

**UNIVERSIDAD DE LAS AMÉRICAS PUEBLA**

**School of Business and Economy**

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**Cultural features to consider when doing business with the  
member countries of the Cooperation Council for the Arab  
States of the Gulf**

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A handwritten signature in black ink, appearing to read 'Raúl Bringas Nostti', is written over a horizontal line. The signature is stylized with loops and a long horizontal stroke extending to the right.

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## **Introduction**

The Cooperation Council for the Arab States of the Gulf, better known as “Gulf Cooperation Council” or “GCC”, is the only multilateral trade agreement in the Middle East. Signed in 1981, this trade agreement is formed by six member States: The Kingdom of Saudi Arabia, the United Arab Emirates, the Kingdom of Bahrain, the State of Qatar, the State of Kuwait, and the Sultanate of Oman. All of them located in the Arabian Peninsula and sharing coastline with the Persian Gulf.

The six member states have been characterized for presenting an enormous economic growth and wealth due to the large oil exports to different parts of the world. As a result, the Arab States of the Gulf represent an interesting opportunity for Western companies to expand. However, the region also represents a big challenge since its culture, language, religion, history, values, societies, etc., differ a lot from the Western world.

That said, throughout this thesis all those variables will be studied and analyzed with the aim of having a better understanding of the GCC countries, in such a way that Western companies could find it a lot easier to venture into the Arabian Peninsula. Also, this research will be useful to identify current business opportunities in the region, as well as the points to consider when doing business with the Arab States of the Gulf.

### **Justification**

Nowadays, we are living in the era of globalization. For Multinational Companies, that means that if they want to be competitive, they must open their horizons by exploring new markets and global opportunities. Thus, this topic is of great interest since it is focused on understanding and analyzing a region that differs a lot from Western countries but that could be considered as the next destination for the expansion of a company due to its wealth and economic growth.

Also, the topic is particularly relevant for Western companies that currently operate in the region but are still striving to adapt and position themselves in a new and unknown land. Having a better understanding of the countries where a company operates is essential for decisions making and doing business with locals.

Finally, it is important to mention that since many facts about the GCC countries could be complex due to the differences of culture and language, throughout the text, every element will be described clearly and concisely. Also, while it is true that the thesis provides insights and a better understanding of the region, companies must also consider their own attributes and elements when doing business with the Arab States of the Gulf.

### **Objectives**

Since the great challenge that Western companies face when doing business in the GCC is related with a lack of understanding of the region and adaptation, the purpose of this thesis is to study and analyze the main cultural, economic, and social aspects that Western companies must keep in mind and consider to succeeding when doing business with any of the member countries of the Cooperation Council for the Arab States of the Gulf.

### **Theoretical Framework**

There are two different theories about the challenges at the time of taking a Western Company to the Arab States of the Gulf. In the first place, there are authors that highlight the importance of cross-cultural management and understanding the context of countries to be able to create business strategies for entering a new region. On the other hand, authors mention the fact that security problems, lack of integration and global reputation about the GCC in topics such as human rights are the main causes that affect the business environment along the Arabian Peninsula.

For example, Chang, S., investigator at the Illinois State University conducted a study about the importance of understanding cultural differences in Global Business. In this research, the author states the following quotation:

Different cultures breed different socio-politico-economic systems and paradigms. This means that economic systems and policies, market mechanisms, financial institutions, corporate systems and governance are all inherently culture-bound. Therefore, understanding different cultures is critical in understanding different systems (2010, P.2).

That said, Global Companies can create strategies for entering new countries once they have identified and understood the cultural differences of new markets. In the Journal of Accounting and Marketing it is mentioned that business strategies are important since they help to understand the “crucial variables that need to be traded off when making important decision as regard to internationalization” (Azuayi, R., 2016, P.5). Also, Tomar, B., highlights the importance of recognizing the power of cross-cultural management (2019, ¶4).

On the other hand, Coates, K., investigator at the Arab Center Washington D.C. believes that there are Missed Opportunities in the GCC region due to the failed integration of the council. As examples, he mentions the failed currency and monetary union and “the



missed opportunities that held back attempts to foster greater cooperation, leading to less integration in major policy areas” (2018, ¶12).

In addition, it has been stated that “today, the GCC states clearly face daunting security challenges from the war in Yemen to the COVID-19 pandemic, and from the Syrian and Libyan crises to the intense US-Iran brinkmanship that subjects all countries in the Gulf to grave dangers” (Al-Jaber & Cafiero, 2020, ¶13). Moreover, Morayef, H. criticizes the reputation of the region in terms of human rights, which constitute an obstacle for the internationalization of the Arabian Peninsula (2018, ¶13).

However, despite obstacles and lack of integration in the Arab States of the Gulf, the GCC has signed Free Trade Agreements with countries such as New Zealand, Singapore and EFTA countries and it is negotiating with economic blocs like the European Union and Mercosur (United Arab Emirates Ministry of Economy, 2022). Thus, the region already has strong commercial relations with the Western World.

### **Methodology**

This research was carried out by studying and analyzing different bibliographical sources. Those include a variety of academic texts, journals, thesis, books, newspapers, statistics, among other sources whose origin and authors are reliable and relevant for the topic and purposes of the thesis.

In the first place, the nature and history of the region was analyzed, as well as the formation of the Cooperation Council for the Arab States of the Gulf. Also, research about the culture and socioeconomic data of the multilateral trade agreement was conducted. Secondly, I studied the current Western companies that operate in the region in terms of customers relation, strategies, and operations.

Then, the thesis focused in understanding the corporate culture of the Arab States of the Gulf, as well as the labor context in the region. Finally, the insights for Western companies to keep in mind when operating in the Arabian Peninsula were listed. Also, the business opportunities in the region and the future of the Gulf Cooperation Council as a diversified economy were topics analyzed.

## **Results**

### **CHAPTER I**

#### **Arab countries of the Persian Gulf**

#### **1.1- The Arab countries of the Persian Gulf.**

##### **1.1.1 The Persian Gulf**

At first sight, the Persian Gulf is a body of water located in Western Asia, more specifically, between Iran (old Persia) and the Arabian Peninsula, being an important connection between Asia, Europe, and Africa. However, its importance has growth due to the fact that it has been discovered that 50% of the world's oil reserves are there (RAND corporation, 2019). All in all, the Persian Gulf has a big importance for the world on account of history, political facts, and location.

In the side of the Arabian Peninsula, we can find countries such as the United Arab Emirates, Bahrein, Kuwait, Qatar, and Saudi Arabia. On the other side of the sea, we find Iran, which is the country that possesses the longest coast. This makes defining the name of the Gulf a big issue for geographers, historians, and politicians, creating a great debate between “Persian Gulf” and “Arab Gulf”. Nevertheless, the United Group of Experts on Geographical Names mention that:

Thus, if we were to presume that the sea did not have a name during history and those geographers and specialists were to select a name for this gulf, doubtlessly, they would find no better name than PERSIAN GULF, because Iran (PERSIA) is the largest country adjacent to this water body which possesses the longest coast. (2006, p. 1)

However, this thesis will be focused on the Arab Peninsula, in such a way that the geographic region will be mentioned in some cases as Arab Gulf for study purposes. Later, the characteristics and reasons why we call a region “Arab” will be defined.

As it has been mentioned before, the Persian Gulf represents an important region for economics, politics, and culture. Nevertheless, the history of this region has been full of conflicts, wars and disputes which are important to study if we want to have a complete vision of the region. Furthermore, the influence of different cultures and empires over the time has defined what the countries of the Arab Gulf are now and the way their societies interact.

### **1.1.2 Brief history of the Gulf**

The territory of where the Arabian Peninsula is located, testified the first human civilizations (Sumerians), as a matter of fact, there is evidence that human habitation in the Arabian Peninsula dates back to about 125,000 years ago (Callaway, E. 2011 ¶2), referencing to the nomadic tribes that lived in the area. However, it was until the VI century with the born of Muhammad and the previous years with the rise of Islam that the tribes starting to unify, and the current majoritarian religion of the region was molded.

Although Islam had become the most important religion of the Arabian Peninsula, in the XVI century, the Ottoman Empire wanted to take control of the zone. Nevertheless, the emirs of the tribes always fought against the conquest attempts, making the grade of control of the Ottomans to vary along the next four centuries. It is a fact that makes that nowadays the culture of the south countries of the Peninsula quite different from the north.

After that, in the XX century with the support of Britain and its victory over the Ottoman Empire in World War I, an Arab State was created. However, a lot of internal

conflicts for the power and control emerged. It was until the 23<sup>rd</sup> of September 1932, when the two kingdoms of Hejaz and Nejd were united as the Kingdom of Saudi Arabia. That date is now a national holiday which represents the born of the country and is called “Saudi National Day”.

On the other hand, the East Coast of the Arabian Peninsula became a protectorate of the British Empire. That meant that the territories of which nowadays is Bahrein, Qatar, the United Arab Emirates, Kuwait, and Oman, used to be ruled by local emirs and authorities but the British Crown could involve in their internal affairs. Furthermore, using treaties and concessions, the presence of the British Empire became each day stronger.

Therefore, those countries started to look for the independence, in such a way that Oman got the independence from Britain in 1951, however, it became a nation until 1970, when Sultan Qaboos ascended to the throne. Then, in June of 1961, Kuwait was the first one in finishing the British protectorate and Sheikh Abdullah Al-Salim became Emir of Kuwait. Ten years later in 1971, the Arab Emirates, Qatar and Bahrein became fully independent.

### **1.1.3 Arab countries**

What comes to your mind when you hear the word “Arab”? For too many people could be the language, for some others Islam (although it is not right) and for other people, lands with great extensions of desert and oil reserves. However, it is a hard task to find the correct elements that define the Arab Identity of the countries. Nowadays, there are 22 Arab-speaking countries which are part of the Arab league (Columbia encyclopedia, 2013) and all those countries share a lot of things in common.

First of all, the “sense of Arab nationhood is based on what they have in common—namely, language, culture, sociopolitical experiences, economic interests, and a collective

memory of their place and role in history.” (Barakat, 1993, p. 33). Those are the main reasons why the people from Arab countries really consider their selves Arabs and it also applies to other people from a member country of the Arab league, making the concept really important to define.

Arab is the official language and probably the best way to identify an Arab country. However, each country has its own Arab dialect which sometimes is hard to understand between native speakers; Arab speakers from Morocco have difficulties to understand Arab speakers from the Arabian Peninsula. Secondly, Islam is for too much the main religion in Arab countries, nevertheless, there are Arabs with other beliefs and, according to the Financial magazine, it is wrong to classify a Muslim and an Arab as synonyms (2016, ¶4).

#### **1.1.4 Arab countries of the Gulf**

After you have already identified the main characters to identify an Arab country, it is time to proceed by identifying which countries of the Arab Gulf fit in the classification. There are six countries in the Gulf that are members of the Arab League and share language, dialect, history, and a lot of other cultural features; these countries are: Saudi Arabia, Kuwait, Oman, the Kingdom Bahrein, Qatar and the United Arab Emirates (BBC, 2017, ¶1).

At first sight, the Kingdom of Saudi Arabia is the largest of the six countries mentioned previously and the second largest of the Arab League just after Argelia. Its capital city is Riyadh, and it is governed by a Unitary Islamic Absolut Monarchy in which Salman of Saudi Arabia is the King. The country has an estimated population of 33 million habitants and according with the International Monetary Fund, Saudi Arabia has the largest economy of the Middle East (2019).

Secondly, the United Arab Emirates is a federation of seven emirates (Abu Dhabi, Ajman, Dubai, Fujairah, Ras Al Khaimah, Sharjah, and Umm Al Quwain). The country is under the government of a Sovereign Constitutional Monarchy, in which Khalifa bin Zayed is the President and Mohammed bin Rashid the Prime Minister. The estimated population is of 9,599,353 people and the most important cities are Dubai and Abu Dhabi, which is the Capital City.

Then, Qatar is another country which is located in the Arab Gulf. It is governed by and Hereditary Monarchy in which Tamim Bin Hamad is the Emir and Abdullah Bin Nasser the Prime Minister. Its Capital City is Doha, which has an estimated population of 2,300,000 people, which is almost the total of 2,641,669 people in the country. Moreover, according with Kamrava, M. (2013) "Qatar has emerged as one of the world's most proactive mediators in recent years (§1).

After Qatar, we have an island country whose name is Bahrain. The island is situated just between the coast of Qatar and Saudi Arabia and its population is of 1,234,571 habitants. It is governed by a Unitary Parliamentary Islamic Constitutional Monarchy, with Hammad bin Isa in the crown and Khalifa bin Salman as Prime Minister. The Capital City of Bahrein is Manama, which is, according with the Bahrein Ministry of Culture (2013) "proof that Bahrain has embraced knowledge and how it is qualified to set up an Arab cultural infrastructure" (§1).

On the Southeastern Coast of the Arabian Peninsula the country of Oman is located. Its Capital City is Muscat, which is also the largest city of the country. Oman has a population of 4.5 million people, and the government is based in a Unitary Parliamentary Islamic Constitutional Monarchy with Qaboos bin Said as Sultan and Prime Minister. Moreover,

Oman has a great location due to the fact that it has coast in the Arabian Sea, Gulf of Oman, and Arab Gulf (BTI, 2018).

Finally, Kuwait is the sixth Arab Country located in the Gulf which shares a lot of features with the previous five countries. It has an estimate population of 4,621,638 habitants. Kuwait is situated in the northern of the Arab Gulf and its Capital is Kuwait City. It is governed by a Unitary Parliamentary Constitutional Monarchy, with Sabah Ahmad as Emir and Jaber Mubarak as Prime Minister (Central Intelligence Agency, 2019)

### **1.1.5 The rivalry between the Arab countries of the Gulf and Iran**

Despite the closeness between The Arab States of the Gulf and Iran, both regions are different in too many aspects. And it is not only a fact of not sharing language, history, and culture, but Persians and Arabs have an historic rivalry which has a very ancient origin. This rivalry is nowadays a cause of attacks, terrorism, and hostility in the relations of the Arab world with Iran. During this part, I will briefly describe the origin of this problematic and the effects that it has in business.

According to the BBC News, the hostility dates from centuries ago and it is based on religious differences, because “each region follow one of the two main branches of Islam” (2019, ¶3). While Iran is largely Shia Muslim, Saudi Arabia leads Sunni Muslim Power. But what is the difference between Shia and Sunni Muslim? To answer this question, we have the following quote:

The separation of the two groups started after the death of the Prophet Muhammad. The majority believed that his rightful successor was his father-in-law and close friend, Abu Bakr, but a small group believed the Prophet Muhammad's successor should be Ali ibn Abi Talib, his cousin and son-in-law and father of his grandchildren (Tasch, B., 2015, ¶5).



That said, we can clearly appreciate how the conflicts between these two religious groups go back to the seventh century. Nowadays, of the total Muslim population, between 10-13% are Shia and between 87-90% are Sunni Muslims (Pew Research Center, 2009, ¶3). For too much, the Sunni Muslims represent the majority along the Arab world.

Moreover, some other differences are related not only with their beliefs, but with their holidays and their traditions. However, both Sunni and Shia Muslims agree that Muhammed is God's messenger [...] and the both share the holy book of the Quran (Tasch, B., 2015, ¶10-11). Despite their similarities, there has been an increase in the rivalry between both religious groups in the last decades, which we will mention bellow.

First, Saudi Arabia has been historically the birthplace of Islam, but in 1979 as a consequence of the Islamic Revolution, Iran created a new kind of state in the region. Then, in 2003 with the death of Saddam Husain, Iran got more influence over Iraq. Nowadays, the conflict of Syria also plays an important role on this rivalry, since Iran is supporting President Bashar al-Assad and Saudi Arabia and their allies are supporting Sunni rebels (Gardner, F., 2015, ¶4).

## **1.2 The Cooperation Council for the Arab States of the Gulf.**

### **1.2.1 History and formation of the Council**

It is a hard task to define when the cooperative spirit among the Arab States of the Gulf began. However, Alasfoor, R. mentions that "effort to create some kind of cooperative framework dated from the late 1960s" (2007, P.29). During the 70s years there were a lot of attempts of getting a Gulf common market, however, in 1980 a bloody war between Iran and Iraq started, which excluded the previous countries from the cooperation ideas (Alasfoor, R., 2007, P.29).

With the scenery of war in the Gulf, the rest of the countries (Oman, Bahrein, Kuwait, Qatar, UAE, and Saudi Arabia) decided to start thinking in a way to stay safe, united, and mainly, to join regional security and affairs. On February 4-5, 1981, a meeting of Gulf foreign ministers took place, in that meeting Kuwait mentioned its proposals of establishing a Cooperation Council of Arab Gulf States, integrating cultural, social, economic, political, and financial affairs (Alasfoor, R., 2007, P.30).

Then, on 26 May 1981, after a meeting held in Abu Dhabi (Capital of the UAE) between the heads of state of Saudi Arabia, Kuwait, Bahrein, Qatar, Oman and the United Arab Emirates, the formation of the Gulf Cooperation Council was announced (Abdullah, J., 2014, P.9). Furthermore, Abdullah J. mentions that “while security concerns might well have been lurking, [...] a diverse set of contextual factors prompted the GCC’s founding (2014, P.9).

Since then, the Gulf Cooperation Council has had a lot of changes and has faced a lot of challenges. However, it is a proof perseverance of hard working and perseverance by the state members. The organization, achievements and more information about the council will be mentioned along the thesis, as well as the opportunities that could be taken by enterprises and companies.

### **1.2.2 Organization and structure**

The GCC is currently composed of three principal bodies, the Supreme Council, a Ministerial Council and a Secretariat-General (Alasfoor, R., 2007, P.37). On the one hand, the Supreme Council represents the highest authority of the GCC, and it is integrated by the six heads of state. They celebrate an annual meeting, and it is considered value if they are attended by two-thirds of the member states. Moreover, it is relevant to mention Alasfoor’s research:

The presidency of the Council is undertaken by each state in turn according to the Arabic alphabetical order of the names of member states [...] The Supreme Council draws up the overall policy of the organization; it discusses recommendations and laws presented to it by the Ministerial Council and Secretariat-General in preparation for endorsement. (2007, P.37-38).

On the other hand, there is a Ministerial Council, which is composed by the ministers of foreign affairs. They meet at least every three months and Presidency of this council is chosen according to the last member state that presided ordinary session of the Supreme Council. The function of the Ministerial Council is to make recommendations to the Supreme one in order to facilitate cooperation and relations among the members. (Alasfoor, R., 2007, P.38).

Finally, the Secretariat-General is composed by the Office of the Secretary-General and directors of: Political Affairs, Economic Affairs, Military Affairs, Environmental and Human Resources, Legal Affairs; Financial and Administrative Affairs, Information Centre, Patent Bureau, and Telecommunication Bureau. Their function is to implement the recommendations by the Supreme and Ministerial Councils, as well as doing reports and accounts (Alasfoor, R., 2007, P.41).

### **1.2.3 Achievements and benefits**

According to the Gulf Cooperation Council Official Website, there are a lot of achievements gotten in too many different fields. Some of the fields are related with areas such as economics, environment affairs, security, media and legal cooperation, politics, regional cooperation, etc. However, due to the purposes of the thesis, the focus will be in Economic Cooperation, Regional Cooperation, and Economic Relations with other Countries and Groupings.

First of all, the GCC has achieved an economic integration among the member states in the field of agriculture, energy, finances, and cooperation in trade. Focusing on cooperation in trade, there is a section in the official website of the council that mentions the principal objectives and statutes: “retail and wholesale trade, stock ownership, formation of joint ventures [...] and elimination of barriers to intra-GCC trade.” (GCC, 2019, ¶2).

Moreover, some of the most significant benefits in international commerce that the member states have acquired on account of the Economic Cooperation are the following: to import and export national products from and into any Member State without a local agent, reducing technical barriers on trade in line with the objectives of the GCC Customs Union and Common Market, adopting the GCC Trademark Law and Permitting Gulf companies to have branches in the GCC States. (GCC, 2019)

Secondly, they have worked on External Policies in order to be coordinated in regional and international issues. All the external policies that the Cooperation Council looks after are routed “on neighborly principles, non-intervention in internal affairs, respect of sovereignty of each state over its territories and resources” (Information Affairs, 2014, P.13). Alasfoor, R. gives us an example of how laws in the UAE look after this point:

Article 7 of the UAE states in part member states shall coordinate their commercial policies and relations with other states and regional economic groupings and blocs with a view to creating balanced trade relations and favorable circumstances and terms of trade therewith [...] (2007. P.76).

Finally, in the field of Regional Cooperation and Economic Relations with other Countries and Groupings, the cooperation council has achieved to establish important alliances with too many countries and regions around the world. Focusing on western countries, the Council has had important negotiations with the European Union,

MERCOSUR countries, etc. (GCC, 2019, ¶1). Moreover, the main points accorded in these negotiations and meetings have been about commerce and investment.

Although the Gulf Cooperation Council has concreted a lot of its main goals, there are still a lot of things to do and challenges to face. Alasfoor, R. mentions a relevant problem that the member states have, which is related with the fact that the member states of the council produce competitive rather than complementary goods (2006. P.78). However, there are some probable solutions that will be discussed in the following chapters.

#### **1.2.4 Worldwide importance of the Gulf Cooperation Council**

All in all, as it has been said and mentioned along the thesis, the Arab Gulf has an historic, cultural and economic importance. Nevertheless, the Gulf Cooperation Council has been working in stand out the strengths of the member states through the mutual work and cooperation. All those countries as a region have unified efforts in order to have a worldwide impact.

They six members of the Cooperation Council, have together and estimated population of 54 million people which share over 1 million square miles (World Population Review, 2019, ¶3). Moreover, as it was mentioned in the first chapter, the geographical location of the Cooperation Council is rattling relevant, since it is close from three Continents (Africa, Europe, and Asia).

Furthermore, data from the Gulf Cooperation Council Statistical Center give us the following numbers: The Gross Domestic Product (GDP) of the region is of 1.5 trillion USD, which give us a GDP per capita of 26.7 thousand USD. Another relevant fact is that the region of the Cooperation Council is together the first oil producer in the world with 17.4 million Barrel/Day (2019).

Finally, the Gulf Cooperation Council plays nowadays an important role into the global economy. The union and cooperation among the Council members has been important for getting all the benefits and achievements that the region currently has. Moreover, as it has been mentioned, cultural and geographical similarities have also been an important fact for the well function and positioning of the Council worldwide.

### **1.3 Gulf Arab countries culture.**

We have already identified which countries of the Gulf are considered Arabs and which ones we will focus in order to understand the function on the Cooperation Council for the Arab States of the Gulf. Now, it is time to proceed by introducing the main cultural features that define the Gulf in points such as religion, food, family, values, etc.

#### **1.3.1 Islam in the Gulf Arab countries culture and society**

As we have already mentioned in the previous part of the thesis, the Islam plays an important role in Gulf Arab countries. First, since government and laws of most of these countries are ruled by this religion; secondly, due to the fact that it is the official and main religion professed by Gulf Arab citizens. However, is time to focus on how this influence of religion molds daily life in the Gulf Arab countries.

To start with, we will identify the five pillars of Islam which according to The Met Museum are: profession of faith, prayer, alms, fasting and pilgrimage (2019, P.1). Profession of Faith refers to the fact that Muslims have the belief that “There is not god but God, and Muhammad is the Messenger of God”. All these pillars can be found in the Koran, holy book of the Islam.

Moving into another pillar, prayer, this one indicates that Muslims pray facing Mecca five times a day. The next one, *Alms*, means that according to the Muslim law, believers must donate part of their incomes to altruistic purposes. *Fasting* means that in indicated hours of Ramadan, healthy adult Muslims are required to abstain from food and drink.

Finally, Pilgrimage refers to the famous tradition of visiting Mecca at least once in their life. However, Muslim law has also prohibitions that people take seriously such as alcohol and pork (Publímetro, 2013, ¶2-5). Furthermore, Islamic Holidays, which are related with the Islamic calendar and religious commemorations, are very respected by Muslims (Webster University, 2019, ¶3).

### **1.3.2 Gulf Arab food and cuisine**

What comes to your mind when you think about Arab cuisine? Maybe the most significant adaptation of the middle east cuisine in western cities are Kebabs restaurants, which we can find in any big city of Europe, the United States, etc. However, Arab cuisine has a too much bigger variety of dishes, ingredients and flavors which make it historically and culinary unique.

It has been mentioned by Alkhatib, R. in the Arab American Institute that Arabic food is culture, resistance and home (2017, ¶1). The author made this affirmation referring to the religion and culinary traditions and the fact that too many Arab people has been displaced from their mother country on account of wars and conflicts, making food the only way they must remember home.

Nevertheless, we will focus on the Gulf Arab food, which is really influenced by the Arab world and religion but with its own products and ingredients from the Gulf, such as seafood, rice, bread, dates, yogurt, vegetables, meat from sheep, goats, camels, etc.

(Sulayman, N. 2019, ¶12). Moreover, we cannot miss the Arab coffee (قهوة عربية), which has been defined as a way of life (Hoosdhmand, D. 2019, ¶1).

Gulf Arab food is full of tradition and history. In the first place, people prefer eating only with the right hand according with the traditional way (eating with the left hand is considered a sin). Then, they have the Muslim taboos against pork and alcohol, and the fact that all meat they consume from other animals must be gotten respecting the halal (حلال) method. (Sulayman, N. 2019, ¶13). Finally, it is important to mention that coffee is for excellence, the social drink in the Arab Gulf and plays the role of the alcohol in the West (Hoosdhmand, D. 2019, ¶47).

### **1.3.3 Family and values for Gulf Arab society**

On the one hand, for this part of the thesis I found a very interesting publication written by Prof. Yahya El-Haddad at Bahrain university in 2003. In his article, the professor mentions the most significant transformations that Gulf Arab families have faced. Moreover, he emphasizes in the fact that “Gulf Arab families are going through a process of transition and change that influence their values and behaviors” (P.2).

An important cause that Prof. El-Haddad says is transforming Gulf Arab families, is related with the discovery of oil and the great growth that it has provided, making cities grow quickly and elevating economic abundance. This fact has also integrated Gulf society to the capitalist market, where modernization and globalization are playing an important role in the changes on family functions.

Moreover, the publication focusses on the idea that the values in Gulf Arab families are in a transition from traditional to modern. El-Haddad mentions examples such as the fact that women can now have education or some other roles more than just staying at home and



children have now more freedom (2003, P.6). Although it is true that Gulf Arab families are changing, we also must learn a little about traditional families, which still exist.

On the other hand, Salem F. affirms that “Family forms an essential role in the Emirati community” (2009, ¶1). The author also mentions some important values in Arab families, for example, the unconditional endless love, care, and respect recommended in the Holy Quran. Moreover, she mentions how Arab families grow on account of marriage. People in the UAE have always been very proud of their large families (Salem F., 2009, ¶6).

#### **1.4 Socioeconomic data of the Arab countries of the Gulf**

In the previous subchapters of the thesis, I have presented that the member countries of the Gulf Cooperation Council together have a population of over 54 million people. This means that the region concentrates 0.76% of world population. Also, I have presented the Gross Domestic Product of the GCC, which give us an attractive GDP per capita of over 26 thousand USD.

However, in this part of the thesis I will present more data and information about the economy and sociopolitical environment of the region. For example, I will get into context about macroeconomic indicators of the member countries of the GCC, such as their currency, the interest rate, inflation, monetary policies, trading policies, competitiveness as well as the current political situation of the region and how it affects security.

##### **1.4.1 – The currency of the Arab countries of the Gulf.**

Up to now, each member country of the Gulf Cooperation Council for the Arab States of the Gulf preserves its own currency. That said, the Kingdom of Bahrain has the Bahraini Dinar (BHD) as its official currency, as well as the State of Kuwait with the Kuwaiti Dinar

(KWD). Also, the Sultanate of Oman has its Omani Riyal (OMR), Saudi Arabia the Saudi Arabian Riyal (SAR) and the State of Qatar the Qatari Riyal (QAR). Finally, the United Arab Emirates have the UAE Dirham (AED) (UAE Moments, 2022).

But what do all those currencies have in common? According to the International Monetary Fund and its Classification of Exchange Rate Arrangements and Monetary Policy Frameworks, the six Arab countries of the Gulf have their currencies pegged to the US Dollar and in the case of Kuwait, to a basket of currencies in which the US Dollar dominates, using an “Other Conventional Fixed Peg Arrangement” model (2004, ¶16). To explain this more in detail I present the following quote by Netty, I. & Abeer, O.:

The six members of the Gulf Cooperation Council [...] have been running currency pegs or managed foreign-exchange regimes since the 1970s and 1980s. Kuwait’s dinar tracks the value of a basket of currencies believed to be dominated by the dollar, while others are linked solely to the greenback. The pegs have helped to shield the region’s economies from the volatility of energy markets and allowed central banks to accumulate reserves in the good times. Those reserves, along with foreign assets held by the region’s sovereign wealth funds, are used in turn to defend the pegs (2022, ¶2).

This fact makes exchange rate among GCC currencies not significant since it is always close to the US Dollar. Actually, there have been some efforts to establish a common currency since the foundation of the council and the idea was taking form to do it by 2010 (Eisa, A., 2007, P.2). However, although some experts believe that this integration could be possible, nothing has been concretized up to now. Moreover, a common currency would also require a single “GCC Central Bank, single monetary policy and the choice of a common GCC exchange rate regime” (Eisa, A., 2007, P.2).

### **1.4.2 – Monetary policy and Islamic finance**

As it was mentioned in the previous part of the thesis, there is not a single GCC Central Bank, then every country has its own central bank and monetary policy, as well as its own macroeconomic data and indicators. Also, since the currency of GCC countries is pegged to the US dollar, make their economy to be susceptible to US monetary policy (Saeed et al., 2019, P.1).

The fact that GCC currencies are pegged to the US dollar has also a great influence in its monetary policy, then, in spite of the fact that Central Banks in the region are independent, their monetary decisions have not significant differences. For example, according to the Saudi Central Bank, Interest Rate of the country went from 2.25% to 3.00% from June to July 2022 and all GCC countries followed the same monetary decision of rising interest rate 0.75 pp, with exception of Kuwait, which raised the interest rate only 0.25 points as their Central Bank data base indicates (illustration in annex 1).

Also, Aqila, N. mentions that “the decision was made after the Fed increased the policy rate by 75 basis points, the fourth interest rate hike in the last four months” (2022, ¶2). That fact confirms the affirmation that monetary policy in the region is strongly influenced by US decisions. However, interest rate doesn’t necessarily mean that inflation on the region has similar values than the US, since inflation for the GCC has an average of 3.2% (Oxford Economics, 2022, ¶1), which is far from the 9.1% of the United States.

On the third place, it is relevant for this part of the thesis to mention that all Central Banks of the GCC countries include “Islamic Finance” on their policies, since the six countries are Islamic as it was mentioned in previous parts. But what is Islamic Finance? The Bank of England mentions that “Islamic finance is based on a belief that money shouldn’t

have any value in itself. It's just a way to exchange products and services that do have a value [...] avoids harm [...] and encourages partnership” (2020, ¶1-3).

However, since all members trade internationally and have an interest rate, they cannot follow this principle 100%, then they have a special section of Islamic Finance on their Central Banks, where they collect the data of the Islamic Banks that operate in their territories, as well as reports of how those institutions benefit its countries and altruistic causes. For example, the Saudi Arabia Islamic Finance Report mentions that “Utilizing Islamic financial resources to create a more impactful non-pro- fit sector is one of the Vision 2030 objectives” (Islamic Financial Services Board, 2021, P.10).

### **1.4.3 – Gulf Cooperation Council competitiveness**

Despite the havoc caused by the global crisis of the COVID-19 pandemic that we can still observe in many countries around the world, GCC economies are projected to expand by 5.9% in 2022, mainly, due to the changes in the energy markets brought about by the war in Ukraine (The World Bank, 2022, ¶3). However, according to the Global Competitiveness Report, there are many other points beyond the energy sector that make this region competitive.

First, in the last report available (2019), we can observe that the GCC members have good positions in the Global Ranking. The United Arab Emirates is the leader of the GCC members in the ranking, which got the 25<sup>th</sup> position out of 141 countries. Secondly, the State of Qatar is in the 29<sup>th</sup> place, then, the Kingdom of Saudi Arabia got the position number 36. In the fourth place, we have the Kingdom of Bahrein with the 45<sup>th</sup> position, followed by the State of Kuwait (46). Finally, the Sultanate of Oman is in the 53<sup>rd</sup> position.

Looking more in detail to the ranking components, we can observe that there are some of them in which the GCC members have similar values, however, in many others there are significant differences. For example, in the component of ICT adaptation, the GCC members position varies from the 2<sup>nd</sup> place to the 66<sup>th</sup>, since majority of the population is connected to the internet or has a mobile-cellular subscription. Also, in terms of product market the positions are between the 4<sup>th</sup> and 51<sup>st</sup> place, since the index indicates that there is diversity of workforce on the region.

On the other hand, we can appreciate that, in the component of macroeconomic stability there is a significant difference among the GCC countries, since while Saudi Arabia, the United Arab Emirates and Kuwait occupy the first places, Bahrein and Oman are in the 117<sup>th</sup> and 119<sup>th</sup> place respectively. Then, despite the similarities of the region mentioned in previous parts, it is always important to analyze each member country in detail to have a better context and comprehension.

#### **1.4.4 – Regional Challenges**

As mentioned above, the region where the member countries of the Gulf Cooperation Council for the Arab States of the Gulf are located has a strategic location for the world and it is the main oil producer region. Then, it is not a surprise that the council has faced a lot of geopolitical and security challenges since its creation. Also, the existence of a historical rivalry in the Gulf makes the situation even more complicated. In this part, I will present the main challenges that the region currently faces.

A paper of the European Journal of Business and Innovation Research identifies three main challenges for the region:

The first one is the oil dominance over other sectors of the GCC economies and the capacity of the state to diversify the economy outside the energy sector. This dominance lead to the failure of all structural change programs. The second challenge is the youth unemployment and the third one is the labour market imbalances (Sufian, M., 2020, P.35).

The first point refers to the fact that despite the governmental efforts to reduce oil dependence, this resource still dominates GDP of the member countries of the Council. Secondly, the paper indicates that due to the high rate of population growth in the region, youth employment constitutes one of the major challenges for the Arab States of the Gulf. Finally, the labour market imbalance indicates that majority of nationals prefer working in public sector, making hard for foreign companies to attract national talent.

Finally, another challenge I identify in the region is to keep diplomacy and peace during the coming years, since according to Cafiero G., 2021 was a year of reconciliation and diplomacy in the Gulf (2021, ¶1). Also, it is a big challenge if we analyze that “given the distrust between the two sides and all the sensitive conflicts in West Asia [...] an Iranian-Saudi rapprochement is highly unlikely for the foreseeable future” (Konrad-Adenauer-Stiftung, 2021, P.3).

## **CHAPTER II**

### **Western companies in member countries of the Gulf Cooperation Council for the Arab States of the Gulf**

#### **2.1 – The Western Companies in the Persian Gulf**

In the first chapter, we focused our investigation in historic, geographic, and cultural facts about the States members of the Gulf Cooperation Council. Now, it is time to start talking about the Western firms that have succeed in the Arab Gulf market. We have already mentioned that the Persian Gulf has a Global Strategic location, reason that attracted the attention of different empires along history. Nevertheless, “it was the 1930s oil discoveries in Bahrain, Saudi Arabia and Kuwait that put the vast part of Arabian lands on the world's petroleum map and brought American oil companies to this strategic region” (Sorkhabi, 2008, ¶1).

That said, we can appreciate that the first Western Companies in the Gulf were American. However, British companies also played an important role since the region of the Arab Sates of the Gulf was a British protectorate (Chapter I). According to Fiona Venn, investigator of the University of Essex, the main American companies that took place there were Standard Oil Company and Gulf Oil Company. On the other hand, the main British Oil companies with a role in the Gulf were Bahrain Petroleum Company (obtaining the only concession in Bahrain) and the Anglo-Persian Oil Company (2000, P.1).

As we can appreciate, the first Western companies in the Persian Gulf were Oil firms due to the discovering of big oilfields in the region. Moreover, the fact that the region was a British Protectorate did not allow that the oilfields exploitation to beneficiate the growth in the region. It was until the independence of the current Arab Countries in the 1970s that they

could use that power for their own benefit, building impressive touristic cities that nowadays have a more diversified economy (Quitian, S., 2017, ¶4), which is one of the reasons why we can find many Global Western firms in big malls in many of those Arab Gulf touristic cities.

### **2.1.1 Gulf Cooperation Council balance of trade and benefited sectors**

As we have mentioned in the previous chapters, the member countries of the Gulf Cooperation Council are characterized for having an open economy. According to the United Arab Emirates Embassy, “Thanks to its open economy, attractive business environment and continued economic growth, the UAE has emerged as a key international trade hub between East and West” (2020, ¶1). This is not only a fact of the UAE, but this is something that is happening along the six member countries due to the Council Policies.

The GCC balance of trade is significantly positive. In 2018, their total exports ascended to a total of 999.2 billion dollars, against their 708.2 billion dollars of imports. However, something very interesting here is that when we divide these numbers in merchandise trade and commercial services, we can appreciate that in the first one they keep having a surplus balance of trade with 869.1 billion dollars exports against 497.4 billion dollars imports. However, in commercial services, the GCC has a deficit with 130.1 billion dollars exports against 210.8 billion dollars exports (World Trade Statistical Review, 2019, P. 144-145).

That said, the main opportunities for western companies in the GCC countries are related with the commercial services rather than in merchandise trade. Nevertheless, it doesn't necessarily mean that exporting products to the GCC is not an option. In Boughanmi's research, it is possible to appreciate that the GCC has a surplus in merchandise exports due to the Mineral Fuels, which represents 128,201 million dollars out of 154,615 of



total commodity exports. However, in some other classifications such as Food and live animals, Manufactured goods and Machinery and transport equipment, they import too much more than what they export (2004, P. 45).

In brief, western companies of commercial services, food, manufactured goods, and machinery should start considering the Gulf Cooperation Council region as their next destination to expand. However, in the following chapters of the thesis we will keep demonstrating in detail some other facts western companies must have in mind when doing business there. Moreover, we will analyze the modern successful western companies in the GCC countries to appreciate the key steps they have taken to conquer this market.

### **2.1.2 – Foreign Direct Investment in the Region**

Foreign Direct Investment has represented an important pillar on Economic Growth in the Gulf Cooperation Council countries. Moreover, this investment is relevant for the future of the region, as Hussain, M. affirms, “the economies of the GCC states can no longer rely on their domestic strengths. There is a need to compete against other regions in terms of attracting FDI. This makes their economies more competitive at the global level” (2009, P.374).

Nevertheless, there are countries that benefit more than others from Foreign Direct Investment. According to the most recent data of The World Bank about Foreign Direct Investment, net inflows, in the year 2020 the United Arab Emirates attracted the highest amount of Foreign Direct Investment, with an amount of 19.88 billion US Dollars. In the second place, the Kingdom of Saudi Arabia attracted 5.4 billion.

Then, the Sultanate of Oman got a Foreign Direct Investment of 2.86 billion during the same period, followed by the State of Bahrain with 1.01 billion. On the other hand, the

states of Kuwait and Qatar are presenting deficits in Foreign Direct Investment, with negative values of -588 million and -2.43 billion respectively. Also, it can be observed that in the last decade, only the curve of the United Arab Emirates presented a significant growth, while Saudi Arabia has fallen dramatically and the other countries have not had significant changes, as it can be appreciated in annex 2.

Finally, an important point to consider about Foreign Direct Investment in the region is the fact that there are some factors currently clouding the investment climate in the world, such as the War in Ukraine, which has resulted in a “in a triple crisis of high food and fuel prices and tighter financing”. Also, the interest rate rises in major markets, which creates a negative sentiment in financial markets (Trade Arabia, 2022 ¶6). That said, there will always be external factors affecting the FDI attractiveness.

### **2.1.3 –The role of modern Western Companies in the GCC countries**

In the previous chapter, it was mentioned that different sectors such as commercial services, food, manufactured goods, machinery, among others, represent a great opportunity for western companies looking to expand to the Gulf Cooperation Council Countries. That said, in this chapter, I will make a review of the main western brands that have already conquered the Arab Gulf market in those different sectors.

First of all, we will present the main construction and machinery firms that have played an important role in the creation of wonderful landscapes with many skyscrapers along the GCC capital cities. American construction firms such as *Adrian Smith + Gordon Grill Architecture*, *Aecom* and *Bechtel* (just to mention some of them) have a strong presence in the GCC and some of them have participated in the most ambitious projects of the region.

For example, Burj Khalifa's design in Dubai, which is the tallest skyscraper worldwide (Warrier, 2019, ¶1-4).

Secondly, we will move to an important sector of manufactured goods, which is automotive industry. Nowadays, we can find all worldwide recognized automotive brands along the GCC. Dubai has world's fastest police car in service, which is neither more nor less than a Bugatti Veyron (CNN, 2017, ¶2). However, it doesn't mean that all GCC population can own an elite car, for mass consumption, "Toyota came in as king of the road among GCC car buyers, followed by Hyundai and Nissan" (The National News, 2019, ¶11).

Finally, the sector of services has also presented an important growth in the GCC region. In the main GCC malls (which have an American design) we can find stores of luxury brands such as Cartier, Chanel, Gucci, Dior, Prada, etc. (Kapur, 2015, ¶5). Moreover, Fast Food western brands are having great results in the GCC, for example, according to Ardent Advisory & Accounting, McDonald's, Little Caesars, and Starbucks are some of the Top fast food and coffee brands in the GCC and mainly, in Saudi Arabia, which represents 60–65% of the total fast-food market in the region (2017, P.28-29).

#### **2.1.4- Corporate tax among member countries**

In the previous part of the thesis, it has been explained that GCC countries have different levels of competitiveness. The level of competitiveness of a country can be a good indicator for foreign companies to invest in the region, however, the ease of doing business is also an important indicator for evaluating how attractive or not is a country, which includes the percentage of corporate tax that countries establish for companies.

According to Varghese, J., "for many years, Gulf economies have maintained low or zero taxes in order to attract foreign business owners and their investment. The GCC remains

an attractive jurisdiction for foreign investment due to favorable tax regimes in most countries in the region” (2022). However, in the last months, it seems that the zero-tax policy among GCC countries will change.

For example, the United Arab Emirates have announced that from June 1, 2023, they will introduce a 9 per cent corporate tax. Also, Bahrain which is a country that operates with a zero-tax policy is in talks to introduce corporate tax in 2023 (Varghese, J., 2022). Also, Bahrain has a corporate tax of 46% that “only applies to entities carrying out activities such as exploration, production or refining of hydrocarbons” (Jitendra, 2022).

Finally, the rest of GCC countries vary on corporate tax. According to Jitendra Chartered Accountants, Kuwait applies a 15% tax only for foreign companies, since business owned by nationals can be excluded from the payment. Then, Qatar has a corporate tax of 10%, followed by Oman with a corporate tax of 15% and finally, the Kingdom of Saudi Arabia has established a corporate tax of 20% (2022).

All in all, although GCC countries are now imposing corporate taxes for foreign companies, their percentage keeps being attractive and competitive if we evaluate that in 2021, “the worldwide average statutory corporate income tax rate, measured across 180 jurisdictions, is 23.54 percent” (Bray, S., 2021). Nevertheless, that value has been going down during the last decades.

## **2.2- Western companies’ relation with Gulf Arab customers.**

Every time that a new company starts operations, it starts establishing relations with their customers and suppliers. However, the relation with customers tends to be more important, due to the facts that it allows companies to increase customer loyalty and retain value

(Fontanella, 2020, ¶4). In other words, companies can engage their customers to keep buying their products by giving them better experiences at the time of buying and consuming their products.

In spite of the fact that the definition of Customer Relations is quite simple, implementing a successful program is not an easy task, especially when we are talking about Western Companies in the GCC, due to the many cultural differences between both regions. According to Ourfali, “to fit within a new society [...] in a completely new culture that has different values and norms, they need to cross-culturally adjust” (2015, P.34).

That said, in this part of the second chapter, we will start by studying the Gulf market framework, to have a better perception of the region and the marketing campaigns and strategies that could be implemented. Secondly, we will analyze how the current Western Companies in the Gulf have used the information available on the market to adapt to Arab Customers. Finally, we will conclude by identifying business opportunities in the GCC based on the previous two points.

### **2.2.1 Consumer habits in the GCC**

Companies must have at least a general idea of consumers habits and tendencies in every new region they want to operate. Thus, in this part of the thesis, some insights about GCC consumers will be presented. Majority of these findings have been gotten from recent investigations and marketing studies in the region applicated by intelligence and research agencies.

For example, the Global Consumer Insights Survey 2022 Middle East findings, which was applied to more than 500 consumers from Saudi Arabia and the United Arab Emirates demonstrates that more than 50% of consumers in the region are optimistic about the

economy. Also, this research found that sustainability is increasing importance in the region, as well as consumers concerns about their data and privacy to trust a brand. Finally, this study affirms that customers prioritize price and convenience (Taki et al., 2022, P.3).

Another interesting insight about GCC consumers is the amount of money they spend in certain activities. According to a study from global consulting firm Strategy & Found, “GCC consumers spend an average 6.2 per cent of their income on leisure and entertainment (L&E), compared to 4.2 per cent spent by the average UK household” (El Sawy, N., 2019, ¶1). Also, Kuwait, Saudi Arabia, Qatar, and the Arab Emirates are four of the top five highest spenders when they visit the UK (Carty, M., 2019, ¶9).

Then, something important to mention about Gulf consumers is the way they behave Ramadan. The industry-leading consumer intelligence acceleration platform Talkwalker developed a study about consumers behavior in the GCC countries during Ramadan 2022. Some of the key findings were that during this time, “consumers are leveraging social media platforms to be inspired and to engage in conversation with brands” and that “Ramadan season for consumers starts before the 30 days of fasting and its impact on brand-consumer relationship continues long after” (Talkwalker, 2022).

Finally, another important insight about GCC consumer was also found by a Talkwalker research in May 2022. According to this study, brands shouldn’t take GCC consumer brand loyalty for granted, since although “72 per cent of surveyed GCC customers expressed strong loyalty to brands they currently use [...] 70 per cent also stated that they are open to new brands if the quality of products is worth buying” (Martechvibe, 2022, ¶3). Then, it is important for brands to constantly improve their products and services to keep being an attractive option for their current customers despite strong loyalty and competition.

### 2.2.2 Gulf Arab customers digital framework

In the first chapter of the thesis, we focused on cultural facts that define Gulf Arab society, such as religion, food, values, traditions, etc. However, since nowadays we are living in a constantly growing digital age, it is very important also to analyze what people look for, read, share, and do on the internet. Having said the above, in this part of the chapter we will focus in collecting information about how digital marketing is working in each of the GCC countries.

In order to develop the research for this part, we will get the data from an online marketing agency called *IstiZada* (استزادة). This agency collects data about every Middle Eastern country, including the 6 country members of the Gulf Cooperation Council for the Arab States of the Gulf. Moreover, it has worked with companies such as *Mango*, *Microsoft*, *Kasperksy lab*, etc. Having said the above, we will start the description of each country in an alphabetic order.

First of all, we have Bahrain. As we have seen in the first, chapter, Bahrain has a small population of 1.35 million people. However, data about internet users is interesting. According to *IstiZada Agency*, internet has a penetration of 96.4% in the country, which is the highest Internet penetration rate in Middle East. About 74% of Bahrainis are Facebook users and LinkedIn is also a very popular site. However, the top visited websites are Google and YouTube. For E-commerce, the top websites are Amazon, eBay, AliExpress and Alibaba (2020).

Then, we have the country of Kuwait, where 2.1 million people are active internet users. The most popular websites are Google, YouTube and Facebook; however, e-commerce is led by Souq, Namshi and MarkaVip (2020). After Kuwait, we have the country of Qatar, where 85% of the total citizen population are internet users. As well as in Bahrain and

Kuwait, Facebook, Google and YouTube are the main sites. However, e-commerce, we have Souq by Amazon and Cabone as the most successful sites (2020).

In fourth place, we have Oman, a country which, according to Istizada, has a “rapidly growing and modernizing population”. Moreover, 78,5 % of the population regularly use internet for visiting Google, Youtuber and Facebook, which are the main websites. However, for e-commerce it varies again, with Olx, Alibaba and Souq at the top (2020). After Oman, we can now proceed to describe Saudi Arabia and the United Arab Emirates, which represent the largest economies of the region.

First, Saudi Arabia has an internet population of just over 32 million users. In this country, for the first time we find a website that moves Facebook to the fourth place of preferences, which is *Sabq*, just after Google and YouTube. E-commerce places a very important role because it represents the largest ecommerce market in the Middle East and the main e-commerce sites are Amazon, Noon and Sukar (IstiZada, 2020).

Finally, we have the United Arab Emirates. As we have seen in the first chapter, it has an estimated population is of 9,599,353 people and according to IstiZada, this country is rich in digital marketing opportunities. Majority of population are expatriates, which requires the use of both English and Modern Standard Arabic for marketing campaigns. Most popular sites are Google, YouTube and Facebook, and e-commerce leaders are Sukar, Amazon and Cobone (2020).

### **2.2.3 Strategies used by Western companies to adapt to Arab customers**

In the previous chapter, we could appreciate a little about the digital marketing framework in the GCC countries. Firstly, it was clear the fact that Google, YouTube, and Facebook can be a great option for advertising in all Gulf Arab Countries, due to the fact that those are the



main websites in all 6 countries and according to the first chapter, all of them share Modern Standard Arabic as Official Language. However, for doing the e-commerce of certain products it could be a better option to implement a multidomestic strategy for each country, due to the different e-commerce websites competitors in each country.

Having said that, having an idea of the e-commerce framework in the region is important at the time of implementing a digital strategy. Nevertheless, it is not the only thing to consider, but “the cultural factors such as peoples’ traditions, customs, beliefs and attitudes are affecting their needs and wants and how they are satisfied” (Yalcin & Cimendang, 2012, P.7). That is the reason why in this part of the thesis, we will present some strategies that Western Brands have adapted to penetrate the Arab Gulf market.

First, we will mention an academic article which studies how fashion companies such as Burberry, Guess, H&M and Levi’s have penetrated the Arab Market. According to Busnaina’s research, “all fashion retailers’ companies for the Saudi market used “representative office” as a mean to establish their presence” (2014, P.7). Moreover, the importance of considering that the Gulf Arab region shares norms, values (Islam), customs (Arabic tribes), history, and language (Modern Standard Arabic) is considered (P.16).

However, to standardize the 6 Arab Countries of the Gulf is not always the best idea to develop successful marketing campaigns in the Gulf. According to Daghestani, we must keep in mind that there are some industrial cities such as Doha and Dubai where a considerable number of international expatriates live and they may be receptive to different forms of advertisements (2013, P.22). In other words, although the main goal of marketing campaigns in the GCC is to connect with Arab Customers, we don’t have to forget that there is a considerable foreign market in some cities, and we must have some marketing strategies for them.

Some other strategies Western Companies have adapted are the launched of different products adapted for Arab Consumers, such as McDonald's, when they launched the McArabia, a chicken sandwich for the local Gulf Arab Customers (IT Business, 2003, ¶1). Another great example is the Mexican company *SuKarne*, which in 2016 launched their TIF Halal certified beef, which nowadays is exported to the Muslim market in along the Arab Countries (Forbes Mexico, ¶2).

To end this subchapter, we will summarize the main key activities adopted by Western Companies in the GCC countries. In the first place, a representative office could be a good option to conduct marketing in the region, secondly, marketing strategies must be planned considering digital framework, language, demography and of course, respecting traditions and values. Also, Content Marketing is important since to succeed you must “have high resolution creative and or high HD videos that will form core parts of the campaign strategy” (Ananth V., 2012, ¶4).

### **2.3- Positioned Western Companies in the GCC**

During this chapter, we have been collecting information about the role and opportunities for Western Companies that we can currently find in the member countries of the Gulf Cooperation Council for the Arab States of the Gulf. However, in every business context, there is an important point that we cannot leave behind if we are looking to succeed as a company. This business point is called: Brand Positioning.

However, before proceeding to develop research, it is important to define what exactly do we mean with Brand positioning. According to The Branding Journal, “brand positioning can be described as the extent to which a brand is perceived as favorable, different, and credible in consumers' minds” (2016, ¶5). Moreover, this definition makes the

concept more relevant for the thesis due to the importance of adapting and understanding customers in new regions.

Positioning a company also means that it will differentiate from competitors by increasing brand awareness (Patel, 2020, ¶9). Having said the above, in this chapter we will start by searching which are the best positioned and most successful companies in the Persian Gulf. Secondly, we will present an analysis of the strategies and campaigns that those companies have used to succeed in the GCC. Finally, we will analyze some other strategies that have not succeeded in the region.

### **2.3.1 – Some positioned Western Companies in the GCC countries**

The word diversification has been mentioned in a lot of times during the thesis. And it is not a coincidence that because of the economic growth in the region we can nowadays find a lot of different companies from different industries with a great position along the GCC countries. From basic products to luxury brands have presence along the 6 countries members of the GCC.

Moreover, as we could appreciate in previous chapters GCC countries depend a lot on importing goods and services. Having said the above, too many of the non GCC brands we can find in the region are Western Companies. Furthermore, some of those companies have achieved a great position within the Gulf Arab Market, becoming in some cases, the most loved by GCC consumers.

As it has been mentioned before, nowadays we can find shopping malls in the GCC which are among the biggest in the world. Some good examples are the Dubai Mall, The Mall of the Emirates, The Red Sea Mall in Saudi Arabia, The Avenues, Kuwait, etc.

(Darwish, R., 2020). Inside those big shopping malls, Western Companies of all kinds can be found.

First, we can find a lot of Luxury Retail western brands within the best positioned along the GCC. According to Daghestani, companies such as Dior, Marc Jacobs, Calvin Klein, and Chanel are good examples of international fashion brands positioned in the region (2020, P.27). Moreover, Western cosmetic brands have achieved great positions in the Gulf Arab Market, with The Body Shop or HudaBeauty among the 30 most admired companies in the GCC (Arabian Business, 2020).

Then, in the food and beverages sector we can find Western brands such as McDonald's, Burger King, Little Caesar's and Starbucks among the top fast-food brands in Saudi Arabia (Ardent Advisory & Accounting, 2017, P. 28-29), which means they are increasing brand awareness in the region. Finally, entertainment brands such as Mexican amusement center *KidZania*, is a good example of a positioned brand with their operations in the Dubai Mall (Moreno, T., 2020, ¶1).

### **2.3.2 – Marketing Campaigns developed by positioned Western companies in the GCC countries**

According to Czinkota & Ronkainen, authors of the book International Marketing, “one key facet of the marketing concept is adaptation to the environment, particularly the market” (2007, P.10). This fact increases its importance when a Western Company starts operations in a new region where culture is completely different, such as the GCC countries.

Having said the above, it has been necessary for Western Companies to develop marketing strategies and campaigns to connect with Gulf Arab customers and, in this way, increase brand awareness and position them in the market. All those campaigns try to

understand people's values, behaviors, feelings, beliefs among too many other important attributes.

Western Companies in their own industry have strived to adapt to the cultural context. For example, fashion brands are aware that in some countries and regions women are meant to wear traditional dresses, however, they wear Chanel sunglasses or Prada shoes (Daghestani, 2013, P.16). Then, it is not a coincidence that fashion advertisements show a lot these kinds of products.

Secondly, fast-food brands have also implemented great marketing strategies to connect with Gulf Arab consumers. In 2018, Burger King launched a campaign to celebrate the approbation of Saudi Arabia's law that allowed women to drive. They gave away a traditional Whopper hamburger to every woman in the drive-thru and they renamed the hamburger as "WhoppHer" (Fab News).

Finally, another great example of marketing campaign was implemented by the cosmetics company The Body Shop. To connect with young Arabs and position the company, the launched a campaign that consisted in empowering Arab women to feel good about themselves using influencer marketing. It was a success with 8.5 million impressions, 4.5 million reached and 850,000 of engagement (Socially Powerful, 2020).

#### **2.4– How current Western companies in the region operate?**

In this subchapter of the thesis, the research will be focused in understanding the quality and importance of infrastructure in the region for foreign companies to operate in the GCC countries. The, we will analyze how social responsibility is perceived in the Gulf Arab countries and how companies apply it in their day to day. Also, we will study the clusters in

the GCC where private sector, government and academy collaborate for driving projects in the region.

#### **2.4.1 -Infrastructure**

A study about quality infrastructure in Saudi Arabia states that “the overall growth of any nation depends upon quality infrastructure [...] consisting of internationally recognized metrology, standards, accreditation, conformity assessment, and market surveillance” (Kumar, V., 2022, P. 98). Fortunately, there has been a huge investment in modernizing infrastructure and connectivity in the region.

For example, there has been a common interest among GCC members to invest in road infrastructure. Illankoon, K. states that “Road development projects continue to be among the largest infrastructure investments across the GCC region and remains a top priority for governments in line with their urban planning initiatives” (2019). Also, he mentions that those projects in the GCC worth more than USD 122 billion. That said, companies can have access to a good roads infrastructure when doing business in the region.

Moreover, not only roads constitute the main interest of GCC members to modernize, but also air and sea connectivity. For example, the GCC dominates the top 10 of Best Airports in the Middle East (Skytrax, 2022a). Also, Hamad International Airport located at Doha, Qatar has been named as the World’s Best Airport for the second year running and King Khalid International Airport in Riyadh got the award as the World’s Most Improved Airport (Skytrax, 2022b).

In terms of sea connectivity, Port of Jebel Ali in the United Arab Emirates stands out. Located in the city of Dubai, this port is “one of the most famous and important ports in the Middle East and the world, an important trade link between the East and West markets, and

a focal point in trade operations in the Middle East and linking it to the rest of the foreign markets” (Al Fares Lojistik, 2022). Also, the Port of Jebel Ali handles traffic for the vital Strait of Hormuz and the entire Arabian Gulf, a reason why the port is crucial for the global oil industry (Hallak, F., 2022).

Finally, it is important to mention that there are great ambitions for investment in GCC infrastructure. Proof of it is the proposed project to connect GCC countries with a 2177 km railway, starting in Kuwait City, crossing all member countries, and ending in Muscat, Oman (Middle East Economy, 2022). As EY leader Hasbani, M. mentions, “such megaprojects and the massive public investments show that cities in the region increasingly define the economic and social progress of the countries they are a part of” (2022).

#### **2.4.2 – Corporate Social responsibility**

Nowadays, the world is going through many environmental, economic, and social concerns that involve different stakeholders. The private sector constitutes one of the main stakeholders since they have a great impact in all the concerns mentioned. Although getting a unique and right definition of Corporate Social Responsibility has been matter of debate during the last decades, I consider important to stand out Doda, S. affirmation:

Corporate Social Responsibility is considered as an important instrument that pushes the competitive advantages, the creativity and innovation, improves the business reputation to the society with the employees, furniture, state institutions and nongovernmental organizations (2015, P.87).

That said, there has been an increase in companies’ interest in using Corporate Social Responsibility to maintain a positive reputation in the regions where they operate and a good relationship with all their stakeholders. However, in the case of the GCC region, a study

applied to 70 companies in GCC countries from 2015 to 2020 demonstrated that interest in Corporate Social Responsibility is low due to lack of legislative push in certain countries to implement it (Ghardallou & Alessa, 2022, P.16).

Also, a study to explore Muslim Attitudes Towards Corporate Social Responsibility found that there is not great support for the variable that states that a higher academic level increases inclination towards Corporate Social Responsibility. According to the authors, one explanation to this phenomenon could be the fact that quality of business ethics coursework in the region is bad, then students don't create consciousness about the role of firms in society (Murphy et al., 2016, P.30).

However, despite the low interest of companies and legislation in Corporate Social Responsibility in the GCC, there have been some cases of global crisis and international pressure that made companies and government act in favor of society. For example, "there have been numerous ethical and social responsible measures in GCC regions concerning the COVID-19 pandemic" (Alkubaisy, A., 2020, P.101). Also, international pressure about working conditions of construction industry for World Cup 2022, made the Qatar government to recently introduce some reforms to labor laws (BBC News, 2022, ¶26).

### **2.4.3 – Public-Private Partnerships**

According to the World Bank, the term Public-Private Partnership (PPP) "is used to describe a wide range of types of agreements between public and private sector entities, and different countries have adopted different definitions as their PPP programs evolved" (2022b). That said, in this part of the thesis I will analyze the approach the GCC has towards these partnerships and how companies are collaborating with them.



In the first place, it is important to highlight that the GCC members are very interested in developing PPP projects and clusters. Proof of it was the participation of the GCC in the 2nd Public-Private Partnerships in the Middle East and North Africa Forum (PPP), during the period from 2 to 4 March 2020, held in Dubai, United Arab Emirates. During this meeting, the steps taken by the Council to enhance the participation of the private sector in the economic development of the region were reviewed (Gulf Cooperation Council Official Website, 2020).

Also, “Saudi Arabia has started focusing on this model to achieve its socioeconomic goals as set out in the Vision 2030 reform plan” (Al-Sharif, D., 2021, ¶2). Then, there is a great potential for PPP projects to be developed in the region. Moreover, considering the Academic Sector, it is relevant to mention that the GCC concentrates 8 of the top 10 universities of the Arab Region, with the King Abdulaziz University (Saudi Arabia) in the 1<sup>st</sup> position, Qatar University in 2<sup>nd</sup> and King Fahd University of Petroleum & Minerals (Saudi Arabia) in 3<sup>rd</sup> (QS World University Rankings, 2022).

However, there are still some limitations for the GCC to attract private finance. According to Biygautane et al., the GCC region has weak governance, legal and regulatory capacities, as well as bureaucratic constraints (2018, P.28-30). Nevertheless, that situation seems to be changing since “with the rest of the world facing recession headwinds, international investors may increasingly look to the Gulf as a comparative bright spot, which in turn may drive further interest in PPPs in the region” (Al-Shawwaf, 2022, ¶32).

## **CHAPTER III**

### **Corporate Culture in the country members of the Gulf Cooperation Council**

#### **3.1- Hofstede's cultural dimensions in the GCC countries**

The Hofstede dimensions is a model created by the Hungarian psychologist Geert Hofstede in order to help us to understand other cultures in terms of values and behaviors. This model consists in six cultural dimensions with a score from 1 to 100 which are: Power Distance, Individualism, Masculinity, Uncertainty Avoidance, Long Term Orientation and Indulgence vs Restraint.

In this part of the third chapter, we will analyze the Hofstede's cultural dimensions in each one of the six country members of the Gulf Cooperation Council for the Arab States of the Gulf. First, we will start by analyzing Saudi Arabia, which is the largest country of the GCC. All the information will be collected from the Hofstede-insights official website.

Even though authors such as McSweeney, B. (2002) and Ailon, G. (2008) have criticized Hofstede's model arguing that it is not a reliable since different national cultures can be found within countries, the six cultural dimensions can provide a general framework about the GCC countries. Also, the model is useful to analyze how different or similar are behaviors among the Arab States of the Gulf.

##### **3.1.1- Dimensions in Saudi Arabia**

In the dimension of Power Distance, Saudi Arabia has a score of 95. This means that society in that country accepts that power is not distributed equally. Within organizations it will be common to appreciate a hierarchy and that bosses have an autocratic behavior. Moreover,

another reason why Saudi Arabia could have a high score, is due to the fact that they have a lot of respect for the monarchy.

The second dimension which is Individualism, the Arab country has a score of 25 points out of 100. It means that Saudi Arabia is definitely considered a collectivistic society. According to this dimension, it is expected that within the organizations in Saudi Arabia, people will feel part of a group and will create extended relationships with the other members. In other words, it is important that managers acquire a mentality oriented in team-working.

In the third point, we have Masculinity. In this dimension, Saudi Arabia has a score of 60 points. This means that in general terms, Saudi Arabia is a Masculine country and people there “live in order to work” and competition is important. However, the score of 60 suggests that maybe we could find some attributes of a Feminine country in this one, such as people caring for the others.

Uncertainty avoidance is the dimension that tells us how society in a country deals with the future. Some countries strive to have more control on what will happen in the future while others just let it happen. Saudi Arabia has a score of 80 on this dimension, which means that people there have preference for avoiding uncertainty and there are rigid norms and there is resistance for innovation.

Then, we have the Long-Term Orientation dimension. As the name says, this dimension explains “how every society has to maintain some links with its own past while dealing with the challenges of the present and future”. With a score of 36, society in Saudi Arabia is normative, it means that people have a lot of respect for traditions and the focus is on quick results.

Finally, we have the dimension of Indulgence, which describes how people in society control their impulses and desires. Cultures are described as Indulgent or Restrained depending on their score. However, Saudi Arabia has a score of 52 out of there, reason why this middle point doesn't give us a specific result for Saudi society.

### **3.1.2- Dimensions in United Arab Emirates**

The second country we will present are the United Arab Emirates. As it is mentioned in chapter number one, this country is the second largest country out of the six members of the Gulf Cooperation Council for the Arab Emirates due to its population of more of 9 million people. Moreover, in this country we can find two iconic cities with world renown, which are the capital city of Abu Dhabi and the grand city of Dubai.

According to the Hofstede Insights, there information available only in four out of six cultural dimensions. First, which are Power Distance, Individualism, Masculinity and Uncertainty Avoidance. First, we have the score of Power Distance, where Emirati society has a score of 90 points, very similar with the Saudi score of 95. It means that in the United Arab Emirates, people perceive power as not distributed equally as well.

Secondly, we have the Individualism score of 25 out of 100, which is exactly the same score of Saudi Arabia. As it has been mentioned before, it means that society in the Emirates is also collectivist and people tend to feel belonging to groups. Moreover, creating long term relationships is very valuable at the time of doing business in these countries.

The next cultural dimension we have is Masculinity, where the United Arab Emirates have a score of 50 out of 100. This middle score tells us that we cannot define if Emirati society is Masculine or Feminine, however, it means that we can find attribute of both

models. Society can be driven by competition (Masculine) but at the same time caring for others and quality of life can be very important (Feminine).

Then, we have the Uncertainty Avoidance cultural dimension. In this one, the United Arab Emirates have again the same score than Saudi Arabia, 80 out of 100. As it was mentioned, it means that people there have preference for avoiding uncertainty and there are rigid norms. According to the Hofstede insights official website, there is not information available for the dimensions of long-term orientation and indulgence.

### **3.1.3- Dimensions in Qatar**

The next country to present on this chapter is Qatar. In the first chapter we mentioned some characteristics of this Arab country of the Gulf, which has about 2.8 million habitants. The main corporate city of that country is Doha, which is also the capital city. As well as the United Arab Emirates, there are only four dimensions presented in the Hofstede insights official website.

First of all, we have the Power Distance dimension in which Qatar has a score of 93. Again, it is possible to appreciate the fact that cultural dimensions are similar with Saudi Arabia. Moreover, the score of 95 shows us that in Qatar people also accept a hierarchical order and the power is centralized. Managers are expected to make decisions for all the organization.

Secondly, we have the Individualism dimension in which Qatar has the same score than Saudi Arabia and the United Arab Emirates (25 points out of 100). This shows again that a common fact of Arab societies is collectivism. This can be perceived a lot within corporate culture, for example, hiring and promoting will be based in groups and relationships.

The next cultural dimension to present about Qatar is the Masculinity vs femininity. In this one, Qatar has a score of 55 out of 100, showing a little tendency towards a Masculine society. As it has been mentioned before, there is emphasis in competition. Moreover, another characteristic of masculine societies is the fact that conflicts are solved by fighting them out.

Finally, the last dimension presented in the Hofstede insight official website is Uncertainty Avoidance, where Qatar has the same score than Saudi Arabia and the United Arab Emirates (80 out of 100). It is very interesting to appreciate how Arab countries share a lot of cultural facts. As it was said at the beginning, there is not information for Long-term orientation and Indulgence.

#### **3.1.4- Dimensions in Kuwait**

The fourth country to describe is Kuwait. As it was mentioned in the first Chapter, this little country located between Saudi Arabia and Iraq has a larger population than Qatar (over 4 million habitants). The main city of this country is the City of Kuwait, which is also the capital of the country. As well as Qatar and the Emirates, we will present only four cultural dimensions.

In the first point, we have Power Distance, where Kuwait has a score of 90 points out of 100. It shows again a clear similarity between Arab countries. The score of 90 makes clear the fact that Arab societies have a tendency towards inequalities within organization. They accept the fact that there is a boss and a subordinate, where the boss is defined as a “benevolent autocrat”.

The next cultural dimension is individualism, in which Kuwait has a score of 25 as well as the other country members of the Cooperation Council for the Arab States of the Gulf. The more we study Arab culture, the more we appreciate that they are a collectivist culture.

As we appreciated in chapter number 1, the way Arab families are, could be related with the collectivist way of working.

On the third place, we have Masculinity. In this cultural dimension, Kuwait is the first of the GCC countries with a clear tendency towards a feminine society. Contrary to Saudi Arabia (Masculine society) people in Kuwait value equality, solidarity and quality at work. Moreover, the way conflicts are solved in feminine societies is by negotiating.

Finally, the last cultural dimension available in the Hofstede insights official website is Uncertainty Avoidance, in which Kuwait has the same score than Saudi Arabia and the other GCC countries (80 points out of 100). This tendency has also showed us that Arab societies tend to like security in their organizations when talking about the future and they resist to innovation.

### **3.1.5- Dimensions in Bahrein and Oman**

For the countries of Bahrein and Oman there is not information available about the Hofstede Cultural Dimension on the official website. However, two independent research about those countries applying Hofstede's method were found. First, for Oman the paper titled "A Muslim Perspective of Leadership – Insights from Oman", written in July 2018 by Al Asmi, K., will be used.

The research states that Oman is high Power Distance and differences in status are recognized. Then, it mentions that the Masculine-Feminine dimension, the country is relatively neutral. Thirdly, the study affirms that as well as the other GCC countries and like majority of Mid-Eastern cultures, Oman is completely collectivistic in its perceptions about the importance of groups and family.

The next dimension described for the Sultanate is Uncertainty Avoidance and, according to the research, the country prefers to avoid unnecessary risk, which means that its score is high. For the Long-term vs Short-term Orientation there is not a specific score for Oman since it is short-term focused in its commercial growth but also respect long-term objectives. Finally, it states that the country is very high in Restraint due to the high morals of Islam (P. 3-4).

For the country of Bahrain, the paper we found was an article published in the Journal of Intercultural Communication ISSN 1404-1634, issue 51. It was written in November 2019 by Al Saqer, L., member of the University of Bahrain. In the first place, the author it affirms that in that country there is a high context culture, which matches with the score of the other GCC countries.

Also, it states that as well as the rest of the Arab countries, Bahrain is collectivistic since Islamic culture looks at the society as an interactive, complementary system rather than separate individuals. Finally, it mentions that due to the rapid transformation from tribalism to modernization in the Arab Gulf region, there is a preference for avoiding uncertainty in this country (¶106-112). All in all, GCC countries seem to share a lot of similarities when comparing Hofstede Dimensions.

### **3.2- Gulf Arab countries corporate culture.**

We have been studying how culture differs in the region from western countries in too many aspects of daily life on account of history, religion, geography, etc. However, it is time to explore how culture plays an important role in Gulf Arab Management Style. I consider important to understand how corporate world works if we want to do business in the region.



Although it is true that Gulf Arab Management style can vary between countries, this part is focused on the points that could be more often found in Gulf Arab Companies. The points that will be discussed are related with connections, loyalty, stakeholders, decision making, conflict management and language. Some points have a great relation with the cultural facts previously explored.

### **3.2.1- Gulf Arab Management Style**

Professor Scott-Jackson has an interesting investigation about this topic, where he mentions in detail the points we want to explore. First of all, he says that connections are built through social relations before transacting business (2007, P.6). Professor Scott believes that although this way of doing business could have a lot of benefits, there are some negative effects, like promoting people on account of friendship and not skills.

Moving to the next point, we find loyalty. This is an important value not only for Gulf Arab companies, nevertheless, sometimes in West companies, efficiency is more relevant. Conversely, there are studies that affirm that it has been found that 70% of Arab executives value loyalty more highly than efficiency (Scott, W., 2007, P.6).

In the Western model, Directors and managers serve the financial interests of shareholders. Arab Managers and organizations have a duty to serve the interests of the collective society, tribe and family. This could be described as reflecting advanced thinking on stakeholder management and corporate social responsibility (Scott, W., 2007, P.6).

According with Scott, W., decision making is highly centralized (2007, P.7). It means that sometimes in organizations, leaders adopt an autocratic style. Muna, F. (2008), affirms that Arab executives are concerned not to allow conflicts in organizations and that when there

are problems, they try to solve them employing consultation rather than third parties (mediators).

Finally, I consider important to mention how language and religion play an important role for daily lifestyle. As it has been mentioned, Islam is the main religion in Gulf Arab countries and, as a matter of fact, they use all time expressions related with religion and gratitude, for example: *In sha' Allah* (إن شاء الله), which means “if good wills” and *al-hamdu lil-lah* (الْحَمْدُ لِلَّهِ), which means “thank God”.

### 3.2.2- Business Etiquette

In the previous parts of Chapter III, it has been mentioned that since GCC member countries share some attributes such as religion, language, culture and history, corporate culture should not be very different from one country to another. However, Nagel, N. who is CEO of the Middle East Medical Portal affirms that despite similarities in the region, “each country is unique and has its own [...] business operations etiquette, so for example what works in the UAE may not work in KSA” (2022, ¶1).

However, although it is important to do some research about local business etiquette of the country or even the city where the company operates, there are some points that could apply for majority of GCC places. For example, according to Carroll, D., it is important for businesspeople in the region “to respect cultural hierarchies with deference to the elderly and established members of the community” (2015, ¶5). This point could be related with the fact that GCC countries have a very high-Power Distance according to Hofstede Dimensions.

Also, a paper published in 2022 by the export credit agency “Export Development Agency” about cultural tips when doing business with the Gulf Cooperation Countries was analyzed. Some of the most relevant insights we can find in this study are related first, with

the fact of learning and respecting cultural differences. Mainly, the authors refer to the rules and regulations of Islam in the region (Sharia).

Then, the research confirms the importance of building trust with business partners as stated in the previous part of the thesis, as well as the recommendation of making a good first impression by knowing some of the most used Arabic expressions. Finally, the document affirms that it is important to be tactful and patient in all circumstances, for example, by waiting the counterparty to extend the hand first (2022, P.3).

### **3.2.3- Women in business**

This is maybe topic that has been very popular around the world recently. However, its importance grows on account of the oppression that women have had in the Arab World and the recent breakthrough in laws and rights. For this part, I found a very interesting text called The Experiences of UAE Women Leaders in Developing Leadership Early in Life, written by Madsen, S. in 2010.

In that study, the author mentions the context of women in management in Gulf Arab countries and the interview to six successful businesswomen about the factors that took them where they are. On the one hand, two primary challenges for women development in the United Arab Emirates are mentioned: finding patterns to follow in society and the few number of Emirate women in management (Madsen, 2010, P.76).

On the other hand, the interviews to the Arab businesswomen of the Gulf threw results in areas such as home, parents, personality, school, reading, learning and influential people. Among other things, facts like been raised in a stable home, having more open-minded parents, opportunities to study and patterns to follow are featured (P.92).

Moreover, laws in the GCC countries have strived to become more openminded worldwide in order to attract foreign investment. For example, nowadays the law in that region promotes the inclusion of woman in sectors such as education, labor, business, etc. Proof of it is that in the United Arab Emirates the literacy rate of both men and women is of 95% and, the rate of only women is of 95.8% (Embassy of the United Arab Emirates, 2020, ¶4).

Finally, it is important to mention some relevant facts about the labor law related with women. Firstly, we have the fact that women are not allowed to work at night (from 10 pm until 7 am), with exception of force majeure, technical jobs and medical or other services decided by the Minister of Labor and Social Affairs. They also have maternity rights and equal wages for women and men (Khaleej Times Dubai, 2019, ¶4-13).

#### **3.2.4- Corruption and bribery**

For this part of the thesis, we considered very important to analyze how each member country of the GCC is perceived in terms of corruption and bribery. That said, I decided to use the Corruption Perception Index (CPI), a ranking created by the organization “Transparency International” which measures how each countries’ public sector is perceived to be based on the experience of businesspeople.

First, the country with the highest levels of corruption according to the Index was Bahrain. This GCC member has a score of 42/100 (100 is very clean and 0 very corrupt) and 78<sup>th</sup> position of the ranking. Then, the country of Kuwait has the next position with a score of 43/100 and the 73<sup>rd</sup> position in the global ranking. Thirdly, the Sultanate of Oman has a score of 52/100, and it jumps to the 56<sup>th</sup> position of the ranking.

In the next place, the Kingdom of Saudi Arabia is positioned with a score of 53/100 and the 52<sup>nd</sup> position of the ranking. Then, the next GCC country in the CPI is the State of Qatar, which holds a score of 63/100 and jumps to the 31<sup>st</sup> position of the ranking. Finally, the GCC member with the lowest levels of corruption perception are the United Arab Emirates, whose score is of 69/100 and holds the 24<sup>th</sup> position of the CPI.

That said, if we consider that the CPI measures 180 countries, we can appreciate that the GCC region is not as corrupt as other parts of the world. However, it is a problem that remains and that multinational companies can face in the region. A study about corruption in the GCC Construction Industry states that “companies must first work to educate staff on bribery and corruption, and top management must play a proactive role to create the correct corporate culture” (Thomson Reuters, 2017, P.6).

Also, Antari, A., Head of the Middle East at Kroll affirms that “Bribery and corruption threats are still having a marked and detrimental impact on organizations in the region” (2021, ¶5). In the same research, it was found that only 53% of GCC organizations have given attention to the problem of bribery and corruption, which is low compared with the 72% value. That said, companies still have a lot to do to face this problematic in the region.

### **3.3- Labor context in the member countries of the Council**

For this part of the thesis, the labor conditions and generalities in the region will be analyzed. In the first place, I am going to present some of the labor law generalities in the GCC that workers and employers must know, as well as data about wages in the region. Then, the paper of migration in the workforce of the region will be discussed. Finally, data about the talent

pool in the region will be presented to analyze which are the main talent gaps and opportunities in the region.

### **3.3.1- Labor law generalities and the Kafala System**

The first point I investigated for this part, was related with the working hours in the GCC countries. According to the official website of the Government Portal of each country, I found that all six members share the same policy related with working hours during week and an exception during Ramadan. The Labor Law of the GCC countries mentions that the normal working hours for the private sector is of 8 hours a day, or 48 per week. Also, it states that during Ramadan, the working hours for Muslims shall be reduced to 6 hours a day or 36 hours per week.

However, those benefits are not the same for all workers along the Arabian Peninsula, since the GCC countries also operate with a working model called “Kafala System”. But what is the Kafala System? To whom it applies? Which are its implications? To answer those questions, I analyzed a document written by Robinson, K., for the Council on Foreign Relations in March 2021.

In that article, the author mentions that the Kafala System, also known as sponsorship system, found in the GCC countries, gives local companies sponsorship permits to employ foreign laborers, which consists in covering travel expenses and accommodation. However, “because the system falls under the jurisdiction of interior ministries, rather than labor ministries, workers have no protection under the host country’s labor law” (¶5).

This system called “modern slavery” by critics, has represented a lot of risk for those immigrants’ sponsored workers in the region, since they are vulnerable to numerous abuses. For example, they are restricted of movement by confiscating passports, and there are cases

of forced labor and irregular residency status. Also, the article mentions that “certain countries, such as Kuwait and Qatar, have imprisoned female workers for extramarital sex, even in cases of rape” (§14-22).

To conclude with the Kafala System, I find relevant to mention that these practices have been exposed to a lot of international pressure since the eyes of the world were on the FIFA World Cup 2022 and the labor conditions of workers for the stadiums construction in Qatar. In fact, European countries are striving to boycott the World Cup games, such as France and Denmark (Salari, F., 2022).

### **3.3.2– Talent pool in the Gulf Arab region**

An interesting fact about GCC countries population is the fact that majority of them are constituted by more than 50% of expatriates. This fact makes that in the talent pool of the Gulf Arab countries people from different nations and parts of the world can be found. For example, in the case of the United Arab Emirates, of its total population only 11.48% are Emiratis and about 88.52% expats (Global Media Insights, 2022).

The same phenomenon happens in the States of Qatar, where “Qataris are considered a 'minority' in their own nation with only 15% of them accounting for Qatar's total population” (Online Qatar, 2019). In the case of Kuwait, nationals constitute only a 30% of Kuwaiti’s population (World Population Review, 2022). Also, Bahrain has a majoritarian population of expatriates, which constitute a 52.6% (Gulf Insider, 2020).

The Kingdom of Saudi Arabia and the Sultanate of Oman are the only two GCC member countries whose population is constituted by majority of nationals. In the first place, Saudis constitute 63.6% of the kingdom’s total population (Zawya, 2022a). Then the Sultanate of Oman is constituted by 61.5% of nationals (Zawya, 2022b). Although those two

countries are and exception, it can be appreciated that the presence of expats is still relevant with almost 40% of total population of those countries.

The huge numbers of migration to the GCC countries could be seen as the result of the wealth and economic growth of the region compared with their neighbor countries. However, it is also a result of labor shortages in the region, since according to a survey developed by the PwC consultancy group, employers from Saudi Arabia, Qatar, Kuwait, and the United Arab Emirates believe their nations have a shortage of people with specialized skills (2022).

However, GCC countries are striving to attract and retain workers from all over the world in order to reduce the talent gap in the region. For example. The United Arab Emirates are developing a strategy with three main goals: “positioning the UAE among the top ten countries in the global talent competitiveness indices, ensuring talents availability across all strategic sectors and to cementing the UAE image as an ideal destination for living and working” (Arabian Business, 2021).

### **3.3.3 -Islamic holidays, business days and traditions**

Along the year, there are a lot of religious holidays in which Muslims do not work. The dates of the Islamic Holidays vary due in West calendar to the fact that Islam is based in the moon calendar, which is a few days longer than solar calendar (Gregorian). It is the reason why it is recommended to Western people to look for the date every year to do not have any confusions.

First of all, we have the Islamic New Year (رأس السنة الهجرية). In this celebration Muslims remember Prophet Muhammad and its followers from Mecca to Medina (Lunde, P. 2019, ¶4). In 2020 it will be celebrated on 20 August. Secondly, we have the “Ramadan”



which is an Islamic tradition that lasts between 29 and 30 days and is celebrated in the 9<sup>th</sup> month of the Islamic calendar; it is “observed by Muslims worldwide as a month of fasting, prayer, reflection and community” (Encyclopedia Britannica, 2019). There are another 17 Islamic Holidays which are briefly mentioned in the annex 3 of the thesis.

Now, it is really important to mention how the labor law in the GCC countries contributes to the traditions and religion. As mentioned before, the labor law mentions that the work week consists in a maximum of eight hours per week and 48 per week, however, time for rest, meals and praying must be considered. Additionally, employers must give the employee one period of special leave during their employment, without pay and not exceeding 30 days, to complete the Hajj pilgrimage to Mecca (UAE Labor Law, 2020, P.120).

Finally, something relevant for this part of the research is the fact that Friday is a sacred day for Muslim people. Thus, majority of GCC member countries have decided to adopt a working week starting on Sunday and ending on Thursday, having their weekend on Friday and Saturday. However, since January 2022, the United Arab Emirates have been the only GCC State that decided to shift their business days from Monday to Friday as the rest of Western world, however, Friday working hours are only from 7:30-12:00 hours, making a working week of only 4 ½ days (Murphy et al., 2021).

## **CHAPTER IV**

### **Corporate strategies for Western Companies to succeed when doing business with the Gulf Cooperation Council**

#### **4.1- Taking a Western company into the GCC countries.**

For all people who has been involved in international business affairs, it is not a novelty the fact that when a new brand is looking to expand to another country, there are a lot of challenges to face and a lot of important information to know about. When a Brand is looking to expand to another country, in most cases, it implicates that a lot of new operations and strategies will be needed.

In the first place, companies must study and understand not only consumers and cultural context, but also legal framework and international trades that they must respect or use for their own benefit. Secondly, in most cases, they will need to move merchandise or inventories from their country of origin to the country they want to expand. Finally, they will need to promote their own business or find opportunities to connect with new customers and suppliers.

Having said the above, in this final chapter IV, the study will start by collecting and presenting important information about chambers and organizations that assist Western companies in the GCC region. Secondly, I will briefly present some relevant data about the transports and main norms that foreign companies should have in mind to import merchandise to the GCC countries. Finally, I will present the promotion mechanisms and trade exhibitions in the GCC countries that Western Companies can take advantage of in their expansion plans.

#### **4.1.1- Chambers and organizations that assist Western companies in the GCC region.**

New Western companies in the GCC region will definitely need assistance during their adaptation process. The fact that they will face diverse challenges during their first months in the region is imminent. Fortunately, nowadays there are chambers and organizations that assist western companies to enter in the GCC market and deal with some of the most common challenges.

First, for American companies we can find the U.S.-GCC Business Initiative, an organization created by the U.S. Chamber of commerce. Khush Choksy, Vice President of Middle East Affairs mentions the function of the initiative:

The Initiative provides members with customized advocacy on trade, investment, and regulatory issues throughout the GCC countries; access to senior government officials and thought leaders from those countries; leadership opportunities in meetings and events; and opportunities to participate in business missions and forums in the GCC (U.S. Chamber of Commerce, 2015, P.1).

As it has been mentioned, this chamber provides assistance to all American companies looking to expand to the GCC countries. However, not only American companies have a step ahead in assistance for new business in the region. For the European Union, there is a yearly EU-GCC Business Forum where “experts tackle subjects such as developing and supporting innovation in business, [...] digitalization and doing business in the GCC” (EU-GCC Business Forum, 2019, ¶1).

Then, the UK also has the Arab-British Chamber of Commerce, which provides support “on what can be done to reduce the barriers to further bilateral trade and investment” (2020, ¶2). Moreover, due to the political and economic stability in the region, all western

countries are looking to develop organization to support companies to expand to the GCC region.

#### **4.1.2- Taking merchandise to the GCC countries**

The second challenge that Western Companies face, is to take their merchandise to the member countries of the Cooperation Council for the Arab States of the Gulf. First, as we mentioned in Chapter I, the Arabian Peninsula has an interesting location where Asia, Africa and Europe are connected. Having said the above, taking merchandise by marine transport is a good option, however, the airplane could be a better option for perishable products due to the great airport infrastructure that GCC countries have.

The GCC region counts with a maritime port which is “the largest seaport in the Middle East and ranks among the top 10 container ports of the world” (DP World, 2020, ¶2), the Jebel Ali Port in the United Arab Emirates. In this port, merchandises arrive from cities such as Chicago, Miami, Barcelona, Atlanta, Los Angeles, among too many others (iContainers, 2020). Some other important ports in the GCC are the port of Khorfakkan, the port of Sohar and the Jeddah Islamic Port (Ziadah, 2017, P.11). Map of GCC seaports in Annex 4.

Then, as we have mentioned at the beginning of this subchapter, air transportation could be also a good alternative for some Western Companies if the product their transport is perishable, such as fruit, vegetables, beef, etc. Airport infrastructure along the GCC countries is one of the best worldwide. Among the main airports in the region, we can find the Dubai International Airport, Hamad International Airport (Qatar), King Abdulaziz International Airport (Saudi Arabia), etc. (Emirates 24/7, 2016).

Finally, it is important to remind that there are a lot of products which are not allowed in most of the GCC regions, such as alcohol or pork products. Moreover, groceries must follow labeling rules, for example, in the United Arab Emirates, they must be written in Arabic, use metric system, indicate country of origin, ingredients, brand, manufacturing and expiry date, indicate if beef products have halal certification, among others (Santander Trade Markets, 2020). Having said the above, it is important to make special research for each product to import.

#### **4.1.3- Promotion mechanisms and trade exhibitions in the GCC countries**

When a Western Company arrives to a GCC country, some of the first thing it will face is a competitive market to penetrate. Furthermore, it needs to connect with customers and suppliers. Apart from the marketing strategies we mentioned before, a better approach for Western Companies with businesspeople in the region is through the participation in some of the big trade exhibitions that take place in the main cities and financial centers along the GCC countries.

According to Reed, K., a trade fair can be a great option for companies to get on the market in an inexpensive way, to promote their products with their target market, to reach a new audience, build relationships, among others (2020 ¶2-6). That said, it is important that new Western Companies in the Gulf are aware about the trade fairs and exhibitions that are taking place in the GCC.

After doing general research on the internet about trade fairs and exhibitions, I could identify that majority of them take place in the United Arab Emirates, however, you can find the people from the six member countries of the GCC. Moreover, there are fairs of all business and industries, such as construction, health, food, beverage, and tobacco, energy,

travel services, technology, beauty, fashion, jewelry, automotive, among too many others (Trade Fair Dates, 2020).

As a way of conclusion, it has been analyzed the role of Western Companies in the GCC countries, as well as the most successful of them and the strategies they have followed. Then, information about the basic things Western Companies should know to penetrate the Gulf Arab Market was presented. All in all, it is important that Western Companies considerer those key points, then, they can make deeper research focusing on their specific product or service. Thus, they will have more chances to succeed at the time of expanding to this attractive region.

#### **4.1.4 – Retailers and distributors**

Once Western companies have decided to enter the GCC market, it will be important for them to define their distribution channels. In the case of goods, companies can take advantage of the great retailers and distributors in the region. According to Vylegzhanin, N., Shopworks Regional Director for the Middle East, “retailers in the region have been evolving their operations and customer interactions” (2022a).

That said, it is not a coincidence that the ranking of the largest retail chains in the region is constituted by GCC companies. For example, Al Shaya Group from Saudi Arabia tops the list, followed by Al Futtaim Retail from the United Arab Emirates. Also, Saudi company Majid Al Futtaim highlights in the list, as well as Emirati company Lulu Group International and Kuwaiti Alghanim Industries (Forbes Middle East, 2019).

As is mentioned, it seems that it is a very good moment for the retail industry in the region and that’s an advantage for Western companies to import and distribute their products along the Arab States of the Gulf. A Research Report developed by the agency Mordor

Intelligence about the Retail Industry in the GCC mentions that “The retail industry in GCC continues to maintain its momentum, driven by economic and social developments” (2019).

However, despite the enormous growth the industry has presented in the region, the retail sector has also faced a lot of challenges after the COVID-19 pandemic, and it is important to bear them in mind. For example, Luxury and Fashion retailing as well as Food and Beverage have been some of the most severely affected retail sectors due to the crisis and they are still in recovery process (Marmore Mena Intelligence, 2021).

#### **4.2- Doing business in the Gulf Cooperation Council**

In this part of the thesis all the insights and understanding of the Arab culture of the Gulf that has been studied and analyzed a lot the different chapter will be interpreted to summarize and make recommendations about the key elements that Western companies must consider when doing business in the GCC region.

First, I will provide some insights that can help us to understand the Arab Consumer of the Gulf, based in its attributes, habits and preferences. Then, information about strategies that companies can adopt to position their brands in the region will be presented, considering the market, infrastructure, communication, and connectivity of the GCC member countries analyzed in previous chapters.

Also, some advice about the way companies must communicate their marketing messages in the region will be presented to avoid Western companies to commit mistakes or affect its reputation in the Arab States of the Gulf. Finally, I will explain some important points that companies must consider when negotiating with locals.

#### **4.2.1- Understanding the Arab Customer of the Gulf**

It is vital that Western companies in the Arab States of the Gulfs understand the customers of the region in different terms, such as culture, values, habits, connectivity, etc. That said, in this part of the company we will create a profile of the Arab Customer of the Gulf based on the insight we have found from the analysis and information from previous parts of the research.

Local consumers along the GCC countries could be seen as young adults that are Muslims. They belong to a traditional family and their main values are family, religion (due to education) and respecting hierarchies (in the family and in the school/work). They speak Arabic but can also communicate in English. In terms of consuming behaviors, these customers love spending their incomes in entertainment, as well as retailing goods such as luxury brands and consume-packaged goods (halal). They are loyal to their brands, but they can easily change if better price and quality is offered. Also, they consume a lot of social media, mainly on the internet.

Moreover, something relevant for companies to understand Arab consumers of the Gulf is the fact that many experts affirm that due to the COVID-19 pandemic, consumers are changing in the region in such a way that nowadays they say that there is a “new Gulf consumer”. The characteristics of this consumer are that its decisions are price sensitive, has increased demands of e-commers due to an increase of time spent on the internet. Finally, this new consumer of the Gulf is socially conscious (Iftahy et al., 2022).

However, there are some points that companies must avoid when trying to understand their customers in the region. For example, Serrano, S., who conducted an interview about customers in the region to Talkwalker’s marketing manager Rami Deeb, affirms that it is



important “not fall into the trap of generalizing” (2022). Also, as mentioned in previous parts of the thesis it is important to bear in mind that in the major GCC cities majority of habitants are foreigners.

#### **4.2.2- Positioning a brand in the region**

The insights and recommendations I can make to Western companies in the regions after conducting the research are related with the characteristics of the region, its habitants and infrastructure. For example, the fact that GCC countries have one the highest global scores in terms of connectivity represent an ocean of opportunities for brands even before entering the Arab countries of the Gulf.

In other words, having millions of people connected and spending time on the internet mean that companies can conduct marketing and consumer research more easily than in other regions, since they have more data of GCC habitants. Also, to position their brands they must always consider e-commerce options and digital campaigns, since those are effective ways of communication in the region due to customers habits and connectivity.

Also, it is fundamental that Western companies strive to always prioritize high quality of goods and services, since this fact will increase its value and reputation in the region. Moreover, companies can also improve reputation based on the retailers they operate with. If the products are distributed by the largest retailing stores, it will be easier that customers trust those brands.

Finally, customizing global brands is also important since companies can improve their market position by creating deeper connections with customers. For example, Sweden brand IKEA provides low prices with great value in the region. Also, in the case of German

brand Adidas, dedicated a store for female at the Dubai Mall in the United Arab Emirates to promote empowerment (Abbas, A., 2022).

#### **4.2.3- Communicating marketing messages**

Although in the previous subchapter I mentioned the importance for Western companies to develop digital marketing strategies along the GCC countries, it doesn't mean that all marketing attempts to conquer the Gulf Arab market will be an easy task. By contrast, there are a lot of cases of marketing campaigns that were not very well received by Arab Consumers of the Gulf.

Western Companies should be very careful when approaching to a new or unknown market. According to the Arab News, skin care brand of Nivea was perceived by consumers as a racist brand, due to "the ad for Nivea's "Invisible for Black & White" deodorant shows a woman wearing a white robe with the caption "white is purity" across the bottom of the image" (2017, ¶16).

Having said that, Western Companies and marketing agencies must be very careful at the time of launching new campaigns in regions where culture is completely different. Specially, in Arab countries, they must avoid not taking culture and religion into account. As we have learnt in previous parts of the thesis, this is something that must be taken with a lot of respect.

Moreover, although we have studied that GCC countries share a lot of attributes, according to *IstiZada* marketing agency, companies should avoid assuming that same strategies will work across all countries in the Middle East (2013, ¶7). By contrast, they always must make special research for each region or country depending on the product they sale.

Finally, something important that Western Companies should always avoid is not doing research before translating their names into Arabic. There are three ways to translate the brand names in Arabic. Firstly, companies can translate literally the phonetic of the brand in Arabic, secondly, they can translate the meaning of the brand and finally, they can create a new name in Arabic (examples in annex 5). However, they must make sure it is not offensive or complicated for consumers.

#### **4.2.4- Negotiating with Arab people**

Establishing a negotiation with Arab businesspeople of the Gulf could be one of the most challenging moments of a Western company, since it is in this step when a lot of things are determined, such as prices, conditions, and even if it is feasible or not to enter a GCC member State. That said, in this part of Chapter IV I will explain some insights for negotiating that I could find after doing this thesis.

First, it is important to consider that GCC countries have very different ways of communication than Western Companies. For example, analyzing Hofstede's dimensions revealed that Arab States of the Gulf are completely high context countries. That said, it will be important to listen carefully, be open to non-verbal language and to always confirm everything after a negotiation (Lewis, A., 2019).

Also, some insights about negotiating with locals was the fact that they have a strong respect for hierarchies. Thus, Western businesspeople must adapt to those protocols and attitudes towards the authority. Then, a regrettably the role of women in business is still complicated in the region, then, interactions between men and women must be done carefully.

Finally, striving to learn and understand the business etiquettes and protocols in the region is important as it was mentioned in previous parts of the research. Western companies must be aware that friendship comes before transactions in the Middle East, then negotiations could take longer than in their home countries. Also, it is important to know the trade agreements that home countries could have with the GCC countries to take advantage of them.

#### **4.4 – Opportunities for Western Companies in the Arab Countries of the Gulf**

This final subchapter of the thesis will be focused in understanding how Western Companies can take advantage of the present and the future of the region. As mentioned along the research, the GCC countries have been going through many changes during the last decades. Many of those changes have benefited some sectors and industries.

Thus, this chapter will start by enlisting the fast growth industries in the region, mentioning some specific Western Companies that can be seen as role models or cases of study for future research. Then, I will explain which sectors could be benefited from the impressive projects that some GCC member countries have in mind of building smart and sustainable cities in the desert.

Finally, I will briefly analyze which is going to be the role of Western Companies in the region once the GCC has achieved its 2030 vision goals and when the region could be considered a diversified economy. However, for that part it must be considered that projections are subject to change due to unexpected global changes.

#### **4.4.1- Fast growth industries**

Despite the oil prices volatility, the energy and power sector are currently an attractive industry for Western Companies. However, not only due to oil production, but there is a great development of the renewable energy sector in the region and countries like the United Arab Emirates have very ambitious projects for the region, for example, the first utility-scale solar plant in the Middle East and oil companies such as Saudi Aramco are collaborating for the same purpose with the Massachusetts Institute of Technology (Awad, 2018, ¶2).

However, the GCC region is striving to diversify its economy and, as we could appreciate in previous parts of the thesis, this diversification is creating an attractive region for new industries. It is not a coincidence that according to the Grant Thornton Assurance, “this has led to the introduction of regulation aligned to global best practice, which is creating opportunities for companies looking to invest in the region” (2017, ¶4).

Also, along the research I have appreciated the great opportunity that goods and services sector in the GCC represents. Moreover, this opportunity could be related with a very ambitious industry, which is tourism and hospitality. As Abdulkarim mentions, the region is “attracting modern tourism, such as leisure, meetings, incentives, conventions and exhibitions, sport and adventure tourist activities” (2016, P.2). Not only privates but also governments are interested in developing this industry.

For example, research about tourism in Oman conducted by the Sultan Qaboos University mentions that there is evidence of “efforts of the government to revitalize and develop this sector through restructuring and setting plans to make it one of the major revenue streams for the national economy” (2022). Thus, the rest of the GCC member countries are following the same direction.

In the case of the United Arab Emirates, its capital city Abu Dhabi has established a 2030 tourism strategy, which consists in focusing on the growth of leisure, conferences, exhibitions, incentives, and sports tourism in such a way that by the year 2030, the city could attract 23 million tourists annually (Saad, M., 2022). Moreover, the United Arab Emirates are not the only GCC country with 2030 ambitions.

The Kingdom of Saudi Arabia is a great example. According to an article published in the Globaltrender magazine, the Kingdom is making easier than ever the entrance of tourists to the country, no matter their nationality or if they are Muslims or not. Also, the Saudi Crown has revealed that they have intentions of making their kingdom a top-five tourism destination by 2030, receiving more than 100 million visitors a year (2022).

Then, another attractive industry in the region is related with Entertainment Services. The Mordor Intelligence Agency mentions that “the Middle East Media and Entertainment Market is expected to grow by registering a CAGR of 7.4% during the forecast period of 2022-2027” (2022). As an example, we have Mexican Company “Cinépolis”, which has had a great performance along GCC countries and recently opened its First Luxury Cinemas in the Omani capital city of Muscat (Godinho, V., 2021).

Finally, another industry with a lot of potential that I could identified was related with the retailing sector. Even though this sector faced complications due to the pandemic, after its recovery it will be demanded by GCC customers since as mentioned in chapters before, they are excellent consumers. Among other retailing rectors, I would highlight luxury brands and consumer-packaged goods. As those industries, some other business opportunities will arise in the GCC as the regional economy is diversified.

#### 4.4.2- Smart cities

There are ambitious projects being developed along the GCC member countries that could be attractive for Western companies. Governments of the region are investing billions of dollars in the creation of Smart Cities in their countries. However, what is a Smart City? And what is the role of Western companies in those projects?

The United Nations Economic Commission for Europe establishes the following definition:

A smart sustainable city is an innovative city that uses ICTs and other means to improve quality of life, efficiency of urban operation and services, and competitiveness, while ensuring that it meets the needs of present and future generations with respect to economic, social, environmental as well as cultural aspects (2022).

That said, in March 2021, the United Arab Emirates announced a plan called “Dubai 2040”, which aims to turn 60% of the city into natural reserves, improving the use of resources and providing a sustainable and flexible mobility. Also, the Kingdom of Bahrain launched the “Bahrain Bay project”, which consist in a \$2.5 billion dollars investment to create a smart waterfront community (Altantawy, S., 2021).

However, the most ambitious project in the region and maybe in the world about Smart Cities development is the project NEOM in the Kingdom of Saudi Arabia. It will in a 170-kilometer coastal strip located in the north-west of the kingdom. Also, it will be free of cars and powered entirely by clean energy (Nihal, M., 2022). The project’s official website states that “NEOM will be a destination, a home for people who dream big and want to be part of building a new model for sustainable living, working and prospering (2022).

All in all, such great ambitions require the private sector participation. That said, this is the point where Western companies can find opportunities in the region. In the first place,

those projects are looking for foreign investment. However, those smart cities also require Research and Development, as well as budding experts to be concreted. Finally, when those projects are finished, the cities will require goods and services for its habitants and companies must be ready to enter these cities accomplishing their standards and requirements.

#### **4.4.3 – The future of Western Companies in the GCC as a diversified economy**

According to information presented along the thesis, it was possible to appreciate the dependence that GCC countries have on mineral and fuels. However, “renewable energies such as solar and wind sources, nuclear power, or hydrogen fuel cells may become viable alternatives to conventional fuel in the future” (Hilal, Hussein & Miqdam, 2017, ¶1). It means that depending on fuels will no longer be a good alternative to sustain GCC’s countries economy.

The previous point is something that GCC countries have clearly in mind and as mentioned in the previous part, governments are putting all their efforts to diversify their economies. In the following quotation, Mr. Hvidt of the London School of Economics and Political Science, he explains those efforts in more detail:

There is an effort to introduce new sectors, industries or activities which hold high growth potential. The choice of such activities has, not surprisingly, been made among the well-known high-growth sectors in the globalized economy, such as aviation, tourism and hospitality, real estate, logistics and business services or, within manufacturing, high technology-content products like smart technologies or green technologies (2013, P.35)

Economic diversification is an important fact that all countries of the Gulf Cooperation Council are trying to solve. Moreover, by doing this, the region’s economy will reduce the exposure to volatility and uncertainty due to the global oil market (Callen et al.,



2014, P.10). If it happens, there will be a better environment for doing business in the region, which can also help to increase direct foreign investment in the GCC and improve quality of life of Arab citizens of the Gulf.

Nowadays, we can start perceiving this economic diversification in the GCC region. As it's been stated in the previous chapters, in the capital cities of the countries we can find impressive buildings and attractions which have become worldwide recognized touristic destinations. Moreover, in cities like Dubai, too many western firms such as Microsoft, Procter & Gamble, etc., have established headquarters for the region (Glassdoor, 2020). Hopefully, at this rate the economic diversification of the GCC region will be a reality in less than a decade since majority of GCC States have established 2030 as their goal year.

For example, the Kingdom of Bahrain was the first of the six GCC member states in establishing a year for accomplishing the diversification goal, since its government presented their Vision 2030 in the year 2007. In the case of Kuwait, the government has created a 2035 strategy that aims to make the country a regional financial, cultural, and commercial center. Oman and Qatar also have a strategy for 2030 called Digital Oman 2030, which looks to develop new technologies in the country and National Vision 2030 for the Qatari national development of smart cities (Asmyatullin et al., 2020).

Also, the United Arab Emirates launched the “Abu Dhabi Economic Vision 2030”, which consist in “a long-term plan for the transformation of the emirate's economy, including a reduced reliance on the oil sector as a source of economic activity over time and a greater focus on knowledge-based industries in the future” (United Arab Emirates Government, 2022). Finally, and maybe the most heard and read, we have the Vision 2030 of the Kingdom of Saudi Arabia, which announced that it will diversify the economy of the country, support local content, and develop innovative opportunities for the future (Saudi Vision 2030, 2022).

Up to now, experts believe that “the GCC region is fast becoming a global centre for growth and innovation” (Vylegzhanin, N., 2022b). Thus, if they achieve their goals the Arab States of the Gulf will keep representing an attractive region for Western companies to invest and expand. Nevertheless, it will be necessary to be aware of the changes and challenges of GCC region, since there are still a lot of things that GCC governments must do to improve their reputation and global image.

## **Conclusion**

During the elaboration of the thesis, it was confirmed that the Cooperation Council for the Arab States of the Gulf represents huge opportunities for Western Companies looking to expand to new markets. Also, the analysis and research demonstrated that understanding cultural differences and developing a good strategy for penetrating the GCC member states are useful resources to succeed in the region despite integrational, reputational and security challenges.

In the first chapter it was understood that the present of the Arabian Peninsula has been defined by its past and religion, as well as its natural location and characteristics. Also, the formation and importance of the GCC for international business were analyzed topics. Then, in this part of the research it was possible to determinate the main attributes that characterize Arab countries, societies, and its values. Finally, socioeconomic, and macroeconomic indicators of the region were studied with a business focus.

For the second chapter of the thesis, it was possible to appreciate that despite challenges mentioned by some authors as obstacles for doing business in the region, there are a lot of Western Companies that have already succeed in the region. Thus, the research revealed insights about those success stories in the region, such as the way this companies have adapted to GCC consumers, how they deal with cultural differences, how they operate, the channels used to communicate with their audiences, as well as their relationship with governments and academic institutions from the Arabian Peninsula.

In the third chapter, the research about corporate culture in the Arab States of the Gulf was useful to understand how businesspeople and organization communicate in the region, their values at the time of doing transactions, the business protocols to bear in mind, as well as some generalities about the law, the labor context, and the role of women in business. The

insights from this part demonstrated that despite cultural differences and threats, it is possible for Western Companies to adapt to the business context of the region.

Chapter number IV was the last one of the thesis and where all the insights and conclusions from the previous parts were summarize and analyzed to provide general strategies that Western Companies can use when doing business with any of the GCC member countries. First, it was possible to make recommendations for the first steps of a Western company in the region, bearing in mind infrastructure, promotion mechanisms and distributors.

Then, all the insights about the GCC culture, history, habits, and characteristics were useful to provide a better understanding of consumers from the region and how to take advantage of this data. Also, it was possible to provide information about strategies to position a brand in the Arab States of the Gulf, communicate with customers and do business based on cultural adaptation and comprehension of the zone.

This chapter was concluded by explaining the current opportunities that Western Companies can find along the member countries of the Cooperation Council for the Arab States of the Gulf. Those insights demonstrated that despite challenges in the region, there are fast growth industries and ambitious projects being developed by the GCC countries to diversify their economies and reduce oil dependence. That said, it was found that the region will keep being an attractive market for the West in the following years.

All in all, the thesis demonstrated that Western Companies have opportunities to succeed in the GCC markets if they understand and adapt to the cultural differences of the region. The fact that there are already many firms from the West world operating in the Arab States of the Gulf demonstrates that doing business in the Middle East is possible despite the contrast and discrepancies.

Moreover, according to the analysis of the socioeconomic and macroeconomic indicators of the region it was possible to understand that despite the security crisis, the lack of integration of the Council and the negative perception about GCC countries in certain aspects, the Arab States of the Gulf are very attractive to invest due to business policies and wealth of their societies.

Also, the Cooperation Council for the Arab States of the Gulf seems to be preparing for the future with their ambitious projects, goals, and vision for the following decades. Moreover, they seem to have the economic power to achieve all of them. Thus, it was concluded that Western Companies can find many opportunities in the region, however, it is important for them to develop business strategies based on adaptation to the GCC member countries.

Nevertheless, there were also some limitations at the time of elaborating this thesis. For example, up to now it is not an easy task to find data about certain economic and social indicators of the region, since official websites from the GCC countries seem to hide and protect their data. That said, if those sites would be more accessible and opened, it would be possible to have a better understanding of certain characteristics of the region.

Also, the foreigner's population in the region seems to be going up, thus, I believe that it will be important to regionalize the GCC countries and cities in the future for marketing and business purposes, since culture will be a mix of different nationalities and it will be harder to create a single profile of the GCC consumer. Moreover, consumption habits and preferences could be very different within the same city and messages used in one zone could not be effective in another one.

Finally, the future of this study will be defined by the succeed or failure of GCC member countries at the time of achieving or not their goals for the next decade. Thus, future

research could be focused on the impact of the projects and politics being developed in the region, as well as the situation of the Cooperation Council for the Arab States of the Gulf, since internal conflicts and an eventual dissolution of the council caused by the lack of integration could negatively affect the business environment on the Arabian Peninsula.

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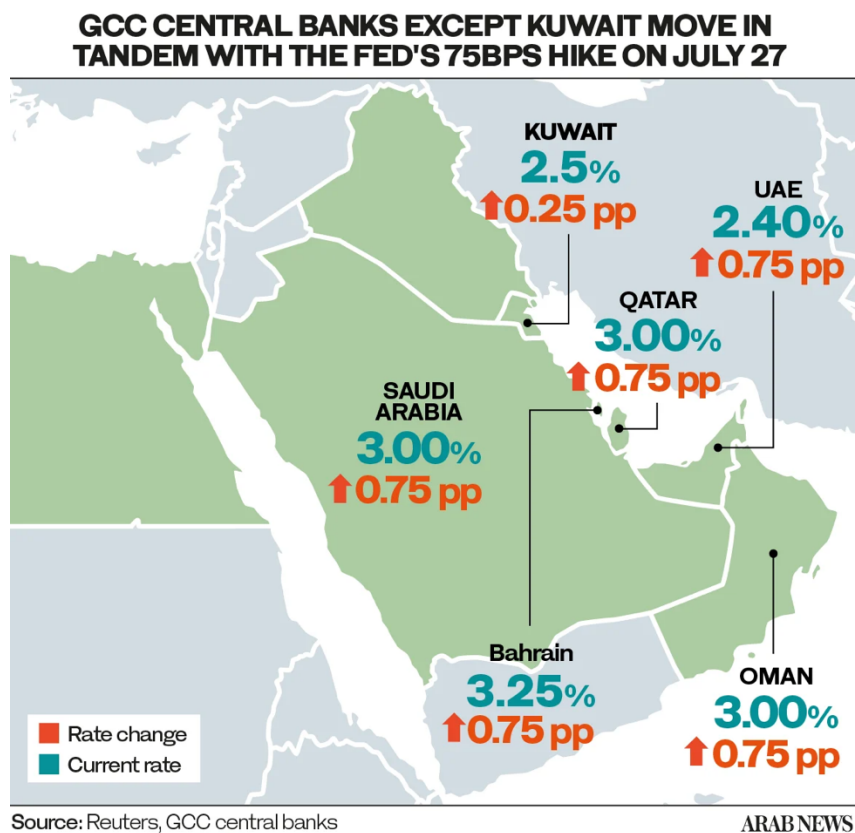
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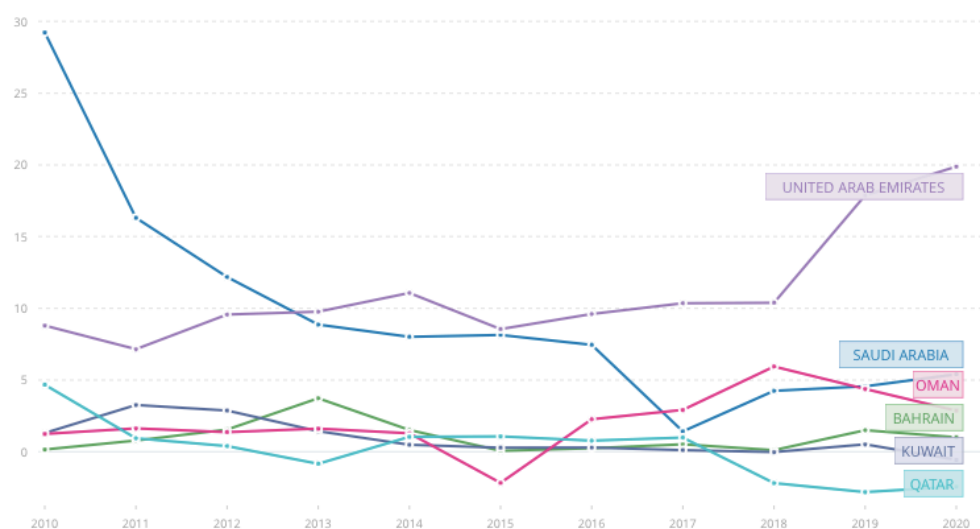
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## Annex

1.- Interest Rate from June to July 2022 among GCC countries:



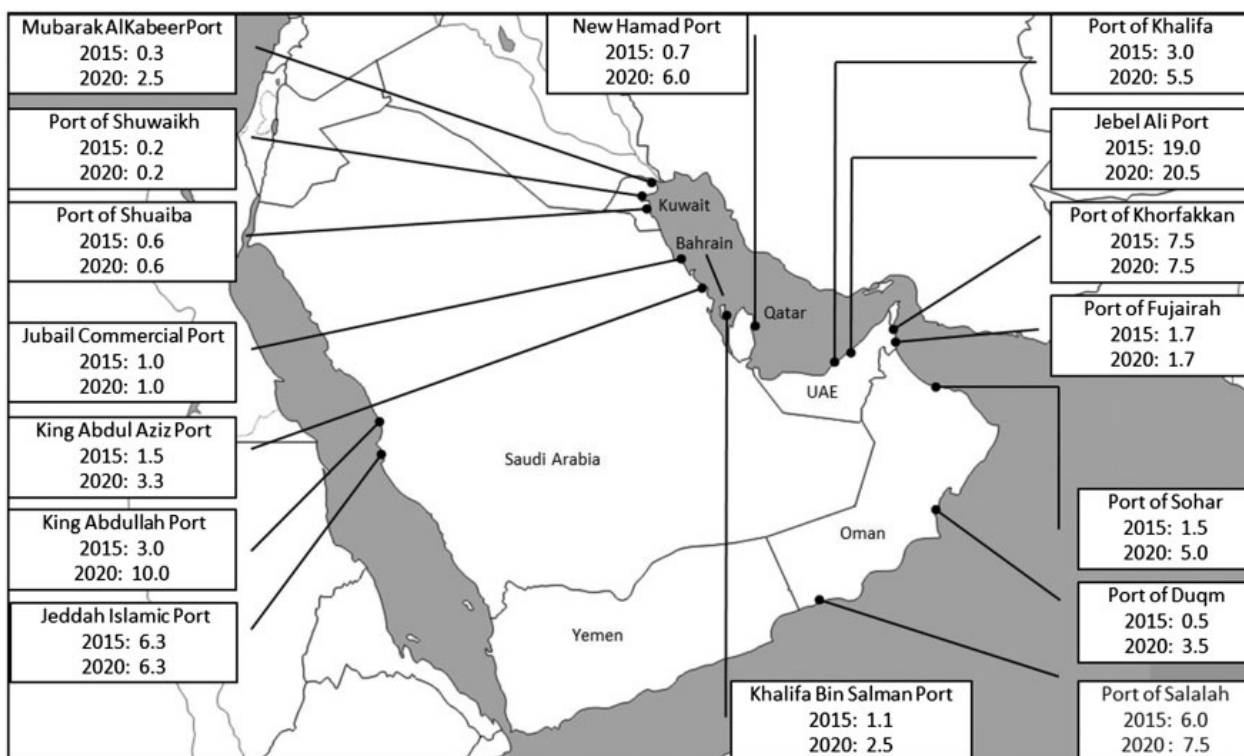
2.- Foreign direct investment, net inflows (BoP, current US\$) - Saudi Arabia, Bahrain, Kuwait, Oman, Qatar, United Arab Emirates



### 3.- Islamic Holidays:

- Ashura (عاشوراء).
- Arba'een (الأربعين).
- Eid-e-Shuja
- Mawlid an-Nabi (النَّبِيِّ مَوْلِد).
- Birthday of Ali ibn Abi Talib (عَلِيِّ ابْنِ أَبِي طَالِب).
- Layla al-Mi'raj (والمعراج الإسراء).
- Layla al-Bara'at (ليلة البراءة).
- Birthday of Muhammad al-Mahdi (حُجَّةَ اللَّهِ ابْنِ حَسَنٍ الْمَهْدِيِّ).
- First day of Ramadan (رمضان).
- Laylat al-Qadr (القدر ليلة).
- Chaand Raat
- Eid al-Fitr (عيد الفطر).
- Hajj (حَجَّ).
- Day of Arafah (عرفة يوم).
- Eid al-Adha (عيد الأضحي).
- Eid al-Ghadeer (حَدِيثُ الْغَدِير).
- Eid al-Mubahalah (عيد المباهلة).

#### 4.- Seaports in the GCC countries





5.- Brands names translated in Modern Standard Arabic (MSA):



American brand “Starbucks Coffee” translating name into MSA using phonetic and aliphate. It should sound: “Starbuks Kafeea”.



Kentucky Fried Chicken, fast-food brand which decided to use MSA phonetic and aliphatic to translate the sound “Keentakee” but translated the word chicken (دجاج).