BUSINESS ISSUES (Cont'd):

For example, a thorough knowledge of the regulations governing business activities is necessary. A knowledge of the legal environment; tax regimes; accepted accounting methods; business structures; import/export regulations; manpower and labor regulations; restrictions on foreign capital; investment incentives; the presence if any of exchange controls are all important for the businessman. Furthermore, a sensitivity on "how to get things done" and an insight into the power structure that operates in a given country are extremely important.

To name a few examples, some countries in the region have restrictions that only locals can "trade" in the market while others permit local/foreign partnerships to "trade"(trade meaning the buying and selling of goods for profit). There are differing regulations on the amount of foreign ownership a business may have. Some countries have requirements on the hiring of local manpower while others do not have any restrictions.

At times, the power structure in a country will intrude in the process of awarding contracts, especially if the project is very large. For many projects special arrangements are often negotiated even before the tenders are submitted. In other words the project is "wired". In the case of large government construction contracts often the governments of developing countries like the Philippines and Korea negotiate special arrangements for large blocks of manpower. For example, the Philippine government controls the entire overseas employment of nationals and forces employers and workers to remit a portion of their salaries through the government banking system in order to obtain hard currency. The Korean government often supplies workers who are doing their mandatory military service as a method of obtaining hard currency. The Japanese government often negotiates special countertrade arrangements to ensure a continuing supply of oil and petroleum products. This is especially true for Japanese business in Iran.

With all of these factors to consider it is extremely important for Canadian companies and businessmen to gain a thorough knowledge of the country and its particular business characteristics.

The two most common methods of doing business in this region of the Middle East are by agency agreement and under some form of joint venture. Both of these aspects will be dealt with under separate topics, however some of the general aspects of how the Arabs approach issues, think through problems, make decisions, etc. cannot be separated. These characteristics therefore, weave a thread throughout all business dealings. Foreign businessmen who have dealt in the region for some time learn to anticipate typical responses, likely outcomes and "what to do" and "what not to do". In effect they start to think somewhat like their Arab colleagues.