

CEP Magazine – December 2018

Bedouin compliance and the ethical supply chain

by Lori Baker

Lori Baker (baker.lori.a@gmail.com) is a Data Protection and Compliance professional with 12 years' experience in both fields and nearly 20 years' experience as a qualified attorney. She is qualified in the UK and the US, and is currently based in Dubai, UAE.

- [linkedin.com/in/loriheffelfingerbaker](https://www.linkedin.com/in/loriheffelfingerbaker)

Etiquette and ethics in the Middle East play a big role in daily life, steeped in tradition and almost interchangeable in meaning. Only rare exceptional circumstances allow for a deviation from the very clear steps required for mutually acceptable interactions between men, women, children, elders, and even for those outside of the tribe. Generosity of heart and spirit is the foundation. Word is bond. Handshake, when permitted, is the seal. In many ways, going back not all that long ago, business was done in very similar ways. It is plainly evident that etiquette and ethics sprung from these very cultural foundations.

Why then are there more high-risk Middle Eastern countries on the Transparency International Corruption Perception Index^[1] and the Basel Anti-Money Laundering Index,^[2] including both politically and economically sanctioned countries, and why are they peppered with politically exposed persons? Cultural etiquette and ethics that for hundreds and even thousands of years have seen Arabic empires rise and fall and rise again may be one reason, much to the chagrin of those in the region seeking to be the conduit between Eastern and Western business and trade. Places like Dubai, Muscat, Amman, and Riyadh are poised to be more than oil and gas trading posts, with free zones in some cities and in others a general conversion of how to approach business transactions in a more global way, providing a basis for big business as a:

- Platform for Middle East, Africa, and South Asia countries to continue emerging through real opportunities for financial inclusion.
- Technology meeting ground that brings together the brilliant IT developers of Southeast Asia and India with the shrewd idea generators of Shoreditch and Silicon Valley.
- Tourism-centric regional oasis offering seemingly endless entertainment and luxury.

However, even with all the globally sophisticated know-how, supported by ex-pats from all over the world who have assimilated the common core concepts of compliance controls to support business, the supply chain that underpins the region still in many ways operates in the esteemed Bedouin-Arabic way.

Bedouin 'compliance'

The Bedouin people are the indigenous people of the Middle East and the Levant region of North Africa.^[3] They have laws and courts of their own, which in many ways look and feel like those in Western culture. Laws develop as the tribe grows and new issues arise. Issues are resolved by reviewing past decisions or precedents and, in some cases, setting new ones. Justice is handed down by the wiser, more educated and experienced members of the group who have a long memory of where their people have been and where they are now both ideologically

and practically.^[4]

As with any system of regulations, compliance is key in Bedouin culture. Compliance in this case, however, is engrained in traditions, cultural niceties, trust, and — above all — generosity. A man without a tribe, for example, is welcomed into another tribe with open arms and gifts, food, company of others, and a place to sleep — all of this lavished upon him with more vigor than for that lavished on the highest sheikh of the tribe. When “business” meetings take place, such virtues play a key role. Gifts are exchanged as an expression of generosity and to indicate that giving one’s word that something will be done as agreed, or in line with prevailing standards and precedents, is assured. These things act as a contractual baseline against which to measure what we might recognize as user acceptance, and metrics are pats on the back, a kiss on each cheek, and a firm handshake. Refusal of the gifts or requesting proof (in writing or by some other collateral) of the other party’s word would be a huge breach that would in many ways resemble a regulatory or contractual breach. Non-compliance with ethical and political traditions like these that regulate business is a non-starter.

From Bedouin to bellwether

Leading compliance methodologies have developed beyond these long-standing, familiar Arabic tenets. Many a compliance professional can be heard in training sessions and other key control scenarios saying, “If it wasn’t documented, it wasn’t done.” How did we as a society and a business culture come to this? As more and more parties contribute to the products and services consumed in the global economy, compliance controls in the supply chain uphold the quality of the end product and the satisfaction of the end user. But these controls have less to do with trust, generosity, and traditions and much more to do with pointing to whatever agreements and regulatory implementations have been documented, pointing fingers in fact at the weakest link (or, to be sure, links) in the chain. Regardless of where those reading this are from, most in this business can agree that fundamentally this corporate behavior is nowhere near the “niceties” of transactions for which this part of the world prides itself on. Yet, it must be done. Compliance is, in essence, the legislated regulation of ethics and etiquette.

In speaking with Western ex-pats who have done business in the region for more than a decade, the development of compliance generally — and supply chain compliance specifically — has been rapid and not without some growing pains, as may be expected. That said, alignment with bellwether compliance principles is clearly an earnest ambition of the regional leadership. Consumer satisfaction and return on investment is key, and compliance is the lock that it fits into.

Experience counts

Lianne Poirier, an ex-pat living in Dubai for 15 years who has a business strategy consultancy called Bizy Hive, asserts that the introduction of value added tax (VAT) in the United Arab Emirates (UAE) and merging concepts of fiduciary duty are clear indicators of the upswing toward best-in-class compliance. With VAT in place, invoicing becomes more auditable, more transparent and timely, and provides proof that legitimate payments have been made between registered, licensed parties in many cases. The supply chain is auditable; the consumer is protected.

Poirier believes that those leading the UAE see the value in such compliance measures and the long-term investment in these compliance measures that it promotes. The important thing, in her view, is for the UAE business community to see it as more than transparent invoicing, auditing, and box-ticking in general, but to also view it as a measure to want to leave the world in a better place. It’s not simply doing what is legal, but doing what is moral.

For example, in the supply chain, auditable, VAT-inspired transparent invoicing will show the number of hours

worked, the materials used, the level of effort required; whether it shows who comprises the work force behind it is unlikely. It simply will not contain that level of detail. Middle Eastern rules are very clear on working hours and conditions for certain types of workers to ensure their health and wellbeing, for example. In this regard, compliance controls that demonstrate that morality and ethics in the supply chain strongly comport with Middle Eastern tradition are far more important than the arguably box-ticking exercise of transparent invoicing. Still, methods such as registration and VAT are positive actions toward a broader framework for best-in-class compliance that ensures not only an auditable supply chain but an ethical one. Very pleasing to the Bedouin way.

Another Westerner who has worked in Middle Eastern cities, including Riyadh and Dubai, has seen a big shift toward common compliance principles accepted in modern Western business. Robert Papp is chief compliance officer for GE in the Middle East and has implemented a forward-leaning, globally centered methodology, including road shows and practical “from the company files” examples of ethical and compliance issues that commonly crop up. Prior to this role, he was in an operational role supporting the supply chain side of the business.

Papp notes that although some parts of the economy in the region are highly developed, others are not. Overall, however, leveling the playing field to ensure real competition is a clear theme that has evolved over time in supply chain economics. The preference to support local endeavors has adapted toward a real desire for local and global companies to compete equally. The concept of “faster, better, safer” through globally accepted compliance principles is now well and truly taking hold across the region.

One may at this point ask how the high standards of trust and generosity could balance with certain compliance controls like restrictions on gifts and tokens as a business meeting starter. Regardless of the answer to that question, Papp suggests that the evolution of compliance in the region, and certainly in the supply chain economy within it, has been and still is steady, aligning with basic Bedouin values: We don’t lie, we don’t cheat, and we don’t seek advantage over others to their detriment (i.e., we don’t bribe).

“Financially, it makes sense,” says Papp. These values level the playing field for big and small companies to compete for key supply opportunities. In the end, the result is regulating ethics and implementing anti-corruption controls in the supply chain and generally within the commercial environment alongside of making money. It doesn’t have to be one or the other.

He goes on to outline some key compliance trigger points developing in the region:

- In Saudi Arabia, the anti-corruption commission called Nazaha reports directly to the king and gives individuals a means to register instances of corruption. Nazaha’s strategy statement is emphatic:
“Corruption has its several negative effects the most significant of which, is the negative effect on the process of development which causes it to divert from its targets, wastes its resources, misleads it, frustrates its process, weakens the effectiveness and efficiency of the systems and creates a state of discontent and anxiety.”^[5]
- The new Prime Minister in Iraq is planning to set up an anti-corruption committee as well. Some question whether such intentions are on the level. Papp disagrees with such skepticism, affirming that the war-torn, high-risk business culture there has to start somewhere, and with the appropriate checks in place, the committee will have a positive impact.^[6]
- Free zones are areas that have a certain amount of legal and regulatory “sovereignty” apart from the government in the country where the free zone is established. These business jurisdictions range from simple to quite evolved and sophisticated, some with their own courts and legislative bodies.^[7] One key

differentiator is that they are often founded on Western business and legal structures. As such, more and more global shareholders have a stake in the branch or subsidiary incorporated in a free zone, which means they have a stake in the company's compliance and governance programs.

Papp puts forward the concise but sound age-old maxim that “Good business begets good business.” He sets out the key elements in Dubai's compliance revolution success story:

- Effectively developing a local supply base capable of competing regionally and globally.
- Enforcing ethical compliance requirements through a diverse supply base of large and small businesses.
- Creating business-friendly environments where local start-ups and branches of foreign companies can grow and promote their compliance programs.
- Adhering to the vision of Sheikh Zayed bin Sultan Al Nahyan, the first Emir of the UAE, of bringing together other countries in the Arabian Peninsula to make the region a rich and diverse global hub.

Tolerance and charity

Sheikh Zayed's vision is endorsed by young Arabs in the UAE and throughout much of the region today. Many Emirati pay tribute to their first leader and his successors for teaching the modern Arab nations that great accomplishments and development are only possible through tolerance and charity.^[8]

We are all part of one grand supply chain. The construction workers building the shining skyscrapers of Dubai contribute as much to the progress of ethics and etiquette in the Middle East as do the suited and booted businesspeople conducting the millions of transactions across the chain. Coming full circle, compliance controls in the supply chain are not so different now than they were before. The difference now includes requirements to document and monitor ethics and etiquette. These concepts are tolerated much more than they once were.

There is, however, still work to be done in the further reaches of the region to accept documenting a handshake and giving of a token gift (some taking a very liberal view of “token”). Charity and generosity, as discussed earlier, make the line between corruption and culture very blurry. Preventing corruption in the supply chain in this region requires explaining very sensitively how generosity is in some cases taken too far and may be unacceptable. Compliance professionals in the region are having to find a way to carve out certain exceptions, such as giving gifts for religious holidays or auctioning off the extremely generous “tokens” for charity. As much as good business begets good business, charity begets charity.

In having a very sensitive conversation about generosity and how it fits with doing good business, regional business leaders are demonstrating the same tolerance of their founding fathers. They are in effect more and more willing to assure fairness and financial inclusion, affording smaller, emerging countries and businesses the same chances as any other organization. This approach also enhances the dynamic platforms available in the Middle East for leveling the playing field.^[9]

Recently, the Dubai Financial Services Authority (DFSA), a financial services regulator in the free zone of the Dubai International Financial Center (DIFC), licensed Middle Eastern Venture Partners (MEVP). MEVP is required with this license to address risk management reporting, know-your-customer requirements, and anti-corruption processes in its asset management efforts. Such positive regulation props up financial inclusion and growth for new businesses in emerging markets while stabilizing the often risk-laden environment. The built-in anti-corruption mechanisms in this business “chain,” perhaps once seen as a lack of trust and an imposition on common generosity, are being welcomed by the leadership of the DIFC. Arif Amiri, the CEO of DIFC, stated,

“Companies like MEVP Capital are important in terms of further enhancing the comprehensive ecosystem in DIFC.” A ringing endorsement and a sign of ever-evolving tolerance for new norms that previously may have been seen as offensive.^[10]

Everyone wins

When it comes to supply chain transparency and documenting anti-corruption measures marrying with the traditions and cultures of the Middle East, the goal is for everyone to win. For instance, introducing VAT in the UAE took some time, because taxes are often a sensitive topic in the region, both in the religious culture and in general. A general understanding has been reached from a religious and cultural perspective regarding goods and services taxes or VAT.^[11] There now exists a necessary balance between the obvious disadvantages of taxes, because everyone is subject to VAT, and the obvious benefits, such as transparency and documentation of each transaction by a registered business.

In addition, compliance with global laws to ensure suppliers adhere to a code of conduct is receiving a much warmer reception. The good of the many and the flexibility to achieve common goals are driving factors in the compliance “diaspora” of the Middle East. Ethics and etiquette come together with charity and trust, as well as the requirement to document everything, regardless of how offensive the concept may still be to some. People living and working there, some as participants in the supply chain, have seen it transform before their eyes. Among other factors that perhaps require changing (which is a discussion for another time), if the slate in the Middle East remains clean and expansive enough to continue on this path, it is very close to one day being the lower-risk business hub it aims to be.

- 1 Transparency International, Corruption Perceptions Index 2017, February 21, 2018, <https://bitly.is/2xU53da>.
- 2 International Centre for Asset Recovery, Basel AML Index 2017, August 16, 2017, <http://bit.ly/2zNDN19>.
- 3 “Bedouin,” Encyclopedia Britannica, January 4, 2016, <http://bit.ly/2QTy3PY>.
- 4 “Bedouin Law,” The Bedouin Way, June 3, 2014, <http://bit.ly/2P7F6xa>.
- 5 “Strategy,” اللغة العربية (National Anti-corruption Commission), September 4, 2013, <http://bit.ly/2P8poUj>.
- 6 Aldroubi, Mina, “Iraq forms committee to investigate corruption amid ongoing unrest,” The National, August 1, 2018, <http://bit.ly/2RkqFY9>.
- 7 King, Neil. “The future of free zones in the UAE,” Gulf Business, June 23, 2018, <http://bit.ly/2RjzSjH>.
- 8 Al Ziyoud, Aiman, “Sheikh Zayed: The most powerful lessons,” Arabian Business, July 24, 2018, <http://bit.ly/2P7h7hO>.
- 9 Al Ziyoud, Aiman, “Sheikh Zayed.”
- 10 “Dubai Regulator Gives Asset Management License to VC Firm MEVP,” Anti-Corruption Digest, February 26, 2018, <http://bit.ly/2OzSoWq>.
- 11 Halid, Suzalina, “GST is not an issue as Islam does not forbid collection of tax,” New Straits Times, May 2, 2017, <http://bit.ly/2RpArIP>.

This publication is only available to members. To view all documents, please log in or become a member.

[Become a Member Login](#)