5.8	5.9	5.6	5.6	5.8	5.6	5.8	6.1	2.8	14.7	13.7	0.72	0.48	0.55
KP06	Presence of expatriates	6.1	1.0	0.1	28	6.0	6.3	6.0	6.1	6.3	5.6	6.1	6.2	6.0	6.1	3.9	13.5	10.5	0.57	0.56	0.79
KP07	Availability of trained local manpower	5.0	1.5	0.1	9	5.0	5.0	5.8	5.1	4.4	4.9	5.2	5.1	4.9	4.9	8.9	26.9	16.2	0.18	0.08	0.58
KP08	Patriotic endeavour of local citizens	5.1	1.4	0.1	11	5.2	5.0	5.3	5.3	4.6	4.9	5.2	5.2	5.0	5.0	8.5	16.4	20.3	0.20	0.56	0.32
KP09	Government's sound policies	5.8	1.1	0.1	23	5.9	5.5	6.3	5.8	5.7	5.4	5.7	5.6	5.8	6.0	10.8	21.0	21.4	0.09	0.28	0.26
KP10	Peaceful business environment	6.1	1.0	0.1	31	6.3	5.9	6.2	6.2	6.1	5.6	6.1	6.0	6.0	6.4	12.8	12.3	15.5	**0.01**	0.42	0.21
KP11	Nation's adherence to Islam	5.7	1.6	0.1	14	6.2	4.8	6.2	5.8	5.3	5.0	5.2	5.5	5.9	6.1	45.5	28.6	20.0	**0.00**	**0.05**	0.34

Notes: 1. Xo=Overall Mean; S=Standard Deviation; SE=Standard Error of the Mean; N=189; SCALE for KP01…KP11: Strongly agree 7,6,5,4,3,2,1 Strongly disagree.

2. Using one-sample t test, the mean (Xo) on each test variable is evaluated to determine whether it is significantly different from a constant, called a test value by SPSS. The hypothesised test value is 4, which represents the midpoint on the bipolar 7-1 response scale. The test is done at 95 % confidence level, 188 df.

3. The t-values are all statistically significant, implying that the mean on each test variable is significantly different from the hypothesised test value (4).

4. The significance level of .05 or better is shown in **bold** for each test variable vis-à-vis category variable, with a statistically significant chi-square value.

Appendix 6
Other Relevant Statistical Tables

Appendix 6a
Success Indicators vis-a-vis Cultural Factors

Table 6.15: Success Indicators for the MNCs/Saudi Companies with MNC Partners Represented by the Managers Surveyed

Company	A Sales SR Mill 1990	B Sales SR Mill 1996	Sales Growth % pa 1990-96	C Assets SR Mill 1990	D Assets SR Mill 1996	Assets Growth % pa 1990-96	Sales/ Assets Ratio (A/C) 1990	Sales/ Assets Ratio (B/D) 1996	Sales/ Assets Growth % pa 1990-96
1	60	110	10.6	64	71	1.63	0.93	1.55	8.85
2	139,578	166,308	3.0	84416	91,921	1.43	1.65	1.81	1.51
3	5500	8071	6.6	4950	9422	11.32	1.11	0.86	-4.24
4	12000	16429	5.4	10909	15239	5.73	1.10	1.08	-0.33
5	550	540	-0.3	200	200	0.00	2.75	2.70	-0.31
6	34	100	19.5	28	125	28.10	1.22	0.80	-6.74
7	47	145	20.7	33	173	32.03	1.44	0.84	-8.58
8	3,500	12,863	24.2	2000	39,061	64.10	1.75	0.33	-24.30
9	11,500	13,834	3.1	9583	11,631	3.28	1.20	1.19	-0.15
10	50	727	56.1	23	384	60.36	2.23	1.89	-2.66
11	3,600	4,390	3.4	3000	3,450	2.36	1.20	1.27	0.98
12	1,711	2,028	2.9	18003	27,472	7.30	0.10	0.07	-4.13
13	75	176	15.3	32	122	25.04	2.34	1.44	-7.81
14	100	150	7.0	46	62	5.10	2.17	2.42	1.80
15	328	700	13.5	168	500	19.93	1.95	1.40	-5.39
16	910	1,260	5.6	1230	1,513	3.51	0.74	0.83	1.99
17	78	117	7.0	85	85	0.00	0.92	1.38	7.05
18	50	37	-4.9	40	36	-1.74	1.25	1.03	-3.21
19	60	80	4.9	15	20.9	5.68	4.00	3.83	-0.73
20	685	1,250	10.5	1320	1,500	2.15	0.52	0.83	8.21
21	50,081	76,640	7.3	55226	92,485	8.97	0.91	0.83	-1.49
22	887	876	-0.2	875	1,147	4.62	1.01	0.76	-4.61
23	250	350	5.8	100	115	2.36	2.50	3.04	3.33
24	75	96	4.2	38	40	0.86	1.97	2.40	3.31
25	20	266	53.9	11	121	49.13	1.82	2.20	3.22
26	2,271	3,144	5.6	26545	41,283	7.64	0.09	0.08	-1.92
27	359	605	9.1	5009	9,819	11.87	0.07	0.06	-2.50
28	60,000	63,691	1.0	46288	55,546	3.09	1.30	1.15	-2.02
29	110	419	25.0	20	56	18.71	5.50	7.49	5.28
30	636	999	7.8	351	552	7.81	1.81	1.81	0.00
31	300	100	-16.7	762	60	-34.53	0.39	1.67	27.19
32	69	250	23.8	50	260	31.51	1.38	0.96	-5.87
33	250	185	-4.9	100	110	1.60	2.50	1.68	-6.39

34	95	200	13.2	69	126	10.56	1.38	1.59	2.40
35	175	55	-17.5	20	20	0.00	8.75	2.75	-17.54
36	17,100	19,521	2.2	35664	26,818	-4.64	0.48	0.73	7.21
37	55	75	5.3	15	15	0.00	3.67	5.00	5.31
38	100	253	16.7	120	159	4.83	0.83	1.59	11.33
39	780	650	-3.0	600	600	0.00	1.30	1.08	-2.99
40	42,566	43,893	0.5	35089	34,854	-0.11	1.21	1.26	0.63
41	1,132	1,337	2.8	1141	1,678	6.64	0.99	0.80	-3.60
42	965	1,093	2.1	10234	16,109	7.85	0.09	0.07	-5.34
43	121	433	23.7	82	44	-9.83	1.48	9.88	37.18
44	762	1,900	16.5	635	620	-0.39	1.20	3.06	16.92
45	63,228	74,525	2.8	57036	55,552	-0.44	1.11	1.34	3.23

Sources: 1. Top 1000 Saudi Companies, 5th Edition 1997-98, Al-Khobar: IIT Services.
2. Top 1000 Saudi Companies, Second Edition 1991-92, Al-Khobar: IIT Services.
3. The Fortune Global 5 Hundred: The World's Largest Corporations, August 3, 1997.
4. The Fortune 5 Hundred Largest U.S. Corporations, April 28, 1997.
5. Relevant annual reports of the parent companies indicated below (under Note c) .

Notes: a) Success scale for the indicators sales growth, assets growth and sales/assets growth

7: 10% or better = Highly successful
6: 4% <=growth<10% = Successful
5: 0<growth< 4% = Somewhat successful
4: 0% growth = Neutral regarding success
3: -4%<growth<0% = Somewhat unsuccessful
2: -10%<growth<= -4% = Unsuccessful
1: -10% or worse = Highly unsuccessful

b) Success scale for the indicators sales/assets ratio 1990 and sales/assets ratio 1996

7: 1.00 and above = Highly successful
6: 0.50<=ratio<1.00 = Successful
5: 0.10<=ratio<0.50 = Somewhat successful
4: 0.06<=ratio<0.10 = Neutral regarding success
3: 0.03<=ratio<0.06 = Somewhat unsuccessful
2: 0<ratio<0.03 = Unsuccessful
1: sales/assets ratio=0 = Highly unsuccessful

c) The researcher used as proxies multinational parents' sales/assets data (in million US dollars) for companies 2,3,4,9,21,28,36,40 and 45.

Table 6.15a: Success of MNCs - Sales Growth * Local social values

			Local social values							
			Not Important at All	Not Important	Somewhat Not Important	Undecided	Somewhat Important	Important	Very Important	Total
Success of MNCs - Sales Growth	Highly unsuccessfull	Count					1	1	1	3
		% of Total					2.2%	2.2%	2.2%	6.7%
	Unsuccessful	Count	1		1					2
		% of Total	2.2%		2.2%					4.4%
	Somewhat unsuccessful	Count	1	1		1				3
		% of Total	2.2%	2.2%		2.2%				6.7%
	Somewhat successful	Count		1		1	1	3	4	10
		% of Total		2.2%		2.2%	2.2%	6.7%	8.9%	22.2%
	Successful	Count				2	2	6	2	12
		% of Total				4.4%	4.4%	13.3%	4.4%	26.7%
	Highly successful	Count				2	4	7	2	15
		% of Total				4.4%	8.9%	15.6%	4.4%	33.3%
Total		Count	2	2	1	6	8	17	9	45
		% of Total	4.4%	4.4%	2.2%	13.3%	17.8%	37.8%	20.0%	100.0%

Chi-Square Tests

	Value	df	Asymp. Sig. (2-sided)
Pearson Chi-Square	56.582	30	.002
Likelihood Ratio	34.895	30	.246
Linear-by-Linear Association	5.167	1	.023
N of Valid Cases	45		

Table 6. 15b: Success of MNCs - Sales Growth * Dos and don'ts in Islam

			Dos and don'ts in Islam							Total
			Not Important at All	Not Important	Somewhat Not Important	Undecided	Somewhat Important	Important	Very Important	
Success of MNCs - Sales Growth	Highly unsuccessfull	Count					2		1	3
		% of Total					4.4%		2.2%	6.7%
	Unsuccessful	Count	1		1					2
		% of Total	2.2%		2.2%					4.4%
	Somewhat unsuccessful	Count	1	1		1				3
		% of Total	2.2%	2.2%		2.2%				6.7%
	Somewhat successful	Count		1		2	1	3	3	10
		% of Total		2.2%		4.4%	2.2%	6.7%	6.7%	22.2%
	Successful	Count				2	1	6	3	12
		% of Total				4.4%	2.2%	13.3%	6.7%	26.7%
	Highly successful	Count				1	7	5	2	15
		% of Total				2.2%	15.6%	11.1%	4.4%	33.3%
Total		Count	2	2	1	6	11	14	9	45
		% of Total	4.4%	4.4%	2.2%	13.3%	24.4%	31.1%	20.0%	100.0%

Chi-Square Tests

	Value	df	Asymp. Sig. (2-sided)
Pearson Chi-Square	63.211	30	.000
Likelihood Ratio	42.173	30	.069
Linear-by-Linear Association	6.587	1	.010
N of Valid Cases	45		

Table 6.15c: Success of MNCs - Sales Growth * Responsiveness to Local Culture

			Responsiveness to Local Culture					
			Not Responsive	Undecided	Somewhat Responsive	Responsive	Very Responsive	Total
Success of MNCs - Sales Growth	Highly unsuccessfull	Count		2		1		3
		% of Total		4.4%		2.2%		6.7%
	Unsuccessful	Count		2				2
		% of Total		4.4%				4.4%
	Somewhat unsuccessful	Count		2		1		3
		% of Total		4.4%		2.2%		6.7%
	Somewhat successful	Count	1		3	3	3	10
		% of Total	2.2%		6.7%	6.7%	6.7%	22.2%
	Successful	Count		1	1	7	3	12
		% of Total		2.2%	2.2%	15.6%	6.7%	26.7%
	Highly successful	Count			5	8	2	15
		% of Total			11.1%	17.8%	4.4%	33.3%
Total		Count	1	7	9	20	8	45
		% of Total	2.2%	15.6%	20.0%	44.4%	17.8%	100.0%

Chi-Square Tests

	Value	df	Asymp. Sig. (2-sided)
Pearson Chi-Square	36.379	20	.014
Likelihood Ratio	33.885	20	.027
Linear-by-Linear Association	8.223	1	.004
N of Valid Cases	45		

Table 6.15d: Success of MNCs - Sales Growth * Local social values

			Local social values							
			Not Important at All	Not Important	Somewhat Not Important	Undecided	Somewhat Important	Important	Very Important	Total
Success of MNCs - Sales Growth	Highly unsuccessfull	Count					1	1	1	3
		% of Total					2.8%	2.8%	2.8%	8.3%
	Unsuccessful	Count	1		1					2
		% of Total	2.8%		2.8%					5.6%
	Somewhat unsuccessful	Count	1	1		1				3
		% of Total	2.8%	2.8%		2.8%				8.3%
	Somewhat successful	Count					1		3	4
		% of Total					2.8%		8.3%	11.1%
	Successful	Count				1		6	2	9
		% of Total				2.8%		16.7%	5.6%	25.0%
	Highly successful	Count				2	4	7	2	15
		% of Total				5.6%	11.1%	19.4%	5.6%	41.7%
Total		Count	2	1	1	4	6	14	8	36
		% of Total	5.6%	2.8%	2.8%	11.1%	16.7%	38.9%	22.2%	100.0%

Chi-Square Tests

	Value	df	Asymp. Sig. (2-sided)
Pearson Chi-Square	59.668	30	.001
Likelihood Ratio	42.390	30	.066
Linear-by-Linear Association	5.231	1	.022
N of Valid Cases	36		

Table 6.15e: Success of MNCs - Sales Growth * Dos and don'ts in Islam

			Dos and don'ts in Islam							
			Not Important at All	Not Important	Somewhat Not Important	Undecided	Somewhat Important	Important	Very Important	Total
Success of MNCs - Sales Growth	Highly unsuccessfull	Count					2		1	3
		% of Total					5.6%		2.8%	8.3%
	Unsuccessful	Count	1		1					2
		% of Total	2.8%		2.8%					5.6%
	Somewhat unsuccessful	Count	1	1		1				3
		% of Total	2.8%	2.8%		2.8%				8.3%
	Somewhat successful	Count				1		1	2	4
		% of Total				2.8%		2.8%	5.6%	11.1%
	Successful	Count						6	3	9
		% of Total						16.7%	8.3%	25.0%
	Highly successful	Count				1	7	5	2	15
		% of Total				2.8%	19.4%	13.9%	5.6%	41.7%
Total		Count	2	1	1	3	9	12	8	36
		% of Total	5.6%	2.8%	2.8%	8.3%	25.0%	33.3%	22.2%	100.0%

Chi-Square Tests

	Value	df	Asymp. Sig. (2-sided)
Pearson Chi-Square	64.650	30	.000
Likelihood Ratio	48.100	30	.019
Linear-by-Linear Association	6.785	1	.009
N of Valid Cases	36		

Table 6.15f: Success of MNCs - Sales Growth * Responsiveness to Local Culture

			Responsiveness to Local Culture				Total
			Undecided	Somewhat Responsive	Responsive	Very Responsive	
Success of MNCs - Sales Growth	Highly unsuccessfull	Count	2		1		3
		% of Total	5.6%		2.8%		8.3%
	Unsuccessful	Count	2				2
		% of Total	5.6%				5.6%
	Somewhat unsuccessful	Count	2		1		3
		% of Total	5.6%		2.8%		8.3%
	Somewhat successful	Count		1		3	4
		% of Total		2.8%		8.3%	11.1%
	Successful	Count	1		5	3	9
		% of Total	2.8%		13.9%	8.3%	25.0%
	Highly successful	Count		5	8	2	15
		% of Total		13.9%	22.2%	5.6%	41.7%
Total		Count	7	6	15	8	36
		% of Total	19.4%	16.7%	41.7%	22.2%	100.0%

Chi-Square Tests

	Value	df	Asymp. Sig. (2-sided)
Pearson Chi-Square	34.403	15	.003
Likelihood Ratio	36.653	15	.001
Linear-by-Linear Association	8.481	1	.004
N of Valid Cases	36		

Table 6.15g: Success of MNCs - Asset Growth * Local social values

			Local social values							Total
			Not Important at All	Not Important	Somewhat Not Important	Undecided	Somewhat Important	Important	Very Important	
Success of MNCs - Asset Growth	Highly unsuccessful	Count							1	1
		% of Total							2.8%	2.8%
	Unsuccessful	Count							1	1
		% of Total							2.8%	2.8%
	Somewhat unsuccessful	Count			1		1			2
		% of Total			2.8%		2.8%			5.6%
	Neutral regarding success	Count	1	1				2	1	5
		% of Total	2.8%	2.8%				5.6%	2.8%	13.9%
	Somewhat successful	Count	1					5	1	7
		% of Total	2.8%					13.9%	2.8%	19.4%
	Successful	Count				2	2	2	3	9
		% of Total				5.6%	5.6%	5.6%	8.3%	25.0%
	Highly successful	Count				2	3	5	1	11
		% of Total				5.6%	8.3%	13.9%	2.8%	30.6%
Total		Count	2	1	1	4	6	14	8	36
		% of Total	5.6%	2.8%	2.8%	11.1%	16.7%	38.9%	22.2%	100.0%

Chi-Square Tests

	Value	df	Asymp. Sig. (2-sided)
Pearson Chi-Square	46.900	36	.106
Likelihood Ratio	36.306	36	.454
Linear-by-Linear Association	.059	1	.809
N of Valid Cases	36		

Table 6.15h: Success of MNCs - Asset Growth * Dos and don'ts in Islam

			Dos and don'ts in Islam							
			Not Important at All	Not Important	Somewhat Not Important	Undecided	Somewhat Important	Important	Very Important	Total
Success of MNCs - Asset Growth	Highly unsuccessful	Count							1	1
		% of Total							2.8%	2.8%
	Unsuccessful	Count							1	1
		% of Total							2.8%	2.8%
	Somewhat unsuccessful	Count			1		1			2
		% of Total			2.8%		2.8%			5.6%
	Neutral regarding success	Count	1	1			1	1	1	5
		% of Total	2.8%	2.8%			2.8%	2.8%	2.8%	13.9%
	Somewhat successful	Count	1				1	5		7
		% of Total	2.8%				2.8%	13.9%		19.4%
	Successful	Count				2	1	2	4	9
		% of Total				5.6%	2.8%	5.6%	11.1%	25.0%
	Highly successful	Count				1	5	4	1	11
		% of Total				2.8%	13.9%	11.1%	2.8%	30.6%
Total		Count	2	1	1	3	9	12	8	36
		% of Total	5.6%	2.8%	2.8%	8.3%	25.0%	33.3%	22.2%	100.0%

Chi-Square Tests

	Value	df	Asymp. Sig. (2-sided)
Pearson Chi-Square	50.023	36	.060
Likelihood Ratio	37.691	36	.392
Linear-by-Linear Association	.230	1	.632
N of Valid Cases	36		

Table 6.15i: Success of MNCs - Asset Growth * Responsiveness to Local Culture

			Responsiveness to Local Culture				
			Undecided	Somewhat Responsive	Responsive	Very Responsive	Total
Success of MNCs - Asset *Growth*	Highly unsuccessful	Count	1				1
		% of Total	2.8%				2.8%
	Unsuccessful	Count				1	1
		% of Total				2.8%	2.8%
	Somewhat unsuccessful	Count	1		1		2
		% of Total	2.8%		2.8%		5.6%
	Neutral regarding success	Count	1		3	1	5
		% of Total	2.8%		8.3%	2.8%	13.9%
	Somewhat successful	Count	1	1	3	2	7
		% of Total	2.8%	2.8%	8.3%	5.6%	19.4%
	Successful	Count	3	1	1	4	9
		% of Total	8.3%	2.8%	2.8%	11.1%	25.0%
	Highly successful	Count		4	7		11
		% of Total		11.1%	19.4%		30.6%
Total		Count	7	6	15	8	36
		% of Total	19.4%	16.7%	41.7%	22.2%	100.0%

Chi-Square Tests

	Value	df	Asymp. Sig. (2-sided)
Pearson Chi-Square	24.406	18	.142
Likelihood Ratio	28.315	18	.057
Linear-by-Linear Association	.174	1	.677
N of Valid Cases	36		

Appendix 6b
Other Summary Tables Derived from the Survey

MNC Managers' Perceptions

Table 6.16 Features of MNCs Operations, Products, Services

Code	Variables	Overall Descriptive Statistics Xo	S	SE	t	Religion (Rel) Musl Mean	Non-Musl Mean	Education (Ed) Coll Mean	MS Mean	PhD Mean	Years (Yr) in S A < 5 Yrs Mean	5-<10 Mean	10-<15 Mean	> 15 Mean	Chi-Square Test Rel χ^2	Ed χ^2	Yr χ^2	2-Tailed Test of Significance Sig. Level Rel	Ed	Yr
DP01	Product & quality specifications	5.4	1.7	0.3	5.5	5.9	5.1	5.8	4.8	5.0	4.9	5.8	4.9	5.9	5.5	13.3	21.7	0.48	0.35	0.25
DP02	Product differentiation	5.0	1.4	0.2	4.7	5.1	4.9	4.7	5.4	5.0	5.3	4.7	5.4	4.6	2.9	7.7	10.6	0.71	0.66	0.78
DP03	Scope of product range	6.0	1.2	0.2	11.1	5.5	6.3	5.9	6.1	6.0	6.3	6.0	6.0	5.7	8.6	11.4	16.6	0.13	0.33	0.35
DP04	Quality specifications	6.1	1.1	0.2	13.2	6.1	6.1	6.1	6.0	6.5	5.8	6.6	6.1	6.0	2.5	6.8	7.1	0.48	0.34	0.63
DP05	Customer services	5.3	1.9	0.3	4.5	5.8	5.0	5.5	4.8	6.0	4.8	5.5	5.1	5.6	7.5	9.6	20.3	0.28	0.65	0.32
DP06	Technology standard/design	5.9	1.3	0.2	9.7	5.8	6.0	5.9	5.9	6.5	6.2	6.1	5.7	5.6	2.0	3.0	11.9	0.85	0.98	0.68
DP07	Technology position/ranking	6.0	1.0	0.1	14.1	5.8	6.1	5.8	6.4	6.0	6.6	5.7	5.7	6.0	4.6	6.7	14.8	0.33	0.57	0.25
DP08	Product coordination	5.3	1.5	0.2	6.1	5.7	5.1	5.3	5.3	6.0	5.2	5.5	4.8	5.7	4.7	5.3	18.9	0.59	0.95	0.40
DP09	Product strategy	5.1	1.7	0.2	4.3	5.4	4.9	5.3	4.7	5.5	4.6	5.4	4.7	5.5	3.5	7.4	17.2	0.74	0.83	0.51
DP10	Pricing strategy	4.2	2.1	0.3	0.7	3.9	4.4	4.3	4.1	5.0	4.8	4.3	3.2	4.3	13.6	9.1	27.2	**0.03**	0.69	0.08
DP11	Channels of distribution strategy	4.2	2.1	0.3	0.7	3.8	4.4	4.6	3.4	5.5	4.4	4.4	3.3	4.4	3.9	17.4	22.5	0.68	0.14	0.21
DP12	Promotion strategy	3.8	2.3	0.3	-0.5	3.6	4.0	4.1	3.2	5.5	3.4	4.5	3.3	4.1	5.3	7.2	23.0	0.50	0.84	0.19
DP13	Information strategy	4.8	2.1	0.3	2.5	4.5	4.9	5.0	4.2	5.5	4.1	5.3	5.1	4.7	7.3	14.2	27.3	0.29	0.29	0.07
DP14	Production planning	5.2	1.6	0.2	4.9	5.2	5.2	5.3	5.0	5.0	4.3	5.5	5.4	5.5	5.5	11.3	14.9	0.48	0.51	0.67
DP15	Cost control	4.9	1.9	0.3	3.1	4.5	5.1	4.9	4.9	4.0	4.2	5.4	5.4	4.8	10.8	12.7	19.2	0.10	0.39	0.38
DP16	Inventory control	4.8	1.8	0.3	2.9	4.5	4.9	4.9	4.6	4.5	4.4	4.9	4.7	5.1	7.5	14.2	17.5	0.28	0.29	0.49
DP17	Logistics	4.9	1.6	0.2	3.8	4.8	5.0	5.0	4.7	5.0	4.3	5.2	5.0	5.2	12.6	14.0	26.3	**0.05**	0.30	0.09
DP18	Treatment of customers	4.7	1.8	0.3	2.5	4.9	4.5	5.0	4.3	3.5	4.0	4.9	4.7	5.1	4.2	7.4	18.3	0.65	0.83	0.44
DP19	Raw material movement	4.4	2.0	0.3	1.4	4.8	4.2	4.3	4.6	3.5	4.1	4.5	4.1	4.8	5.0	9.0	19.7	0.55	0.71	0.35
DP20	Semi-finished prod. movement	4.2	1.7	0.3	0.9	4.6	4.0	4.3	4.2	3.5	3.3	4.5	4.6	4.6	4.3	12.2	15.5	0.64	0.43	0.62
DP21	Finished product movement	4.1	1.8	0.3	0.5	4.8	3.8	4.2	3.9	5.5	3.0	4.5	4.6	4.6	9.6	7.1	21.2	0.14	0.85	0.27
DP22	Manufacturing scale	4.8	1.5	0.2	3.8	4.8	4.9	4.7	5.0	5.0	4.4	5.1	4.8	5.0	5.7	5.5	22.4	0.34	0.86	0.10
DP23	Market structure	5.5	1.4	0.2	6.8	5.2	5.6	5.5	5.4	5.5	5.3	5.5	5.2	5.7	9.5	8.3	17.6	0.09	0.60	0.29
DP24	Location of prod./process dev.	5.2	1.7	0.3	4.7	5.2	5.2	5.1	5.3	5.0	5.3	4.5	4.8	5.8	2.0	15.0	14.2	0.92	0.24	0.72
DP25	Dependence on the parent co.	5.2	1.6	0.2	5.2	5.2	5.3	4.9	5.6	6.5	5.8	5.1	4.6	5.3	4.0	7.0	21.7	0.55	0.73	0.12

Notes: 1. Xo=Overall Mean; S=Standard Deviation; SE=Standard Error of the Mean.

2. N=45; Scale: 7,6,5,4,3,2,1; refer to the questionnaire for the scale description corresponding to each variable.

3. Using one-sample t test, the mean (Xo) on each test variable is evaluated to determine whether it is significantly different from a constant, called a test value by SPSS. The hypothesised test value is 4, which represents the midpoint on the bipolar 7-1 response scale. The test is done at 95 % confidence level, 44 df.

4. Only those t-tests with absolute values of around 2 or more are statistically significant.

5. The significance level of .05 or better is shown in **bold** for each test variable vis-à-vis category variable, with a statistically significant chi-square value.

MNC Managers' Perceptions

Table 6.17 Respondents' Perceptions on MNCs Global Information Scanning Capability

	Impact of the following variables on the MNCs global information scanning capability (N=45; SCALE: Very positive 7,6,5,4,3,2,1 Very negative) (For one-sample t test of the overall mean (Xo), hypothesised test value=4 at 95 % confidence level, 44 df)																			
		Overall Descriptive Statistics				**Religion (Rel)**		**Education (Ed)**			**Years (Yr) in S A**				**Chi-Square Test**			**2-Tailed Test of Significance**		
						Musl	Non-Musl	Coll	MS	PhD	< 5 Yrs	5-<10	10-<15	> 15	Rel	Ed	Yr	Rel	Ed	Yr
Code	**Variables**	**Xo**	**S**	**SE**	*t*	Mean	Mean	Mean	Mean	Mean	Mean	Mean	Mean	Mean	χ^2	χ^2	χ^2	**Sig. Level**		
DS01	Improved global communication services	6.0	1.0	0.2	13.1	6.1	5.9	5.9	5.9	7.0	6.1	5.4	6.0	6.3	0.9	5.1	13.2	0.92	0.75	0.35
DS02	Improved global transportation services	5.7	1.2	0.2	9.4	5.6	5.7	5.6	5.8	6.5	5.7	5.6	5.7	5.8	2.9	2.1	5.0	0.58	0.98	0.96
DS03	Improved global computer/network services	5.9	1.2	0.2	10.5	6.1	5.8	5.8	6.0	7.0	5.8	5.4	5.8	6.4	1.5	5.6	14.4	0.91	0.85	0.50
DS04	Company's own information technology	5.7	1.2	0.2	10.1	5.6	5.8	5.6	5.9	6.5	6.0	5.2	5.8	5.9	0.8	3.2	6.5	0.94	0.92	0.89
	How important are local cultural and ethical values to the MNC's global information scanning capability? (N=45; SCALE: Very important 7,6,5,4,3,2,1 Not important at all)																			
DS05	Importance of culture on MNC's scanning cap	5.7	1.7	0.3	6.5	6.4	5.3	6.0	5.1	6.5	5.1	5.2	5.8	6.4	8.8	14.8	18.8	0.19	0.25	0.41
	Impact of the MNC's global information scanning capability on its direct foreign investment in Saudi Arabia or elsewhere (N=45; SCALE: Very positive 7,6,5,4,3,2,1 Very negative)																			
DS06	Impact of scanning capability on FDI in KSA	5.4	1.3	0.2	6.8	5.5	5.3	5.3	5.3	6.5	5.6	4.7	5.4	5.6	3.8	4.7	15.8	0.58	0.91	0.39

Notes: 1. Xo=Overall Mean; S=Standard Deviation; SE=Standard Error of the Mean.

2. Using one-sample t test, the mean (Xo) on each test variable is evaluated to determine whether it is significantly different from a constant, called a test value by SPSS. The hypothesised test value is 4, which represents the midpoint on the bipolar 7-1 response scale. The test is done at 95 % confidence level, 44 df.

3. The *t*-values are all statistically significant, implying that the mean on each test variable is significantly different from the hypothesised test value (4).

4. The significance level of .05 or better is shown in **bold** for each test variable vis-à-vis category variable, with a statistically significant chi-square value.

MNC Customers' Perceptions

Table 6.18 Respondents' Agreement on Why a National Company Enters into a Partnership with a Multinational Company Instead of Doing Business Alone

Code	Variables	Overall Descriptive Statistics				Religion (Rel)		Education (Ed)				Years (Yr) in S A				Chi-Square Test			2-Tailed Test of Significance		
						Musl	Non-Musl	< Coll	Coll	MS	PhD	< 5 Yrs	5-<10	10-<15	> 15	Rel	Ed	Yr	Rel	Ed	Yr
		Xo	S	SE	t	Mean	Mean	Mean	Mean	Mean	Mean	Mean	Mean	Mean	Mean	χ^2	χ^2	χ^2	Sig. Level		
DF01	Need for foreign technology	6.3	0.9	0.1	37	6.3	6.2	6.7	6.3	6.4	6.1	6.3	6.3	6.4	6.2	5	13	16	0.30	0.41	0.19
DF02	Need for technical skills	6.2	1.0	0.1	31	6.2	6.0	6.7	6.2	6.0	6.2	6.0	6.1	6.4	6.1	6	12	17	0.32	0.65	0.32
DF03	Need for managerial skills	5.9	1.3	0.1	20	5.8	5.9	6.2	6.0	5.6	5.5	6.0	5.8	6.1	5.6	12	18	21	**0.05**	0.44	0.29
DF04	Need for marketing skills	5.9	1.2	0.1	22	5.9	5.9	6.5	6.0	5.6	5.6	5.9	5.8	6.2	5.8	6	22	15	0.48	0.22	0.66
DF05	Need for additional capital	4.6	1.8	0.1	4	4.5	4.6	6.0	4.6	4.4	4.4	5.1	4.3	4.6	4.2	4	17	16	0.64	0.51	0.57
DF06	To minimize overall mkt uncertainties	5.2	1.5	0.1	11	5.1	5.3	5.5	5.2	4.8	5.5	5.3	5.0	5.6	4.8	12	11	32	0.05	0.87	**0.03**
DF07	To tap market opportunities abroad	5.4	1.4	0.1	13	5.4	5.4	5.5	5.4	5.1	5.6	5.8	5.4	5.4	4.8	6	14	52	0.44	0.72	**0.00**

Notes: 1. Xo=Overall Mean; S=Standard Deviation; SE=Standard Error of the Mean; N=189; SCALE: Strongly agree 7,6,5,4,3,2,1 Strongly disagree.
2. Using one-sample t test, the mean (Xo) on each test variable is evaluated to determine whether it is significantly different from a constant, called a test value by SPSS. The hypothesised test value is 4, which represents the midpoint on the bipolar 7-1 response scale. The test is done at 95 % confidence level, 188 df.
3. The t-values are all statistically significant, implying that the mean on each test variable is significantly different from the hypothesised test value (4).
4. The significance level of .05 or better is shown in **bold** for each test variable vis-à-vis category variable, with a statistically significant chi-square value.

MNC Customers' Perceptions

Table 6.19 Respondents' Agreement on Type of Business Arrangement That is Favourable the Host Country

		Overall Descriptive Statistics				Religion (Rel)		Education (Ed)				Years (Yr) in S A				Chi-Square Test			2-Tailed Test of Significance		
						Musl	Non-Musl	< Coll	Coll	MS	PhD	< 5 Yrs	5-<10	10-<15	> 15	Rel	Ed	Yr	Rel	Ed	Yr
Code	Variables	Xo	S	SE	t	Mean	Mean	Mean	Mean	Mean	Mean	Mean	Mean	Mean	Mean	χ^2	χ^2	χ^2	Sig. Level		
AA01	Joint venture	6.0	1.2	0.1	23	6.0	5.9	6.0	5.9	6.2	6.0	6.1	5.6	6.0	6.1	7	9	14	0.36	0.97	0.73
AA02	MNC autonomous manufacturing branch	3.5	2.0	0.1	-3	3.5	3.5	4.7	3.6	2.7	4.1	3.8	3.5	3.4	3.3	7	23	20	0.34	0.23	0.35
AA03	MNC's marketing/distribution branch only	4.2	1.7	0.1	1	4.2	4.1	4.0	4.3	3.5	4.1	4.3	4.0	4.4	3.9	12	19	24	0.07	0.41	0.17
AA04	MNC's consultancy/professional services	5.7	1.1	0.1	22	5.8	5.6	6.5	5.7	5.4	6.1	5.9	5.8	5.7	5.5	5	25	17	0.55	0.14	0.54
AA05	MNC's participation in Saudi offset program	5.6	1.2	0.1	18	5.6	5.5	5.8	5.6	5.3	5.9	5.5	5.5	5.7	5.5	3	10	17	0.75	0.92	0.50
AA06	Obtain technology/product franchise only	4.7	1.6	0.1	6	4.9	4.5	5.0	4.8	4.3	4.9	5.0	4.6	5.1	4.2	13	21	23	**0.04**	0.26	0.19

Notes: 1. Xo=Overall Mean; S=Standard Deviation; SE=Standard Error of the Mean; N=189; SCALE: Very favourable 7,6,5,4,3,2,1 Very unfavourable.

2. Using one-sample t test, the mean (Xo) on each test variable is evaluated to determine whether it is significantly different from a constant, called a test value by SPSS. The hypothesised test value is 4, which represents the midpoint on the bipolar 7-1 response scale. The test is done at 95 % confidence level, 188 df.

3. Except for AA03, all t-values are statistically significant, implying that the mean on each test variable is significantly different from the hypothesised test value.

4. The significance level of .05 or better is shown in **bold** for each test variable vis-à-vis category variable, with a statistically significant chi-square value.

MNC Customers' Perceptions

Table 6.20 Respondents' Agreement on the Variables that Need to be Negotiated by Local Businessmen

Code	Variables	Overall Descriptive Statistics Xo	S	SE	t	Religion (Rel) Musl Mean	Non-Musl Mean	Education (Ed) < Coll Mean	Coll Mean	MS Mean	PhD Mean	Years (Yr) in S A < 5 Yrs Mean	5-<10 Mean	10-<15 Mean	> 15 Mean	Chi-Square Test Rel χ^2	Ed χ^2	Yr χ^2	2-Tailed Test of Significance Sig. Level Rel	Ed	Yr
DN01	Technology offered by the foreign co.	6.2	0.8	0.1	36	6.2	6.2	6.3	6.2	6.2	6.1	6.2	6.1	6.3	6.3	5.4	7.3	9.8	0.25	0.84	0.64
DN02	National company's ownership share	5.9	1.0	0.1	27	6.0	5.8	6.2	5.9	5.9	5.9	6.1	5.7	6.0	5.8	2.5	5.5	8.1	0.64	0.94	0.78
DN03	Sharing of market information	5.8	1.1	0.1	24	5.9	5.7	5.7	5.9	5.8	5.4	5.8	5.7	5.9	5.8	4.4	16.7	11.9	0.50	0.34	0.69
DN04	Pricing of raw materials	5.7	1.1	0.1	21	5.7	5.5	6.0	5.6	5.6	5.8	5.8	5.6	5.7	5.4	4.8	22.2	21.4	0.45	0.10	0.13
DN05	Pricing of finished products	5.9	3.5	0.3	8	5.7	6.3	5.7	5.7	6.9	5.9	5.8	6.7	5.8	5.5	6.1	21.3	32.8	0.42	0.27	**0.02**
DN06	Scope of product range	5.7	1.1	0.1	21	5.7	5.7	5.7	5.7	5.5	5.8	5.8	5.5	5.8	5.6	5.7	13.1	29.1	0.34	0.60	**0.02**
DN07	Plant size	5.7	1.1	0.1	22	5.8	5.7	5.3	5.8	5.6	5.6	5.8	5.5	5.8	5.7	1.1	21.1	10.1	0.95	0.12	0.81
DN08	Scope of marketing agreement	5.8	1.1	0.1	23	5.8	5.7	5.8	5.9	5.6	5.4	5.9	5.7	5.7	5.8	3.0	8.6	16.6	0.70	0.90	0.35
DN09	Management set-up	5.9	1.1	0.1	24	5.9	5.8	6.2	5.9	5.8	5.5	5.9	5.7	6.0	5.8	7.4	8.1	14.6	0.19	0.92	0.48
DN10	Financial system and control	5.9	1.1	0.1	23	6.0	5.7	6.2	5.9	5.9	5.6	5.9	5.6	6.0	6.0	11.6	11.1	12.8	**0.04**	0.74	0.62
DN11	Training for local personnel	5.9	1.1	0.1	25	6.0	5.7	6.0	6.0	5.8	5.6	5.9	5.7	6.1	5.9	7.0	9.1	17.2	0.22	0.87	0.31
DN12	Location of the new venture	5.6	1.1	0.1	19	5.6	5.5	6.3	5.6	5.5	5.4	5.7	5.7	5.6	5.3	5.9	13.9	15.7	0.43	0.74	0.61
DN13	Repatriation of profit	5.7	1.2	0.1	19	5.7	5.5	6.3	5.7	5.5	5.6	5.7	5.4	5.9	5.6	3.7	12.9	22.5	0.59	0.61	0.10
DN14	Financial resources & capital assets	5.8	1.1	0.1	22	5.8	5.8	6.2	5.9	5.7	5.6	5.8	5.6	6.0	5.9	6.1	29.0	23.2	0.41	**0.05**	0.18
DN15	Marketing research/intelligence	5.7	1.1	0.1	20	5.8	5.5	5.5	5.8	5.5	5.4	5.7	5.5	5.7	5.7	6.0	19.0	12.7	0.30	0.21	0.63
DN16	Competitor intelligence	5.6	1.1	0.1	20	5.7	5.4	6.0	5.7	5.5	5.1	5.5	5.5	5.7	5.8	10.5	29.9	21.0	0.06	**0.01**	0.14
DN17	Product development & innovation	5.9	1.0	0.1	26	5.9	5.8	5.8	5.9	5.8	5.8	5.9	5.7	5.9	6.0	5.9	10.7	12.4	0.31	0.78	0.65
DN18	Communication system and flow	5.8	1.1	0.1	23	5.8	5.7	6.2	5.8	5.6	5.5	5.7	5.7	5.8	5.8	6.3	23.4	21.1	0.28	0.08	0.13
DN19	Production cost management	5.8	1.0	0.1	24	5.9	5.8	6.2	5.9	5.8	5.4	5.8	5.5	6.0	6.0	3.1	18.8	12.9	0.69	0.22	0.61
DN20	Coordination of prodn. & marketing	5.8	1.1	0.1	24	5.8	5.9	6.0	5.9	5.7	5.6	5.9	5.7	5.9	5.8	4.0	15.7	8.1	0.55	0.40	0.92
DN21	Respect for local culture	5.9	1.2	0.1	22	6.1	5.6	5.8	5.9	6.1	5.6	5.9	5.6	6.1	6.0	14.9	22.8	22.8	**0.02**	0.20	0.20

Notes: 1. Xo=Overall Mean; S=Standard Deviation; SE=Standard Error of the Mean; N=189; SCALE: Strongly agree 7,6,5,4,3,2,1 Strongly disagree.

2. Using one-sample t test, the mean (Xo) on each test variable is evaluated to determine whether it is significantly different from a constant, called a test value by SPSS. The hypothesised test value is 4, which represents the midpoint on the bipolar 7-1 response scale. The test is done at 95 % confidence level, 188 df.

3. The t-values are all statistically significant, implying that the mean on each test variable is significantly different from the hypothesised test value (4).

4. The significance level of .05 or better is shown in **bold** for each test variable vis-à-vis category variable, with a statistically significant chi-square value.

Appendix 7

Impact of Saudi-Foreign Joint Investment Projects on the Saudi Arabian Economy: A Supplementary Analysis

Economic Model Used

This exercise applies econometric and regression analytical tools to analyse the impact of Saudi-foreign joint ventures on the Saudi economy. This is to complement the view that multinational companies via their joint investment projects with Saudis contribute positively and significantly to the Saudi national economy. A simple macroeconomic model is used as follows:

$$GDP_t = f(CONS_t, GOVT_t, NETX_t, JINV_{t-1}, \mu_t)$$

Assuming a linear regression form, based on the apparent linear pattern of historical data used, the above model becomes:

$$GDP_t = \alpha + \beta_1 CONS_t + \beta_2 GOVT_t + \beta_3 NETX_t + \beta_4 JINV_{t-1} + \mu_t$$

where:

GDP_t = gross domestic product in Million Saudi Riyal, at time t,

$CONS_t$ = private consumption expenditure in Million Saudi Riyal, at time t,

$GOVT_t$ = government consumption expenditure in Million Saudi Riyal, at time t,

$NETX_t$ = net difference of imports & exports in Million Saudi Riyal, at time t,

$JINV_{t-1}$ = Saudi-foreign joint venture investment in Million Saudi Riyal, at time t-1, (employed as a proxy for investment expenditure),

α = intercept/constant,

β's = regression *Beta* coefficients to be estimated, and

μ_t = disturbance term.

The author has tried other alternative equation forms, but the above model generates the best linear unbiased estimates, which are consistent with the proposition that multinational companies via their joint investment projects with Saudis contribute positively to the overall economy of Saudi Arabia. Ordinary least squares estimation method was used for estimating the relevant regression coefficients, keeping in mind the usual assumptions for generating consistent estimates of the specified parameters.[1] The study employed historical data covering the period 1984-1995 taken from the 15th issue of Achievements of the Development Plans (1970-1997), Ministry of Planning, Kingdom of Saudi Arabia.

Findings

Using SPPS for Windows 95 Release 7.5, the OLS estimation process generated very encouraging results as shown in the following table.

Impact of Joint-Venture Investment on the Saudi Economy
GDP = Dependent Variable

	$CONS_t$	$GOVT_t$	$NETX_t$	$JINV_{t-1}$
β Coefficient	1.19	1.234	0.801	8.094
T Statistic	8.6	8.1	21.9	7.3
Significance	0.00	0.00	0.00	0.00
Mean Elasticity	0.57	0.44	-0.06	0.42
α (intercept) = -118733				
R Square = 0.991				
Adjusted R Square = 0.986				
F Statistic = 198.56				
Durbin-Watson 'd' Statistic = 2.5				

Analysis and Interpretations

Gross domestic product (GDP) measures a country's total economic activity, on a yearly or quarterly basis. In the specified model, GDP is measured in annual expenditure terms, using such macroeconomic variables as private consumption expenditure, government consumption expenditure, investment expenditure and the net value of trade (total exports of goods and services less imports of goods and services). The total investment capital of joint venture companies between Saudis and foreign investors was used as a proxy for national investment expenditure (gross fixed capital formation). This is in line with the proposition that joint ventures (joint investment between Saudi and foreign enterprises), which predominantly reflect the presence of multinational companies in Saudi Arabia, have positive impact on the country's national economy.

Statistics associated with the specified macroeconomic model are very encouraging. The very high value of R-Square (coefficient of determination) indicates that the given model explains most of the variance in the gross domestic product. Likewise, the very high value of the F Statistic (198.56) indicates that the obtained R^2 value is statistically significant, i.e., that the coefficient of determination is significantly different from zero. All of the β coefficients have correct signs, which are reinforced by statistically significant t-values.

To enable good interpretation of the regression coefficients in percentage terms, the author calculated the mean elasticity values of GDP_t, with respect to the given predictors (explanatory variables).[2] The estimated elasticity of GDP_t with respect to $JINV_{t-1}$, evaluated at the mean, is 0.42, which is relatively inelastic. In principle, this indicates that a 10 percent increase in the investment capital put to joint ventures between Saudis and foreign firms is supposed to bring about a 4.2 percent increase in the total value of gross domestic product.

The other predictors, private consumption ($CONS_t$) and government expenditure ($GOVT_t$), also yield positive elasticity values, but are also relatively inelastic. The estimated elasticity of GDP with respect to $CONS_t$, evaluated at the mean, is 0.57, which is still relatively inelastic, but higher than that for $JINV_{t-1}$. In principle, this indicates that a 10 percent increase in the nation's private consumption of goods and services is expected to bring about 5.7 percent increase in the total value of gross domestic product. As for the obtained elasticity of GDP_t with respect to government expenditure, it indicates that a 10 percent increase in the government consumption expenditure will result to a 4.4 percent increase in the total value of gross domestic product.

The net trade elasticity of GDP turns out –0.06, which is negative but quite close to zero. This reflects some sort of inverse relationship between the net trade values and the GDP. This does not appear to be reasonable, knowing the importance of international trade in the development of the Saudi economy. However, eight of the 12 years (1984 through 1995, the period covering the data used for this analysis) witnessed net trade deficits, indicating excess of imports value over exports revenue. As a matter of fact, national budget deficits had persisted since 1983. It was only in 1996 that the Saudi economy showed some budget surplus for the first time in 13 years. Thus, bearing in mind the frequent occurrence of net trade deficits during most of the years covered in the analysis, the elasticity of GDP with respect to net trade turned out negative, albeit close to zero. The obtained net trade elasticity of GDP, evaluated at the mean, shows an inverse relationship between the trade deficit and the Saudi economic performance. A 10 percent increase in the net trade deficit brings about less than one (0.6) percent decrease in the Kingdom's gross domestic product. This extremely inelastic response by the national economy to net trade performance may not be meaningful, if we treat the separate effects of exports and imports on the economy. As this analysis is more concerned about the contribution of foreign firms (via joint ventures) to the Saudi economy, the researcher has not gone deeper into the respective influence of exports and imports on the Kingdom's national economy.

Notes

1 The OLS estimator yields consistent estimates of the regression coefficients as long as the values of the explanatory variables (predictors) are fixed and have finite variance. If the error (disturbance) terms are normally distributed and have constant variance, the regression model will also yield best linear unbiased estimates. The OLS method is extraordinarily popular for applied research works in econometrics, statistics and other disciplines as it has a number of desirable properties, especially with regard to the criterion of unbiasedness (Kennedy 1995: 42-54).

2 The investment elasticity of GDP, for instance, is calculated here by taking the partial derivative of GDP with respect to JINV and multiplying the result by the ratio of JINV to GDP, that is:

$$\partial GDP/\partial JINV * JINV/GDP = \beta_4 * JINV/GDP$$

An alternative approach to measuring the elasticity value is by expressing the regression function in terms of the logarithms of the given dependent and explanatory variables (Koutsoyiannis 1979: 53-55).

Appendix 8

Respondents' Views and Recommendations Related to the Role of Multinational Companies and Foreign Investment in Saudi Arabia

Muslim Respondents' Views and Recommendations:

1. Saudi Arabia has a great potential for investment and economic growth, which can even surpass the growth rates of the fast-growing Asian economies. Saudi economic growth is still very slow — less than 2 percent in real terms. Given a liberal scheme to attract investment from within and from abroad, the country's real economic growth may reach as high as 8 percent per annum.

2. Foreign investment can be encouraged through floating of company shares on a regular basis (say monthly). These are good opportunities for investment. Shares (for new companies) have not been floated in recent years. The shares that were floated were not actually new companies.

3. Issues concerning direct foreign investment in Saudi Arabia, including how to attract foreign investors, as viewed by a Saudi Economist:

   - Competitive advantage of nations is a crucial factor. Multinational companies may choose those countries where they can enjoy better investment incentives and other advantages.

   - Big companies take advantage of government's interest-free loans (say through Saudi Industrial Development Fund), which have been made available to encourage industrialisation. The companies use borrowed interest-free funds and invest elsewhere their existing savings (sometimes outside the Kingdom). This has two implications. First, government's financial resources are not going to where they are really needed. Second, companies are not compelled to float shares, because they have access to government credit facilities.

   - The existence of various restrictions and control (rigidities) does not encourage many foreign investors to do business in Saudi Arabia. In other words, more and more investors would have been lured into the Kingdom if these restrictions will be removed, and if there will be liberalisation of basic procedures and requirements.

   - Foreign labour exodus, which took place recently, has negative impact on some of the economic sectors, like construction and commercial services. This exodus will have to be compensated by a comparatively suitable indigenous work force. However, Saudis need to be trained and educated to occupy not only white-collar jobs but also blue-collar jobs — those that are in the lower echelons of the employment hierarchy, which were previously occupied by expatriates. Foreign firms investing in Saudi Arabia will certainly consider the quality of the local work force.

   - If the required quantity of labour supply to sustain the required development growth cannot be met by the right supply of indigenous labour, the Kingdom has to rely on foreign supply of labour. However, importing labourers from countries with different cultures is becoming an issue. An increase in the number of foreign labourers imported into the Kingdom will have an inverse impact on local culture, so multinational companies can take advantage of the abundant supply of local labour to sustain their long-term interests in the Kingdom.

4. Multinational companies doing or planning to do business in Saudi Arabia will get some favourable treatment from concerned Saudi authorities if they consider in their employment and manpower development programme the viability of hiring and training indigenous labour supply, which is abundant. Looking at the Saudi labour backgrounds, many of them are trained in white-collar jobs, and they do not want to engage in manual and other vocational jobs. The youth account for a large proportion of the population. About 50 percent of the population are

in the age of 15 and below. This will add more pressure to the Saudi labour market. Employing them is already becoming a crucial issue, and MNCs can play a vital role in this regard.

5. Industrial development projects, including MNC joint ventures, need to be evenly spread Kingdom-wide. Small-to-medium scale businesses need to be developed in rural areas.

6. Small-to-medium scale business proponents should have a priority access to attractive interest-free loans from Saudi financial institutions. In other words, interest-free credit facilities need to be restructured or enhanced, if possible, to remove the bias in favour of big industrial projects.

7. Foreign investment should be attracted through the removal of unnecessary restrictions or bureaucratic rigidities, which are traditionally imposed on foreign investors. Large-scale foreign investment may be encouraged by this approach, but this may not necessarily solve the Kingdom's development problems.

8. Saudi women should be given more opportunities to tap their potential for development participation. It is worth noting that women during the era of the Prophet were actively involved in many social activities, even in times of wars.

9. Technology needs to be developed locally, in collaboration with MNCs. In the foreseeable future, Saudi Arabia is expected to remain technology-dependent on foreign companies.

10. There is need to improve efficiency with respect to processing the entry of incoming foreigners. There is definitely need to improve the handling of immigration procedures at the Saudi international airports.

11. Saudi nationality may be granted to selected expatriates who have stayed long in the Kingdom and have the potential to invest locally significant portions of their savings.

12. Multinational companies should not in all circumstances interfere with the local culture.

13. Simplify procedure concerning the issuance of entry/exit, visit and temporary residence visas and concerning travel permit within the Kingdom for the foreign company's staff and workers. Also simplify Visa and other travel requirements, to attract more international investors to do business in the Kingdom.

14. Look into the possibility for the foreign company planning to invest in Saudi Arabia to own its own office building and housing for its own employees and workers.

15. Direct foreign investment has to be further encouraged. A foreign company planning to have foreign direct investment in Saudi Arabia may do so independently without the required local Saudi shareholding if the business is export geared and if it produces products or commodities under certain specified priority industries.

16. Foreign capital invested in industrial projects should be given some tax reduction in cases of the following:

    - If export volume reached a certain specified percentage of total production.
    - If the foreign investor participates in undertaking training programmes for national work force.
    - If the foreign investing company carries out an R & D programme in Saudi Arabia that will be relevant to the Kingdom's industrialisation process.
    - If the foreign investing company is willing to transfer technology to the national company, and if the use of such technology is free and does not involve any license fee.
    - If the joint project between foreign investor and Saudi partners is established in a specified less developed are, then such business will be exempted from tax regardless of the Saudi capital shareholding.

- If the proportion of Saudi manpower in the foreign owned industrial project will reach a certain fixed percentage of total manpower.

17. Possibility of reducing corporate/profit and other taxes to be paid by foreign investment project due after a certain period or periods of tax exemption enjoyed by it, and possibility of making flexible the tax scale for the foreign controlled companies.

18. Indirect (equity stock) investment is risky especially when the stock market is freely open to foreign speculators/market makers without appropriate stabilising measures. The so-called market makers from abroad come and go.

19. Tax exemption should not be limited to the first phase of the project, but will be further extended to cover any future expansion of the same project.

20. The current 12 percent import duty does not impose any substantial barrier to import. So foreign investors do not find it attractive to put up their wholly owned production branch in Saudi Arabia.

21. Bureaucracy favours joint ventures, instead of wholly controlled MNC production branch in Saudi Arabia.

22. Tax should be collected only on dividends, and the reserve funds of companies including MNCs in Saudi Arabia should not be included in the tax calculation.

23. Possibility of carrying over losses incurred in the period or periods covered in the tax exemption to the preceding year or years in case tax will be imposed on it. This means extending the tax exemption duration to disregard the period or periods under which losses are incurred.

24. Taxes should not be collected on the following income:

    - Capital earnings related to sales of investment assets of the foreign controlled company.
    - Profits resulting from the sale of the foreign shares in the joint venture company.
    - Revenue paid for allowing the use of technical know how or patent/franchise.

25. Multinational firms decide according to profitability or return on investment. Money is the bottom line. They do not decide on the basis of religious or cultural differences. However, any foreign company, which has better knowledge of the host country's culture will have better competitive advantage over other companies.

26. The kind of technology transfer from the West to the Muslim world, including Saudi Arabia, is not up to the right standard. Normally, foreign technology owners give only obsolete technology (that they do not need) to the Muslim world. Where the underlying license is granted to an Arab company (for example), a number of unfair terms and conditions are attached to the deal.

27. The Muslim World has neglected the importance of R&D to the development process. Only a few Muslim countries (like Saudi Arabia and those in the Arab Gulf) have started accumulating wealth in the middle of 1970s. Since then, they have continued to recognise the increasing role of R&D in their industrialisation process.

28. Muslims are certainly weakened by the negative factors of disunity and internal conflict among them. If they unite truly and sincerely in all fields, including international business, they will become a world power.

29. Multinational companies have virtually no wholly owned manufacturing subsidiaries in Saudi Arabia, as the Kingdom's industrial policy does not encourage it.

30. There are constraints to an autonomous MNE fully owned production branch in Saudi Arabia. These include the limited tariff (only 12 percent import duty), which means that other foreign suppliers can always export their products to Saudi Arabia without significant barriers. Besides,

tax incentives are granted only to those foreign companies with local participation of at least 25 percent.

31. Muslim countries need to venture into R&D and innovation projects.

32. MNCs must respect the cultural values of the host country specially the Do's and Don'ts in Islam.

33. The Multinational people should educate themselves on the Islamic way of life in order to create a balanced business relationship with the host country.

34. MNCs in Saudi Arabia should not only appreciate, but also abide strictly by the prevailing rules and regulation in the Kingdom. They should somehow understand the custom and traditions of the local populace. They should never attempt, directly or indirectly, to undermine the political and socio-economic stability of the Kingdom.

35. MNCs' trading history with the Gulf now spans decades and, for many, they are foremost in their long-term planning concerns and building closer relations with the countries of the Arabian Gulf. MNCs are keen to strengthen those ties and give those well-versed with the region the opportunity to promote new initiatives and further cement relationships while giving newcomers to the region an ideal platform from which to make contacts to assist a market breakthrough.

36. MNCs should participate only in projects involving the use and know-how of intensively high technology requirements.

37. Sincere effort should be made by MNCs to train and impart knowledge to Saudi nationals. No distinction should be made when measuring their performance as when the same criteria/tools are used for non-Saudis.

38. MNCs should make it obligatory for all its foreign employees the understanding of Saudi customs, especially with regard to the basic knowledge/discipline of the state religion -- Islam. This will help remove apprehension and misunderstanding.

39. Since the Kingdom is a tax haven resulting in good profitability for MNCs, it will be a good idea to spend some in sponsoring sports events, organising charity or simply adding to Saudi Government's efforts in aiding other nations.

40. The MNCs by virtue of their technological advancements and ability to persuade the host country should be moderate in usurping and exploiting the host weaknesses, such as communication (foreign language) barrier, inadequate managerial and technical know-how, honest dealing, and comparatively low education.

41. There should be guidelines, policies made regarding repatriation of profit so there will be no underlying adverse impact on economic growth -- both for the Kingdom and for the MNC's home country.

42. It is very good for the Saudi people if MNCs help the Kingdom further enhance the development of its petrochemical industries, and develop other potentially profitable industries, including those in the areas of electronic and solar-based products. It is a must for the MNCs to train the local people by establishing high standard polytechnic colleges and vocational institutions.

43. Multinational companies and other highly technically qualified companies must be generous, honest, serious and truthful in transferring state-of-the-art (not obsolete) technology that is appropriate to the host country. Various processes must be well explained to local companies so that they will not be 100% dependent on the companies coming to perform certain works in Saudi Arabia. There should be real transfer of technologies.

44. Sound investment should based on extensive feasibility study for win-win target. MNCs should have a good database for market research and other purposes.

45. The MNCs must have thorough knowledge of the Islamic teachings and must be receptive to the culture of the Muslims. Mutual existence, co-operation and understanding can be successfully achieved by giving respect to the laws of the host country — the *Shari'ah*.

46. The multinational companies must engage more in joint ventures, give more emphasis on quality, conduct seminars and training, diversify their activities and participate in endowment and other charitable activities/institutions in the Kingdom.

47. Multinational companies (planning to invest in Saudi Arabia) can play more roles in the improvement and development of the Kingdom and the Middle East by learning and studying some rules and regulations in running their different businesses. Their policies and practices must be adapted to the socio-economic cultures, policies and traditions in the Middle East before establishing or making joint ventures with the local businessmen/companies.

48. In dealing with the multinational companies, the host country should maintain and observe its Islamic socio-economic, legal and financial systems.

49. The multinational companies' role is not only to take profit, but also to give progress. It is not only to exploit the natural resources, but also to improve infrastructures, enrich socio-cultural heritage, and respect the Islamic way of life. It is not to contravene nor to complicate the Kingdom's value systems but to complement and comprehend them. It is not to disturb or disintegrate the present systems, but to integrate and improve them in the name of total and meaningful development.

50. The foremost important thing in the world and especially in the Kingdom is to follow and respect Islamic *Shari'ah* by all human beings. Therefore, mutual social and business relations between the host nation and the multinational companies will improve if the latter will prove their respect towards Islamic teachings by their deeds. I'm sure if multinational companies follow Islamic *Shari'ah* (i.e., the rules and regulations given by Islam) they will enjoy their lives. In fact, many of my non-Muslim friends have expressed their complete satisfaction and happiness by living in the Kingdom where social security is governed by Islamic teachings.

51. As a long-term plan, basic priority should be given to Islamic countries while choosing multinational companies to invest in Saudi Arabia.

52. Multinational companies should take into consideration the weather conditions in the host country in order to modify the product if necessary.

53. The psychology of the local customer is a sum up of a complex of factors. So, it is advantageous for multinational companies to hire Saudis for the jobs that are related to the local culture and related to dealing with the local traders/businessmen.

Non-Muslim Respondents' Views and Recommendations

1. Multinational companies try to be logical in the sense of applying economic principles to their activities. They are not much concerned with moral or religious values as businesses. Success is measured by money. If forced to choose between business success using dubious methods or failure based on truth and honesty, multinational companies as with most human beings are inclined to bend the rules.

2. Generally speaking everyone expects the rules and regulations to be administered fairly and honestly in all cultures. However in many cultures obligation to family or clan or village over-rides obeying rules where outsiders are concerned. Multinational companies have experienced

these situations and are careful not to get involved where they do not have some influence and power.

3. It is often said that the West is immoral and decadent. However, it should be remembered that many (Western) employees in multinational companies come from hardworking and puritan background combined with a personal knowledge of the real world. When judging a society like Saudi Arabia they will compare the religious and cultural rules that are professed with the actual behaviour of the people.

4. These days we are all citizens of the world! It is not easy for any of us to remain faithful to our old national and moral standards when exposed to ideas and religions from other places. We cannot escape by closing our doors and frontiers. You can only survive by being secure in your own personal understanding and ideas, based on an ability to defend one's position rationally.

5. The kingdom would benefit from the presence of a duty free zone/port, to fully enable multinational companies/distributors to re-export without paying customs duty, as at present the UAE and in particular Dubai are monopolising this business. I also believe that stricter land border controls need to be imposed to prevent the unofficial importation of not only first grade products which takes market share, profit and credibility from official distributors but also to prevent counterfeit and sub standard items from reaching the local consumer.

6. The multinationals' products for the Middle East are designed to meet international standards although biased to specific operating conditions in the Kingdom (high temperatures, high speeds, long distances, and poor maintenance); and are therefore built to more exacting specifications.

7. The success or failure of any multinational company based in the Kingdom of Saudi Arabia is wholly related to the strength of the local distributor/sponsor. The best examples are the respective market shares of Nissan and Toyota.

8. Multinational corporations should hire highly intelligent skilled people to be part of the company especially with regard to human-resource services.

9. Cultural adaptability to the modern world and flexibility are needed to attract foreign investment into the Kingdom.

10. There is need to simplify both import and export rules and regulations using a convenient approach that minimises bureaucracy.

11. Professionalism and honesty for both parties are the two major factors that will contribute to the development of the mutual existence between the foreign entity and the local partners.

12. Multinational corporations invest around the world to gain competitive advantages and to maximise profitability. In this sense, they are not much concerned directly with the impact of their activities socially or culturally. However, to ensure business success, they will pay attention to the wishes and requirements of the local society. They will often employ large numbers of local people within the constraints of their skill requirements. Top management control may be retained in 'rational hands'. It may be better to maximise profit by employing cheaper local skills.

13. Modern global and business constraints prevent governments and local industries from operating in a protected environment. MNCs do not directly control the policies of the large, mainly Western countries. It is typical of developing nations that the business class is often acting as agents for foreign companies in relation to technology and investment — there is not much local technology available. Real independence would only come from development of local technology and research.

Appendix 9

Author's Recommendations Related to the Role of Multinational Companies and Foreign Investment in Saudi Arabia

1. The growing globalisation of business is slowly leading the world to the concept of global community where there are minimum barriers to trade, cross-border production, international mobility (production factors) and alliance capitalism. This offers increasing business opportunities for multinational firms, coupled with international challenges. These challenges include cross-border differences in economic, political, social, cultural and religious conditions. So, for multinational firms to sustain or enhance their competitive position and cross-border profitability, their managers and employees need intensive cross-cultural training that includes learning the host-country's culture in its totality, and according to its authentic sources. In Saudi Arabia, Islamic call and guidance centres exist in all major cities like Riyadh, Jeddah, Al-Khobar, Dammam and Jubail, whose services are available free of charge to any individual, institution or company.

2. The world has in recent years witnessed the tremendous growth of foreign direct investment and increasing spread of multinational business expansion across national boundaries, where nations live and thrive with distinct cultures, lifestyles and traditions. Cultural differences, social and political pressures, location-specific practices and the need for local responsiveness call for redefining global human resource management and staffing requirements of international firms away from ethnocentric tendencies. Many multinational firms tend to reserve key management and staff positions to their home country nationals. If multinational companies wish to seriously overcome the cross-border challenges facing them, their recruitment and staffing policies must be fair enough to give chance to qualified host-country nationals at all levels of the organisation hierarchy. In Saudi Arabia, it will be advantageous for multinational firms to employ qualified and experienced Muslim managers, staff and consultants preferably with qualifications in Islamic culture and Islamic economic/financial systems. Involving them in policy-making, planning, strategy formulation and implementation of Islamic-orientated business projects will be mutually beneficial to the multinationals and the Muslim consumers at large. After all, the key to a business success is satisfying the needs and wants of the consumers.

3. Muslim countries have to learn how MNCs as a whole have played vital roles in the economic development of various developed countries. Unfortunately, they are, in general, very much lagged behind the developed countries in the fields of research and development programmes. This is partly due to the inability of those in power to put real priority on scientific development, research endeavour and advance technology management. If the Muslim countries are determined to minimise, if not eradicate, dependence on foreign technology and processes, they need first of all to pool their own financial, human and physical resources to establish world-class institutes of technology and centres of research and development. Along this line, major companies and universities in the Muslim world may undertake high-technology R&D activities, in alliance or co-operation with the world's technology-leading multinational companies, renowned universities and technology-specialised institutions. This should be backed up by a strong commitment to adopt and implement a sound 'import substitution' policy for some strategic technologies and products. In other words, a self-reliant Muslim world will have to find a way out from the typical 'production transplant' arrangements that have been imposed on them by the technologically advanced nations. Now is the opportune time for the Muslim countries to optimise the use of their scientists,

academicians, technical men, industrialists and entrepreneurs for research, innovation and technology advancement.

4. Saudi entrepreneurs who are seeking joint ventures with foreign investors, especially Multinational corporations, have to be smart enough to get fair terms and conditions from the latter. Standard issues to be negotiated with foreign partners are quite well known, including the technology required, ownership sharing, profit and loss sharing, market data interchange, pricing of raw materials and products, and other standard requirements as per guidelines from the Foreign Capital Investment Bureau, Ministry of Industry & Electricity. The Saudi entrepreneur or enterprise must look into the ownership-specific advantages of potential foreign partners. These advantages are quite diverse, and may include financing capability, financial systems, product innovations, product management, organisational/management systems, marketing systems, global scanning capabilities, technology and other complementary assets, as well as the advantages of common governance across national boundaries, etc. These multinational competitive advantages have to be injected as much as possible into the proposed joint venture, so that it will become competitive and profitable through the long run. The local partner may also seek concessions from the multinational firm on such issues as human resource development, marketing research and customer intelligence, communication systems and procedures, transparency of information exchange and flow, as well as access to needed resources from the parent company. Saudi companies or entrepreneurs may also ask the Saudi government to require multinationals doing business or planning to do in Saudi Arabia to participate actively in R & D activities of national or joint-venture companies, in terms of capital, human resource, technology and other tangible contributions. Terms and conditions for multinational involvement in these research and development activities must be fair enough to help achieve a real technology transfer to the host country.

5. The need for a transparent business relationship between the Saudi and foreign partners is quite important for the long-term existence and survival of their partnership. Although the joint-venture agreement may oblige the foreign company to commit itself to regular supply of marketing and related information to the local partner, the latter will be frustrated when such obligation is not fulfilled consistently. Another area of concern is the provision in the agreement requiring the foreign company to provide manpower and executive development training programmes to the indigenous staff. Failure to do so may result in mistrust and other negative reactions from the local partner. Therefore, transparency in information flow and sincerity in fulfilling the terms and conditions of the joint venture agreement will help build a lasting relationship between the Saudi and foreign partners.

6. The agreement may also include pre-marketing arrangement that will give local partners the opportunity to experience on-the-job marketing of products or services generated from the use of foreign technology. The pre-marketing arrangement is a stepping stone to the establishment of a marketing department to be manned largely with Saudi staff. In addition, the local staff to man this marketing department must be given appropriate marketing and technical orientation in the MNC's home country. If Saudi partners are keen to obtain a real technology transfer, the joint- venture agreement must be broad enough to encompass transparent information sharing on the results of the foreign company's innovation and research activities. As the existing technology can become obsolete at a certain point in time in the future, the Saudi partners may insist, as part of the agreement, to have access to any new invention or technology upgrade stemming from the foreign company's R&D efforts. Likewise, the possibility for the local company to produce parts or auxiliary services, which are considered critical factors for the smooth function of the joint-venture business, also need to be explored as part of the agreement.

7. If Saudi companies are determined to enhance their competitiveness in today's dynamic business locally and internationally, they have to aspire consistently for operational effectiveness, along with effective use of strategic management and strategy positioning, with some modifications to suit local environment. Local companies may aim to go beyond their domestic operations and at the same time strengthen their technology base without being dependent on multinational companies.

8. Islam has been misconstrued as the reason de 'etre for the economic backwardness of the Islamic world. There is no doubt that many Muslims are themselves to blame for this. Thus, for the international community to appreciate Islam and clear it from all misconceptions attached to it, Muslims need to uphold the banner of Islamic culture, and prove their worth as a nation that deserves to be emulated. In doing business with the outside world, they must honour their commitments and contracts at all costs as Islam teaches them to do so.

9. Many non-Muslim individuals and institutions, including multinationals, are to some extent exposed to fabricated doctrines, misinformation and false propaganda against Islam and the Muslim World. The result is that they have developed some sorts of prejudice and Islamophobia (fear/hatred of Islam and the *Muslims*), emanating from whatever information or misinformation they have earlier known. Therefore, the Saudi missions or embassies overseas may require new expatriates, including those employed by MNCs, who will be working in the Kingdom to attend a brief orientation on Islamic culture, as part of the issuance of entry or employment visa. There should be a list of accredited Da'wah (Islamic Call and Guidance) institutions in foreign countries where non-Muslims could come for the required orientation. As an option, every Saudi embassy may have its own Islamic Affairs Department that will have an expanded mission of giving new expatriates Islamic orientation.

10. The Saudi foreign missions/embassies can play a good role in introducing new expatriates to Islamic culture. The methods of introducing them to Islamic culture may include lecture series, seminars, as well as distribution of Islamic information materials (books, video tapes, leaflets) through the strategic places where non-Muslims go (e.g. Muslim embassies, Muslim tourist spots, etc.). The entry visa charges may have to be increased to include the cost of such reading materials, which will have to be distributed to all new comers to the Kingdom. Examples of useful reading materials in this respect are 1) The Embassy of Saudi Arabia. (1989) *Towards Understanding Islam and the Muslims*. Washington DC: Islamic Affairs Department; 2) Discover Islam. (1997) *Discover Islam Reader*. Annandale Va 22003: Transcom International; 3) Ibrahim, I.A. (1997) *A Brief Illustration Guide to Understanding Islam*. Houston: Darussalam; and 4) Abdalati, Hammuda. (1975) *Islam in Focus*. Indianapolis: American Trust Publications. International airline offices and travel agencies, which cater to Saudi Arabia-bound passengers, may also serve as convenient distribution outlets for Islamic reading materials.

11. Muslim business, political and academic leaders are duty-bound to convey the message of Islam and Islamic culture to non-Muslims. Their frequent and close interactions with non-Muslim leaders, businessmen and intellectuals are great opportunities for exchange of views on culture, and should not be missed whenever and wherever appropriate. The task is not to be left to traditional Islamic propagators since they do not necessarily have the right access to the kinds of people being met by the Muslim business, political and academic leaders whose normal functions are outside the fold of traditional Islamic propagation. In order to implement this idea, concerned Muslim business, political and academic leaders need to have strong and correct *Aqeeda* (solid foundation of the true fundamental teachings of Islam).

12. Given the importance of the Middle East region in international business, existing international business curricula of business schools across the world may require revision

and enrichment that may include a regular or elective course on Islamic culture according to the authentic teachings of the Qur'an and the Sunnah. This will help produce new generations of global managers and employees with the right outlook, skills and educational backgrounds to work effectively in the Middle East setting. This will also help rectify non-Muslims' fear, hatred and misunderstanding of Islam and the Muslims. Bearing in mind the clear trend for inter-disciplinary education in the 21st century and beyond, the idea of redefining the international dimension of business schools' curricula applies as well to other disciplines — other social sciences, arts, humanities and physical sciences. This is so because of the likelihood that existing and future multinational managers and consultants may have educational backgrounds outside the business discipline. Thus, universities and colleges may consider the possibility of incorporating Islamic culture into the general college curricula being taken in the first two years of college work or in the first year of postgraduate courses. This will give opportunity for every college or postgraduate student to have an objective knowledge of the prevailing Islamic culture, whose followers account for about 20 percent of the world population. Professors and students with good knowledge of Islamic culture will likely develop keen interests to undertake future researches on the subject of international business in the Middle East.

Appendix 10: Sample Frame for the Surveyed Multinational Companies in Saudi Arabia

1. A. A. Turki Corporation
2. A S Bugshan & Bros (Komatsu)
3. Abdel Hadi Alqahtani Co
4. ABB Contracting Co Ltd
5. ABB Electrical Industries Ltd
6. Abdul Latif Jameel Group
7. Abdulla Fouad Group
8. Advanced Electronics Co Ltd
9. AGAP Arabia Limited
10. Agri Bulk Trade Ltd
11. Al Bank Al Saudi Al Fransi
12. Al Hoty-Stanger Ltd
13. Al Jubail Petrochemical Co (KEMYA)
14. Al Mutlaq Novotel
15. Al Salam Aircraft Co Ltd
16. Al Alamiah Electronics Company
17. Al Azizia-Panda United Inc
18. Al Babtain Industries Co
19. Al Safi Diary Co
20. Al Salam Aircraft Co
21. Albank Alsaudi Alhollandi
22. Alesayi United Co for Trading & Industry
23. Alfadl Group
24. Alfaisalia Group
25. Alfanar Company
26. AlGosaibi, Khalifa A Group
27. Alhamrani Group of Companies
28. Alhuseini Corporation
29. Alinjazat Trading Corporation
30. Alireza Group of Companies
31. Aljomaih, Abdulazlz & Mohammed Group
32. Aljubail Fertilizer Company (SAMAD)
33. Allied Engineering Enterprises Saudi Arabia
34. Almabani Group
35. Almarai Trading Co Ltd
36. Almutlak Metal Industries
37. Alpha Trading & Shipping Ltd
38. Alujain Corporation
39. Alyusr Townsend & Bottum Co
40. Ameron Saudi Arabia Ltd
41. APV Middle East Ltd
42. Arab Digital Computer Co Ltd
43. Arab Investment Co SAA (The)
44. Arab Investment Company S.A.A.
45. Arab National Bank
46. Arab Petroleum Investments Corp (APICORP)
47. Arab Supply & Trading Corporation
48. Arabia Electric Ltd
49. Arabian Airconditioning Co
50. Arabian Auto Agency Co
51. Arabian Business Machines Co (ABM)
52. Arabian CBI Ltd
53. Arabian Chemical Carriers Co
54. Arabian Chemical Co (Polystyrene)
55. Arabian Co for Detergents Ltd (DAC)
56. Arabian Danish Paint Co Ltd
57. Arabian Drilling Company
58. Arabian Elevator & Escalator Co Ltd
59. Arabian Fal Company
60. Arabian Food Supplies
61. Arabian Gulf Manufacturers Ltd
62. Arabian Homes Co Ltd
63. Arabian Marketing Co
64. Arabian Medical Products Manuf.cturing Co
65. Arabian Medicare Co Ltd
66. Arabian Metal Industries Ltd
67. Arabian Minerals & Chemicals Co Ltd
68. Arabian Motors & Engineering Co Ltd
69. Arabian Oil Company Ltd
70. Arabian Petroleum Supply Co SA
71. ARCOMA Arabia Commercial Agency Co Ltd
72. Arthur Andersen Almohandis & Co
73. Arthur D Little International Inc
74. Asea Brown Boveri Saudi Arabia
75. AT & T Global Information Solutions Saudi Arabia
76. Atkins, W S, and Associates
77. Atlas Communications Co Ltd
78. Ballast Nedham Groep NV
79. Bank Al Jazira
80. Barakah Corporation
81. Basic Chemical Industries Ltd
82. Belleli Saudi Heavy Industries Ltd
83. Best Foods Saudi Arabia Co Ltd
84. Beta Company
85. Binladin Telecommunications Co Ltd
86. Binzagr Lever Company
87. Bitumat Company Ltd
88. Boeing Middle East Limited
89. Bondstrand Ltd
90. Boskalls Westminster Al Rushald Co
91. BRC Alfadl (Saudia) Ltd
92. British Aerospace Plc
93. British Telecom Al Saudis
94. Butler International Company
95. Cable & Wireless Saudi Arabia Ltd
96. Cansult Limited
97. Carbide Hashim Industrial Gases Co
98. Carlson Al Saudia Ltd
99. Carrier Saudi Arabia Co
100. CCC WLL
101. Chevron
102. Chiyoda Petrostar Ltd
103. Collins Systems International Inc
104. Consolidated Contractors Co CCC WLL
105. Continental Can of Saudi Arabia Ltd
106. Contrex Group of Companies
107. Coopers & Lybrand
108. Costain Internaflonal Ltd

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109. Crescent Transportation Co Ltd
110. Dallah Albaraka Group
111. Dallah Avco Trans Arabia Co Ltd
112. Daniel International (Saudi Arabia)
113. Danya Foods Ltd
114. Delmon Company Ltd
115. Delta Group Limited
116. Development Infl Trade Co Ltd
117. Development International Trade Co
118. Dow Chemical Mid-East/Africa SA
119. Doxiadis Associates
120. Dynarabia Company Ltd
121. Eastern Petrochemical Company
122. El Maghraby Group of Companies
123. El Seif Group
124. Electrical Engineering Corp
125. Electrolux Saudi Services Ltd
126. Eurabia Engineering & Construction Co
127. Euromarche Superstore
128. Exxon Saudi Arabia Inc
129. Fawaz Abdulaziz Alhokair & Co
130. Fluor Daniel Arabia
131. Fosam Company Ltd
132. Foster Wheeler Saudi Arabia Co Ltd
133. Fuchs Petroleum Saudi Arabia Ltd
134. Gada Navigation Co Ltd
135. General Motors Overseas
136. GH Transport Ltd
137. Globe Marine Services Co
138. Golden Grass Incorporated
139. Greyhound Services Saudi Arabia
140. Gulf Agency Company Saudi Arabia
141. Gulf Danish Dairy Co Ltd
142. Gulf Meridien Hotel
143. Gulf Stars Computer Systems
144. Gulf Union Insurance Co Saudi Arabia
145. Gustav Epple Arabia Ltd
146. Halwani Brothers Co
147. Hempel Paints (Saudi Arabia) WLL
148. Hitachi Corporation
149. Holiday Inn
150. Honeywell Turki Arabia Ltd
151. Hoshanco
152. Hotel Al Hamra Sofitel
153. Hotel Al Khozama
154. Hyatt Regency
155. Hyundai Engineering & Construction Co Ltd
156. Imperial Chemical Industries (ICI)
157. Intercontinental Hotel
158. Int'l Center for Commerce & Contracting
159. International Food Company
160. International Turnkey Systems
161. Islamic Development Bank
162. Jameel, Abdul Latif Group
163. Jamjoom Corp for Commerce & Industry
164. Jeddah Beverage Can Making Co
165. Jeddah Marriott Hotel
166. Jeraisy Group of Companies
167. Juffali, E A, & Bros
168. Kaki, Ahmed & Mohammed Saleh Group
169. Kanoo Group
170. Kassab Int'l Investments & Trading Co
171. Keller Turki Co Ltd
172. Khonaini International Co Ltd
173. King-Wilkinson (Saudi Arabia) Ltd
174. Lamnalco (Saudi Arabia) Ltd
175. Lear Siegier Arabia Ltd
176. LG Construction (Arabia) Ltd
177. Lockheed Middle East Services
178. Lubrizol Trans Arabian Co
179. Luluatt International Hospitals Group
180. Mace Saudi Arabia Co Ltd
181. Mansour General Dynamics Ltd
182. Marubeni Saudi Arabia Co Ltd
183. Masstock Saudia Ltd
184. McClelland-Suhaimi Ltd
185. McConnell Dowell Saudi Arabia Ltd
186. McDonnell Douglas
187. Metito Arabia Industries Ltd
188. Middle East Engineering Ltd Saudi Arabia (MEELSA)
189. Mitsubishi Corporation Saudi Arabia
190. Mitsubishi Electric Saudi Company Limited
191. Mitsui Engineering & Shipbuilding Arabia Ltd
192. Mobil Saudi Arabia Inc
193. Modern Industries Co
194. Mohammad Almojil Group
195. National Advanced Systems Co
196. National Chemical Industries Ltd
197. National Co for Cooperative Insurance (NCCI)
198. National Computer Systems Co
199. National Group for Communications & Computer Ltd
200. National Methanol Co Ltd (IBN SINA)
201. National Plastic Co (IBN HAYYAN)
202. National Shipping Company of Saudi Arabia (The)
203. National Telecommunications Co Ltd
204. National Titanium Dioxide Co Ltd (CRISTAL)
205. Nesma-Costain Process Co Ltd
206. Northrop Grumman
207. Olayan Kimberly-Clark Arabia Co
208. Orbit Summit Health Ltd
209. Oriental Commercial & Shipping Co
210. PDM Saudi Arabia
211. Peninsular Aviation Services Co
212. Petrocon Arabia Ltd
213. Petrolite Saudi Arabia Ltd
214. PETROLUBE
215. Petromin Lubricating Oil Refining Co (LUBEREF)
216. Petromin Mobil Yanbu Refinery Co Ltd (PEMREF)
217. Petrostar Co Ltd
218. Ramada Palace Hotel
219. Raychem Saudi Arabia Ltd
220. Raymond Saudi Arabia Ltd
221. Red Sea Insurance Group
222. Redec Daelim Saudi Arabia Co Ltd

223. Redland Industrial Services (Arabia) Ltd
224. Resource Sciences Arabia Ltd
225. Ret-Ser Engineering Agency
226. Rezayat Company Ltd
227. Riyadh Cables Group
228. Riyadh House
229. Rolls-Royce International Turbines
230. Saba Abulkhair & Co
231. SADAFCO
232. Safari Company Ltd
233. Sappco-Texaco, Insulation Products Co
234. Sato Arabia Company Ltd
235. Saudi American Bank
236. Saudi American General Electric Co
237. Saudi Arab Marketing Corp
238. Saudi Arabia Ltd (FIRITSA)
239. Saudi Arabian Amiantit Co Ltd
240. Saudi Arabian Bechtel Corporation
241. Saudi Arabian Dames & Moors
242. Saudi Arabian Ductile Iron Pipes Co
243. Saudi Arabian Dumez Co Ltd
244. Saudi Arabian Engineering Co Ltd (SAECO)
245. Saudi Arabian Glass Co
246. Saudi Arabian Investment Co
247. Saudi Arabian Kent Co Ltd
248. Saudi Arabian Markets & Shell Lubricant Co
249. Saudi Arabian Oil Company
250. Saudi Arabian Packaging Industry WLL
251. Saudi Arabian Telecommunications Co Ltd
252. Saudi ARAMCO Mobil Refinery Co
253. Saudi Basic Industries Corporation (SABIC)
254. Saudi Basic Technologies Ltd (SABAT)
255. Saudi Bauer Foundation Contractors Ltd
256. Saudi British Bank (The)
257. Saudi Bulk Transport Ltd
258. Saudi Cable Group of Companies
259. Saudi Cairo Bank
260. Saudi Chemical Industries Co Ltd
261. Saudi Dairy & Foodstuff Co Ltd
262. Saudi Danish Construction Corporation Ltd
263. Saudi Davy Co Ltd
264. Saudi Electric Supply Co (SESCO)
265. Saudi Electro Mechanical & Air Conditioning Co
266. Saudi Electronic Circuits Ltd (FAAT)
267. Saudi Electronics & Trading Co Ltd (SETCO)
268. Saudi Elevator Co Ltd (SCHINDLER)
269. Saudi Ericsson Communications Co Ltd
270. Saudi ETA Ltd
271. Saudi European Petrochemical Co (IBN ZAHR)
272. Saudi General Insurance Co Ltd
273. Saudi German Aluminium Products Co Ltd
274. Saudi German Fiberglass Production Co
275. Saudi German Hospital
276. Saudi Gold & Jewellery Marketing Co
277. Saudi Hotels & Resort Areas Co
278. Saudi Industrial Projects Company (Pepsi Cola)
279. Saudi Investment Bank (SAIB)
280. Saudi Investment Group & Marketing Co
281. Saudi Kuwaiti Cement Manufacturing Co
282. Saudi Lighting Co Ltd (SLC)
283. Saudi Max Group
284. Saudi Methanol Co (AR-RAZI)
285. Saudi Minerva Co Ltd
286. Saudi Modern Co for Cable Industry Ltd
287. Saudi Oberoi Co Ltd
288. Saudi Orient Maritime Co Ltd
289. Saudi Pan Gulf - UBM
290. Saudi Paper Manufacturing Co
291. Saudi Petrochemical Co (SADAF)
292. Saudi Services & Operating Co
293. Saudi Shinwa Co Ltd
294. Saudi Tarmac Co Ltd
295. Saudi United Insurance Co Ltd
296. Saudi Vitrified Clay Pipe Co Ltd
297. Saudi Wiemer & Trachte Ltd
298. Saudi Yanbu Petrochemical Co (YANPET)
299. Saudi Xerox Agencies Co
300. Savola Company
301. Shell Lubricants Co Ltd
302. Sheraton Hotel & Towers
303. Sherwin Williams Saudi Arabia Co
304. SHM Group - Safari Co Ltd
305. Siemens AG
306. Sigma Paints Saudi Arabia Ltd
307. Tamimi Safeway Group
308. TASECO-TMS SA Ltd
309. Taylorplan-Saudl Arabian Markets Ltd
310. Technip Saudi Arabia Ltd TPSA
311. Texaco Saudia Inc
312. Thinet International
313. Thompson Cola Azzam
314. Tihama Almuna International
315. TIG-Tesco International Ltd
316. Tradco-Vulcan Co Ltd (TVCL)
317. Tysir Hotels & Factories
318. Unc Lear Siegler Inc
319. United Arab Motors Co Ltd
320. United Arab Shipping Agencies Co
321. United Commercial Agencies Ltd SA
322. United Gulf Group
323. United Industrial Co
324. United Medical Group
325. United Saudi Commercial Bank
326. Universal Marketing Center
327. Vetco Saudi Arabia
328. Watson (Saudi Arabia)
329. Western Electric International
330. Westinghouse/ISCOSA
331. Whittaker Saudi Arabia Ltd
332. Xenel Industries Ltd
333. Yamamah Steel Industries Co Ltd
334. Zahid Tractor & Heavy Machinery Co
335. Zamil Steel Buildings Co Ltd

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