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# TARGETED MICROFINANCE AND WOMEN INVOLVEMENT IN HOUSEHOLD DECISION-MAKING: EVIDENCE FROM BANGLADESH

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## ABSTRACT

*This paper examines the effect of special micro-credit programs in Bangladesh on severely impoverished women or the Targeted Ultra Poor (TUP). By making use of a unique baseline dataset emerging out of a new BRAC program, begun in 2002, that targeted the ultra poor, this paper compares the impact, on very poor women who participate in microfinance institution programs as opposed to those who do not participate. BRAC in Bangladesh attempts to help micro-entrepreneurs stabilize and grow their businesses by providing them with access to a range of critical services from training to technology, market access, and infrastructure. BRAC not only provides micro-credit to employ the women, they also have a multifaceted development intervention package targeted at the ultra poor. From its inception in 2002 a significant amount of research has been done on targeting the effectiveness of the program and other related facts. Much less research has been done on the decision making ability of the Targeted Ultra Poor (TUP) women who use the asset transfers and the women who do not participate in TUP. This paper focuses on how the source and use of the loan can influence women's independent decision making. Most studies either do not adequately distinguish between the various groups among the poor, or do not cover the various sources of financial services. By making use of the TUP program, we examined various aspects of ultra poor households' financial market participation and decision making. Our research found evidence that participation in the program (at the initial stage with no credit) without receiving any financial support is less likely to make them better decision makers. A woman becomes an independent decision maker when she gets financial support from financial intermediaries.*

*We find that participation in financial markets makes the poorest women more aware of the benefits and needs of independent decision-making than those who do not. Having control over household decisions is an important attainment for rural poor women in Bangladesh, as this is normally not the case.*

# MACROVARIABLES IN DETERMINING THE EXCHANGE RATE OF THE U.S. DOLLAR AND MAJOR CURRENCIES

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## ABSTRACT

*Purchasing Power Parity and Interest Rate Parity are well established theories of exchange rate determination. Purchasing Power Parity is basically the law of one price, a basket of goods and services are priced in one country, and the same basket of goods and services are priced in another country and the exchange rate is determined based on the price of the commodity basket in each country. Interest Rate Parity is another theory which states that the Interest Rate Parity determines exchange rate. This paper finds that although Purchasing Power Parity and Interest Rate Parity are well established theories of exchange rate determination, there are other variables which are unique for each country for determining exchange rate for those individual countries. In the case of the U.S. dollar it was found that there are some macrovariables which determine the exchange rate of the dollar against its major trading partners. Therefore we cannot say that exchange rate of every country is determined by Purchasing Power Parity or Interest Rate Parity alone. This paper finds that there are some macrovariables that determine the exchange rate of the dollar against some major currencies.*

# **THE TRANSFORMATION OF QATAR ECONOMY INTO INDUSTRIALIZATION ERA**

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## **ABSTRACT**

*This study reports the results of a survey conducted during 2007 which was distributed to business professionals, educators, and students at the State of Qatar. A total of 163 surveys from professionals, 26 from educators, and 96 from students were completed for a response rate of 48%, 35%, and 33% from students, educators, and professionals, respectively. The average number of years of experience was 10.77 years with a maximum experience reported at 40 years. There were 50 percent males and 50 percent females; 37 percent were Qataris while 63 percent were non-Qataris. Fifty-four percent of respondents were married, and 44 percent were single. Fifty-two percent earned a bachelor degree, while 23 percent with graduate degrees.*

*The most important industry in Qatar, according to our respondents, is oil and gas, followed by banking, followed by manufacturing. Educators were three times more likely to indicate the importance of manufacturing sector to Qatar economy than professionals. The least important industries were insurance, services, and education. This is a major concern as industrialization requires investment in education. Respondents believed that the four most important stakeholders to promote industrializations were government, investors, bankers, and business professionals. Additionally, respondents perceived legislators to be the least important stakeholder to promote manufacturing. This is another concern as respondents felt legislators were not stakeholders in promoting industrialization. Legislators play major role in drafting regulations to promote industrialization. Therefore, more education of the role of regulators may be needed. Finally, the most important skills/competencies needed to promote manufacturing sector in Qatar were communication skills, technology/computer usage, professional knowledge, interpersonal skills, professional integrity/ethics, and problem solving. The least important skills identified by respondents included diversity, global issues, critical thinking, and lifelong learning. With more emphasis on global trade and trade agreements, it is very important to educate the public about the importance and effects of global issues on the economy. Qataris were more likely to invest in stock market while non-Qataris seemed to invest in bank deposits. Interestingly, 87 percent of students reported investing in stock market.*

# **CORPORATE SOCIAL RESPONSIBILITY AND FIRM OPERATING PERFORMANCE**

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## **ABSTRACT**

*The purpose of this study is to examine whether there exists any systematic relationship between corporate social responsibility (CSR) and firm operating performance as measured by profitability. Based on the argument that CSR would play the role of mitigating conflicts between firms and society, we hypothesized that CSR would enhance the firms' operating performance. Specifically, the firms with higher CSR performance are predicted to have higher profitability than those with lower CSR performance. This hypothesis was tested using 130 Korean firms over eight-year period (1998-2005). An index published by Korean Economic Justice Institute (KEJI) was used as the measure of CSR performance. Our empirical results suggest that the firms with higher CSR performance exhibit better operating performance as measured by accounting rates of returns (profitability). These results are robust across different measures of variables and testing methodologies.*

## **OUTSOURCE OR NOT TO OUTSOURCE: THAT IS THE QUESTION**

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### **ABSTRACT**

*Outsourcing, is it good for the US economy? Most economists see outsourcing as just another way to reduce input costs for a good or service, and that collectively the US population will be better off because of greater economic efficiency. Many Americans especially those in the computer industry fear that outsourcing will spell disaster for them and other like them as more and more jobs leave the nation. This study will try to examine as many of the basic aspects of outsourcing and try to show that overall outsourcing is good for the economy. There will be some job loss especially in computer program and computer service industry, however, the nation as a whole will not suffer as much as popular press would have you believe. In the long term service oriented outsourcing will be accepted much the same way that production outsourcing has been.*



# COMMERCIAL AGENCY LAW IN THE UNITED ARAB EMIRATES: A REVIEW AND RECOMMENDATIONS

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## INTRODUCTION

The laws regulating commercial agencies in the UAE are federal under Federal Law No. 18 of 1981, amended by Federal Law No.14 of 1988. The Ministry of Economy and Commerce is in charge of the implementation of the Commercial Agency law. The Ministry also issues Ministerial Decrees relating to Agency Law, along with hosting the Agency Committee which deals with Agency disputes. The Ministry issues registrations and collects the fees.

Other laws that govern agencies are contained under the UAE Commercial Transaction Law, Federal Law No. 18 of 1993 (the Commercial Code). However, the Commercial Agency Law supersedes the Commercial Code and Civil Code but is only applicable to registered agents who meet the registration requirements and register their agreement with the Ministry of Economy and Commerce.

### *Definition of a Commercial Agency*

A commercial agency is defined under the Article 1 of the law as “representation of the principal by an agent for the purpose of distribution, selling, display or rendering of a commodity or a service in the State against a commission or profit.” Whereby, the principal is a local or overseas producer or exclusive exporter or distributor authorized by the producer provided that the producer must not handle marketing process by himself. The agent is a national individual of the United Arab Emirates’ or entity wholly owned by UAE nationals licensed to practice the commercial agency activity in the territory.

The principal can be a producer, manufacturer, master distributor/exporter, franchiser or service provider. The law doesn’t differentiate between agency agreements between an agent with any of the above forms of principal. Under the law, they are all the same.

### *Registration and Application of the Agency Law*

Under Article 3 of the Commercial Agency Law, an agency must be registered with the Federal Ministry of Economy and Commerce to be enforceable. “*trade agency activities are not permitted to be practiced inside the state except by such commercial agents registered in the specified register maintained for this purpose by the ministry. Any trade agency not registered in the above register shall not be considered, nor legal cases there for shall be heard*”. The responsibility for registration is held on part of the commercial agent. Under Article 4, the agreement must be written. “*For valid agency at the time of registration, the agent shall be directly bound with the principal by a written and notarized contract.*” The registration process must be written to be duly notarized.

In order for the registration to be complete, an essential requirement is that the agent is a UAE national or a commercial company incorporated in the UAE and wholly owned by UAE nationals (*Article 2*). The commercial agent must be licensed to carry out the activities under the agreement. The written agreement must be in place and must give exclusivity to both parties. The agreement must also be in Arabic or translated by a certified translator. Under Article 6 of the law, agreements that contradict the provisions of the Agency law will not be recognized by the courts. The Ministry will not register agreements that contain conditions that interfere with the protections provided to agents under the law, such as provisions relating to commissions and payment of compensation on event of termination.

Unregistered agents are not provided with protection under the Federal Agency Law, instead they are regulated by the Commercial Code and the Civil Code and thereby treated as commercial contracts and do not provide for the protections given to a registered agent. Therefore, non-UAE nationals can act as agents but are not afforded the protections of UAE national registered agents under the Agency Law.

#### *Protections provided to agents*

Registered agents are provided with protections under the Agency Law. Article 8 of the Federal Agency Law states that a principal cannot terminate or refuse to renew an agency agreement without justification. A fixed term in the agreement doesn't provide for just cause, even failure to perform on part of the agent is not considered to be just cause by the courts. *"The principal shall not be entitled to terminate the agency contract, unless there is a valid reason for termination, regardless that the period of agency contract is fixed. The agency may not be re-registered in the trade agencies register in the name of another agent, unless the first agency has been terminated by mutual agreement between the principal and agent, or there are essential reasons accepted by the permanent committee formed under article "27" of this act."*

Even in the event that the committee agrees to the termination of the agency, the Ministry frequently orders payment of compensation to the agent which is estimated based on past profits, actual losses incurred and extent of agents investment. Article 9 states that *"If the agency is withdrawn in a non-convenient time, or due to a reason beyond the control of agent, the principal may be claimed to pay compensation against the injuries sustained by the agent. Cases of misuse of right which necessitate payment of suitable compensation, include non-acceptance by the principal to renew the agency contract after lapse of its original period, if the agent proves that his activity has led to apparent success in distribution of the principal's products or publicity thereof, and that non-renewal of contract causes injuries to the agent or denies him the profit expected due to his activities, unless the principal proves that the agent has committed a mistake which justifies non-renewal of the contract."* Hence, the non-renewal of the agency agreement should be justified by the principal before the agency can be de-registered. The agency cannot be replaced unless the dispute is resolved according to Article 8.

Registered agents are given an exclusive right to import the goods which are the subject of the agency agreement under Article 23 which states *"No persons shall be allowed to import in any commodities, products, manufactured products, materials or otherwise, being the subject of trade agency registered in the state in the name of another person, for the purpose of trading through other than the agent. The concerned authority shall upon request of, the agent detain such imports*

*in the ports or the stores of importer until a judgment is given.*” Even during a dispute, an agent can prevent a principal from importing such goods through a substitute agent.

Article 7 of the Federal agency law allows agents to receive commissions on both sales made by the agent and any other sales made by the principal in the territory even if those sales were not a result of the efforts of the agent. *“The agent shall be entitled to the commission for the deals made by the principal himself or through others in the area of agency, even if the deals are not concluded through efforts of the agent.”*

#### *Protections provided to principals and definition of territory*

The principal is also afforded protection under the Agency Law. The main benefit to the principal is the protection against the breach of the principal’s trademark rights and restriction of parallel imports, under Article 23, which is stated above. The UAE customs authorities do not permit the clearance of the importation of products under the name of an alternative agent without the permission of the registered agent therefore banning parallel imports. Article 5 of the law also permits for this exclusivity. *“The Principal shall be allowed to have one agent in the state as a one territory one agent in each emirate, or in a number of emirates, provided that distribution of the relevant goods and services shall be restricted to the agency area.”* However, this benefit can also work against the principal at the same time because the law also doesn’t permit the principal to use more than one agent in one territory.

The territory is defined in the agency agreement and could be either one emirate or a group of emirates or the whole of the UAE. The main issue is that the agreement should provide for exclusivity within the territory. However, the principal can appoint different agents to different product lines, this should be explicitly stated in the agency agreement to avoid conflict.

#### *Issues and Problems Identified*

The Federal Agency Law doesn’t encourage principals to enter the UAE market through an agent. The rules and regulations related to the formation of an agency are rigid and discriminatory. The formation of agencies can only be through a UAE national or a wholly owned entity by UAE nationals which limits the number of agents available. A principal might wish to enter the UAE market through an agent which we had previously done business with in other countries and use the established relationship to build another agency in the UAE. The fact that he is unable to do so, and since he doesn’t have any UAE nationals that he trusts might deter him from opening a branch of his business. Also, the limitation of a principal’s choice in choosing an agent results in that he foregoes other agreements that he could make with better agents which might result in better deals. Although, agency agreements with non-UAE nationals are recognized as contracts and dealt with the Commercial and Civil Code, the principal loses the protections given to registered agents and principals, most important of which is the exclusivity provided.

Agency agreements are only recognized under the Federal Agency law and provided with the protections related above, if the agency is registered and written. Hence, the only form of agency agreement is by express agreement rather than implied. This limits the number of agencies formed since many transactions and agreements could be formed by conduct and should be recognized by law. The fact that the agency should be registered hinders the agreement process and places restraints on it. Agents usually insist on registering the agreement in order that they be provided with

the related protections under the law. There is always a risk to the principal that the courts will rule using the Federal Agency Law even though the agreement isn't registered.

Under Article 7, an agent is entitled to commissions for any direct sales in his territory specified in the agency agreement regardless of whether the sales were made as a result of the agents efforts or not. This provision may discourage principals in the sense that all the sales made are subject to the agent's commissions and the principal may feel that this is unfair and this might also discourage him from making more sales in the territory.

#### *Termination of the Trade Agency*

A dispute that arises between a principal and an agent should be submitted to the Commercial Agency Committee, provided that the agreement is registered. The Agency Committee was formed under Article 27 specifically to hear agency disputes. Under Article 28 of the law, the committee is established as a specialized forum for dealing with disputes arising from agency agreements. *"The committee shall be competent in seeing any dispute arising by cause of the trade agency. The Committee may, in performing its duties, seek the assistance of whoever it deems fit, by a written authorization. Such persons shall not be permitted to disclose the matters which they might see due to their authorization."*

The Agency Committee acts as a mediator and helps the parties negotiate rather than facilitate or permit termination. Arbitration clauses included in agency agreements are disregarded by the Agency Law. A judgment given in 1994 by the Abu Dhabi Court of Cassation provided that arbitration clauses are void and unenforceable because they contradict Article 6 of the Agency Law which states *"A Commercial Agency Agreement shall be considered concluded for the mutual interest of both thereto. It is within the jurisdiction of the UAE courts of Law to hear any dispute arising, between the principal and the agent, from the execution of the Agreement. Any agreement in contravention thereto shall not be entertained."* Dubai Courts have also followed pursuit.

#### *Jurisdiction and Foreign Clauses*

UAE courts have jurisdiction over all commercial agency disputes as stipulated by Article 6 stated above. If the territory specified in the agreement is the whole of the UAE then any of the emirates have jurisdiction subject to the Civil Procedures Law Provisions. Foreign clauses included in agency agreements are generally disregarded by the UAE courts and the UAE law is applied in addition to preventing the agreement to be registered with the Ministry of Economy and Commerce. In practice, the UAE courts are unwilling to apply foreign laws and will set aside the clauses which provide for the application of foreign laws.

#### *Termination of Agency Agreement*

Under Article 8 mentioned above, the principal cannot terminate, deregister or refuse renewal of an agency agreement even if the agreement provided for a fixed term. The Agency Committee is the one which decides termination which is rarely granted and even in the cases in which it is granted, the principal is required to pay compensation to the agent even if no losses were incurred by the agent.

In determining what is a sufficient ground for non-renewal or termination, the Agency Committee and the court will not consider anything less than gross neglect on part of the agent. The

courts use the assistance of experts to verify claims and to decide on how much compensation is to be granted to the agent.

#### *Non-Renewal of Agency Agreement*

The agency agreement is not legally terminated unless it was deleted from the Ministry's register. A principal cannot appoint a new agent unless the agency is de-registered. Non-renewal of an agency does not mean that the commercial agency is de-registered from the Ministry.

#### *Court Procedures*

The procedure of filing claims primarily with the Agency Committee and then with the courts is time consuming and therefore costly. An appeal of a decision of the Agency Committee is first presented to the Court of First Instance of a UAE federal court and further appealed to the Court of Appeals and the Court of Cassation if necessary.

Furthermore, because of the law under Article 23, the principal is not permitted to import goods under the name of a different agent thereby costing the principal lost profits which increase until the dispute is resolved. The courts are known to be very slow and almost invariably find in favor of the local agent.

There are many problems associated with the termination of a commercial agency in the UAE which makes many principals wary of investing since the prospect of termination seems impossible and renewal is mandatory. Although the UAE has a strong reputation for free trade, it has the most burdensome dealer protection law in the Gulf region.

As mentioned above when explaining the laws, Article 8 emphasizes and clearly points out that a valid and just cause must exist for the principal to be granted termination of agency. Even a fixed term in the agreement is not sufficient to grant approval for termination or non-renewal. This undoubtedly raises concerns for principals who have to prove to the Commercial Agency Committee and/or the courts that the agent has not fulfilled the contractual obligations in the agreement.

Justification to the courts has proven to be very difficult since the courts use a very strict interpretation of the law to decide on granting termination. Experts are used to judge the cases and even in the case where termination is granted, the principal has to compensate the agent whether or not losses were incurred. There are precedents in Dubai courts where more flexibility has been introduced. It should be noted however that Dubai courts are not part of the federal court system. Foreign Clauses are disregarded by the UAE courts which can make a principal cautious when deciding on the investment. Also, the law doesn't allow for any other dispute resolution system such as arbitration. Many arbitration clauses are set aside by the courts, the only dispute resolution system recognized is through the Commercial Agency Committee or the courts which are inclined to be very slow.

The principal is not allowed to import any goods through a replacement agent until a pending dispute is settled, this is specified under Article 23 and this costs principals lost profits. On the other hand, the local agent is free to deal in competitive products regardless of any unresolved disputes. This bias is frustrating to principals involved in such disputes.

Consideration should be given to changing some aspects of the law to allow for flexible termination such as one specified by a date in the agreement and to allow for quicker resolution processes. The courts should also be less biased and be flexible in their interpretation of the law and

allow for termination of the agency if reasonable cause exists. Compensation to the agent should not be granted unless an agent justifiably lost profits as a result of the termination and these lost profits were not a product of the agent's actions.

### **CONCLUSIONS**

Any principal considering investing in the UAE has to proceed cautiously and take many precautionary measures such as drafting the agreement to include specific provisions relating to the agent's duties and targets. These measures might help the principal gain a better standing when trying to terminate an agency agreement or in the negotiation of non-renewal.