Societal Responsibility of the Foreign Direct Investment Companies in the Arabian

Legislations (Comparative Study)

By

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Abstract:

Societal Corporate responsibility is a new term in the Arabian region, it appeared once globalization had arisen in the region and the private sector began to lead the economic development and the public sector regressed to the back, therefore the importance of SCR increased particularly after direct investment flowed in the region. The study concerns on clarifying the interaction between the FDI companies and the societal corporate responsibility.

Key words:

Foreign Direct investment, Investment Laws, Societal Responsibility.

1. Introduction:

Society is the corner element in the formation of any country; it means a group of people live together on a land, they interact between each other and develop social relations, which appeared and organized in groups, tribes and communities.

In the same time, this entity (society) interacts with territory, specifically its environment, whether it may be a Desert, Coastal, Agriculture … or elsewhere. This whole interaction develops a unique cultural frame work to form the social identity of society and its members. It clarifies their traditions, customs, Religion, economic activities…etc., and determines their own life style.

Societies struggle for its' sustainability, in the light of its' culture, it develops policies in different fields and activities internally and externally. These policies may vary from society to another but the final goal is same.

Foreign direct investment is one of the main policies that most countries, developing or developed, rely on it to achieve economic development. Both are seeking for the best ways to attract and encourage the access of direct investments to develop and flourish their economies. They compete and scramble to fetch foreign investors, to invest in their societies. Each country endeavors in constructing a well infrastructure, gives more incentives; as granting a grace period free from taxes, transferring profits to their home countries…etc.

Herein; the problem research arises, in this previous scope, through the main following questions; what is the benefit of society from this opening of its market to the foreign direct investment? And is there a way to enforce and oblige the other to benefit the society and its members? The study assumes that corporate social responsibility concept looms to be the way for the answer of these questions.

Questions:

1- **What is the meaning of foreign direct investment and its benefits?**

2- **What are the forms of foreign direct investment companies?**

3- **What is the meaning of foreign corporate social responsibility?**

4- **What are the nature of foreign corporate social responsibility in Arab legislations?**

2. Foreign investment:

Investment, in general, means the allocation of money with the intent to get in the future, an expected benefit called return. The return may be capital gain or investment income or includes dividends, interest, rental income…etc. while the latter, capital gain, refers to the profit that results from the difference between the price of a certain asset, which had been bought before, and its current price, when it be sold. Investment may be domestic or foreign.

Foreign investment is the investment in which involves capital flows from one country to another, granting extensive ownership stakes in domestic companies and assets. It denotes that foreigners have an active role in management of the invested project, as part of their investment.[i]

There are two main categories for foreign investment; the first is named by The Foreign Portfolio Investment (FPI), while the second is the Foreign Direct investment. The Foreign Portfolio Investment (FPI) means that investments by a resident entity in one country are the equity and debt securities of an enterprise resident in another country, which seek primarily capital gains and do not necessarily reflect a significant and lasting interest in the enterprise. This category includes investments in bonds, notes, money market instruments and financial derivatives, other than those included under direct investment. Usually this kind of investment is organized under laws of stock exchange and money market.ii

While the Foreign Direct investment, is the category of international investment, in which a resident entity in one country obtains a lasting interest, in an enterprise resided in another country. A lasting interest, implies the existence of a long-term relationship, between the direct investor, the enterprise and a significant degree of influence by the investor on the management of the enterprise.iii **This kind of investments always is organized under the international multilateral and bilateral agreements, to protect foreign investments, which is enforced by national laws of investment.**[iv]

2.1 (*FDI) in international agreements*:

(OECD) carried out a study on the definition of investor and investment, which concluded that none of the international investment agreements defined investment, except the bilateral agreements which dealt with the protection of investments between two countries.v

Herein two models of definitions represent the Latin and the Anglo-American perspectives, in defining foreign investment:

2.1.1 France and Mexico bilateral agreement (1998)[vi]:

Investment means every kind of asset, such as goods, rights and interest of whatever nature, including property rights, acquired or used for the purpose of economic benefit or other business purposes, and in particular though not exclusively:

a- Movable and immovable property as well as any other right in rem such as mortgages, liens, usufructs, pledges and similar rights.

b- Shares, premium on share and other kinds of interest including minority or indirect forms, in companies constituted in the territory of one contracting party.

c- Title to money or debentures, or title to any legitimate performance having an economic value.

d- Intellectual, commercial and industrial property rights such as copyrights, patents, licenses, trademarks, industrial models and mock-ups, technical processes, know how, trade names and goodwill.

e- Rights derived from any concession conferred by any legal means.

2.1.2 United Kingdom – South Africa 1994 [vii]:

Investment means every kind of asset and in particular, though not exclusively, includes:

a- Movable and immovable property and any other property rights such as mortgages, liens or pledges.

b- Shares in and stock and debentures of a company and any other form of participation in company.

c- Claims to money or to any performance under contract having a financial value.

d- Intellectual property rights, goodwill, technical processes and know-how.

e- Business concessions conferred by law or under contract, including concessions to search for cultivating, extract or exploit natural resources.

A change in the form in which assets are invested does not affect their character as investments and the term investment includes all investments, whether made before or after the date of entry into force of this agreement.

2.1.3 Inter-Arabian agreements.

On the Arabian scope, we reached the definition of investment in the Agreement of encouraging and protecting investments and capital transfer between Arabian countries, as follow:

Investments or invested money in this agreement means; all kinds of invested assets, related to economic activities that the investor who proceeds in one of the contracting countries, shall be national of any Arabian contracting countries, regarding that these activities shall be subject to law and legal systems of the latter contracting party. This include specifically but not exclusively the following:

a- Movable and immovable property and any other property rights such as mortgages, liens or pledges and any other similar rights.

b- Shares in and stock and debentures of a company and any other form of participation in company.

c- Claims to money or to any performance under contract having a financial value related to any investment activity.

d- Intellectual property rights include; copyright, Trademarks, Patent, Industrial designs, Technical operations, Technical expertise, Trade secrets, Trade names, Goodwill, related to investments and any other similar rights.

Any change in the form of the invested asset does not affect their character as investments, provided that the change not contradict with the granted approvals, (if any), for the original invested.

From all the presented definitions, we can notice that most countries adopted one model in defining investments; all the definitions numerate the types of investments not more, without any mentioning to the investment process itself. In other words, the international agreements concerned with investment in general, as it is the main root, but without differentiate between the two kinds thereof.

There are slight differences between definitions, this may be existed in detailing some terms not more; as Business concession, which was included in the first two definitions, while the Arabian agreement didn't present it anymore, despite of its existence, in practice, in the inter- Arabian investment transactions; as BOT contracts. In addition, the last definition (Arabian definition) clarified a crucial point that investment must be related to an economic activity, exercised by an entity called the investor, who may be a natural or legal person, and this is referred to the direct and indirect investments as well.

Lastly, the Arabian definition, in our view, is better than the other definitions, because it used the term economic activities, which encompasses all fields and forms of investments. This may be justified, in the willing of the Arabian countries, to encourage the inter-investment between Arab countries, in all economic activities.

2.2 Foreign Investment definition in the Arabian national legislations:

The Algerian law gives equal treatment to the national and the foreign investment, and defines investment that it means one of the following:viii

1- The acquisition of assets which are included in developing new activities, or enlarging production capabilities, or rehabilitation, or restructuring.

2- Capital sharing of any establishment, either in cash or kind.

3- Activities recovery in partial or full privatization.

Kuwait issued Law no: (116) of 2013 for encouraging direct investment in Kuwait; it considers the investor that he is the natural or legal person, whatever his nationality. In this meaning, the law adopts the principle of equality, among the national and foreign investor. Law defines the direct investment; it is the investment in which the investor employs –personally or by participating with other- his capital directly in an investment entity in Kuwait state and is licensed according to the law.

It adds that the investment entity is any economic project or activity, be licensed according to the law; through an investment license to give him its legal existence in Kuwait state.ix

The Tunisian legislator defines investment in general; it is any sustainable employing money in which an investor proceeds to implement a project, participates in developing the Tunisian economy and bearing its risks. Regarding that this investment shall be either direct or sharing investment. In the same path, law defines the investor; he is any natural or legal person, reside in the state or not, and performs investment. In addition, law gives the same treatment among the national and the foreigner investment.x

On 2014 the Jordanian legislator put the investment law, to encourage and attract the national and the foreigner investor as well. Nevertheless, it did not define investment, but it defines investor as; the national or legal person that exercise economic activity in the kingdom in applying to the law. In addition, law clarifies the economic activity by enumerating the kinds of economic activity that include any industrial, or agriculture, or tourism, or media, or craftsman, or service including information technology.

The Egyptian investment law defines investment as employing money in establishing an invested project or enlarges, or develops, finances, owns, or manages it, as to contribute in achieving the comprehensive and sustainable development in the country. Law continues in defining the invested project, it is the exercising one of the invested activities in sectors of industry, agriculture, trade, education, health, transport, tourism, housing, construction, building, sport, electricity, energy, mineral resources, water, communications and information technology. The minister of investment with the competent ministry may add other sectors per the economic development plan of the state.xi

It may be cleared that Arabian legislations follow one of two methods in defining foreign investment; the first as Kuwaiti law, which addressed the meaning clearly and distinguish its types, while the rest of legislations; as Egyptian, Tunisian, Jordanian laws define investment in general without any classifications, but when we go deeply in its words, we can reach the legislator's intent to organize the direct investment in principle. This argument may be supported by the fact that most Arabian countries issued legislations to organize stock exchange markets.xii

This method of differentiation between (FDI) and (FPI) is in line with the convention on the settlement of investment disputes between states and nationals of other states (ICID) convention 1966.

2.3 *Typical features of a foreign direct investment*:

Although (ICSID) convention did not define investment term, but according to C. Schreuer, who concluded some typical features for an investment under the convention relying on (ICSID) case law, which most of international agreements and national investments laws is referred to, it may be summarized as follow: xiii

- **The project should have certain duration.**
- **There should be a certain regularity of profit and return.**

- **There is typically an element of risk for both sides.**
- **The commitment involved would have to be substantial.**
- **The operation should be significant for the host state's development.**

2.4 *Advantages of (FDI) in Arab countries Economies*:

1- Most of the Arabian countries except the gulf countries suffer from unemployment, which forms a main reason for social problems and diseases most of the Arabian countries face it. (FDI) projects create new jobs and develop the present employment.

2- It increases the amount of capital invested in the economy that in many cases the local capital markets do not have sufficient resources to meet capital needs arising from major projects.

3- Most of Arabian countries suffer from the rareness of foreign currency, which is needed for purchasing equipment and technology, and (FDI) capital inflow solves this problem.

4- It increases government budget revenues that (FDI) represent new contributors to the economy.

5- The transferring of technology can have stimulating effects for the economy by promoting local innovation and spreading modern technologies in other companies than the one where the initial investment was made.

6- Foreign investors bring modern management practices that they share with local staff.

7- Foreign investments may lead to an increase in domestic investment, as national companies may become suppliers of foreign investors, gain access to their distribution to invest for facing competition arising from foreign investment.

8- Foreign investments bring not only investments, but also access to distribution channels and expertise in global market sales.

9- (FDI) develop activities, which usually need high skilled labor. Therefore, investors are interested in increasing the level of training in the workforce.

10- No doubt that privatization is one of the economic techniques that most of Arabian countries rely on it in improving its economic situation. FDI can help in this respect, not only by their ability to raise large sums of money for the purchase of an enterprise, but also by the capacity to make further investments and to bring quickly efficiency in the privatized company. Unless their participation, sometimes lead to significant reduction in the number of jobs in the privatized companies.

2.5 *(FDI) motivations*:

There are many theories in explaining the motivation of FDI, the newest one and the more acceptable today is the model of Dunning (eclectic paradigm). The theory focuses on a mixture of three concepts; Ownership, Location and

Internalization. On this basis, there are four major motivations of multinational companies' firms internationalize through FDI:xiv

1- **Resource seeking:**

Investments are made to obtain high quality resources at a lower cost than in your home country. In general, the resources concerned are natural resources, unskilled labor or average skilled, cheaper or specialized.

2- **Market seeking:**

Investors aim to achieve local or regional markets. Typically, these investments are in the areas of production of consumer goods and industrial products. Investors are motivated by market size, market growth forecast, the company's market share or competition.

3- **Strategic assets seeking:**

The main source of company competitivity is the fact that multinational firms pursuing a global or regional integration strategy and to ensure competitivity power in an unknown environment. These investments can be found when companies decide to purchase certain assets or entering alliances to promote long-term strategic interests.

4- **Efficiency seeking:**

This motivation is often found in a stage of the foreign investor operations maturity, when the investor consolidates his business, through investments aimed at increasing efficiency. Such investments are made in cases where the investor has long-term plans or unlimited, if the access to regional markets is free, those markets are well developed.

In applying on Arab countries, we can say that the first three motives are exercised there, because the Arab countries, especially the gulf countries, own about 20 % of oil in the world, therefore many multinational companies are invested in the region. In addition to other Arab countries that have a plenty of human resources vary in unskilled labor and average skilled. The Arab countries have a large market size; 370 million, Egypt's population, only, is close to 100 million capita, and this needs much investments. On the economic policy; Arab countries take from the liberal approach, a method in its economic development, and this is appeared in its' legislations about investment, promoting its infrastructure, establishing free zones areas and granting incentives to foreign investors, especially that Arab countries have the belief that (FDI) will lead the development wheel, for reasons stated before.

2.6 *Strategies of (FDI) projects*:

Often the foreign direct investment relies on one of three strategies, in the access to the host countries: xv

1- **Platform FDI:**

The platform (FDI); is simply known as a foreign direct investment from a source country, into a destination country, for exporting to a third country. This results in the impact of (FDI) on economic growth in the retail sector of these countries.

2- Horizontal FDI:

The horizontal (FDI); is said to arise a firm duplicates its home country-based activities at the same value chain stages, in a host country, through the foreign direct investment.

3- Vertical FDI:

The vertical (FDI); is said to take place when a firm moves upstream or downstream in different value chains. In other words, when firms perform value-adding activities in several phases, following the vertical pattern in that host country.

3. Legal Forms of the Foreign Direct Investment in the Arabian legislations:

3.1 Joint ventures:

Joint venture is an entity formed between two or more parties, to undertake economic activity together. Both parties agree to create a new entity by contributing equity, and then share in the revenues, expenses and control of the enterprise.

This form had been preferred by most of developing countries in general and Arab countries. This appears in treating with foreigner or multinational companies, who owned high technology and super facilities. Most of Arab countries invite multinational companies, to hold a joint venture company; between a national company (public or private) and the foreigner one. There are many of joint ventures in Arab countries, between mega multinational companies, especially in oil and public companies.[xvi]

3.2 Wholly-owned FDI:

Most of multinationals and foreign companies prefer this kind of access to developing countries' markets. These entities establish subsidiaries for her; producing, or marketing, or etc. in the various forms of production whether; goods or services in the host countries.

Nevertheless, most of developing countries, fear from falling in economic dependency and monopolization of its markets, but in the same time statistics refer that developing countries go through in this trend, under some provided limitations to minimize the negative impacts of this kind of access, especially that sometimes, it has no option to get know how and technology except through this way.

Arabian countries vary in taking this strategy, in attracting foreign investors; some investment legislations, as Egypt, welcomes multinational companies to establish branches for her and gives the same treatment as the national investor[xvii]**, but in limited assigned activities, other legislation, as the (UAE) Emirati law, it encourages the foreign investment in general, but it provides that the foreign company should assigns a local agent for her, unless it is established in free zones.**[xviii]

3.3 Free Zones:

Free Zone; is defined as an area within the country territory, which is subject to the administrative authority of the country, but in the same time it has a special treatment, rather than other areas in the country; particularly in customs, monetary, taxes… etc. Arab countries have increased in establishing free zones, statistics refer that there are 123 free zones in the Arab region, The United Arab Emirates has alone 30 free zones, out of the total sum xix**. These free zones aim to encourage export industries in its territory, and endeavor to attract foreign investors and MN. Companies invest their capitals, by giving enormous incentives, advantages and exemptions.**

3.4 Assembly operations:

Typically, these projects take the form of an agreement between a foreign investor and the national part, it includes that the first part, shall provide the second one, by the contents of a defined product, to assemble it as to be an entire product, in the same context the first part shall provide experience, or know-how of the internal design of the factory, processing, storing, maintenance operations... etc. in opposite to an agreed financial return.

In the previous lines the paper aims and insists to present a panorama for investment concept, to reach a comprehensive image about investment concept, particularly; the foreign direct investment (FDI). This goal is intended to exhibit the core relation between (FDI) and society.

We can say that (FDI) is not investment on the surface, touch and go, but it is more than that meaning, it implants his invested project in society. The investor "foreign investor" goes to the local market, which permits his access and organizes the mutual meeting between him and the local customer. This meeting will not be successful, unless, both parties' interests be matched and satisfied by what each delivered. Therefore, investor's mission is not easy, it is very critical, because the later should comprehend his customer needs, problems and priorities. This will not come, unless the investor interacts, immerse himself and deepen into society in whole, to be a part therein. Once this occurs the investor finds himself, feeling by his responsibility towards his invested environment; which is the society.

4. FDI and Corporate Social Responsibility:

4.1 Importance of CSR

There is a growing recognition for the significant effects of the activities of the foreign direct investment on the employees, customers, communities, the environment, competitors, national investors, business partners, shareholders, governments and others. It is also becoming clear that firms can contribute to their own wealth and to the overall societal wealth by considering the effect they have on the world at large when making decisions.xx

Benefits of CSR:

The world Business Council for Sustainable Development has drawn several conclusions about the benefits of CSR to companies: xxi

- **A coherent CSR strategy, based on integrity, sound values and a long-term approach offers clear business benefits to companies and helps a firm make a positive contribution to society.**
- **A CSR strategy provides businesses with the opportunity to show their human face.**
- **Such a strategy requires engagement in open dialogue and constructive partnerships with governments at various levels, intergovernmental organizations, non- governmental organizations, other elements of civil society and in particular, the local communities.**
- **When implementing a CSR strategy, companies should recognize and respect local and culture differences, while maintaining high and consistent global standards and policies.**
- **Being responsive to local differences means taking specific initiatives.**

4.2 *Social Responsibility concept*:

4.2.1 Essence and Cultural context.

Before we go through, to the core of our discussion, about the societal responsibility, we have to define the basic concept that our term had been derived from; it is the corporate social responsibility.

This later term had been arisen in response to the interaction, between lots of factors; poor, business behavior towards customers, treating employees unfairly and ignoring the environment and the consequences of organizational action. In addition to other things that have recently featured prominently in the popular consciousness, as the issue of climate and the emission of greenhouse gases particularly carbon dioxide and the Global warmness case. Moreover, the Global awareness about trafficking in person particularly the question of child labor and sweat shops.xxii

These factors stimulated the Organization for Economic Cooperation and Development, (OECD), when adopted in 1976, the Declaration of international Investment and Multinational Enterprises. The declaration had annexed with guidelines for multinational enterprises, which had been adopted in the form of recommendation to transnational corporations. These guidelines had been updated more than one times, till we reach the last version on 2016. The guidelines provide a comprehensive framework for responsible business conduct; it's based on a consensus view from adhering governments, towards business, labor and civil society.[xxiii]

European commission, as early as 1993 has made a good participation in the prominence of CSR, when President Delorsxxiv **had submitted the appeal to European Business, to take part in the fight against social exclusion resulted in a strong mobilization and in the development of European business networks. On March 2000, the European Council in Lisbon made a special appeal to**

companies' sense of social responsibility, regarding best practices lifelong learning, work organization, equal opportunities, social inclusion and sustainable development. In response to these efforts, the large companies interested by this meaning and drove the corporate social responsibility concept.[xxv]

In the next year; 2001 the European Commission prepared a green paper on how the European Union could promote corporate social responsibility, at both the European and international level. The European Commission increased his interest by the corporate social responsibility and presented in 2002 the European Union strategy to promote CSR. The communication is addressed to the European institutions, Member States, Social Partners as well as business and consumer associations, individual enterprises and other concerned parties, as the European strategy to promote CSR can only be further developed and implemented through their joint efforts. [xxvi]

On the Global level, the United Nation organization played a role in concerning by CSR that the UN Global Compact asks companies to embrace, support and enact within their sphere of influence, a set of core values in the areas of human rights, labor standards, the environment and anti-corruption.

Moreover, the UN Human Rights Council, in June 2011 had adopted the United Nations Guiding Principles on Business and Human Rights, which refer to recognize the role of business enterprises, as specialized organs of society performing specialized functions, required to comply with all applicable laws and to respect human rights.

All these previous efforts, not only, paved the way to arise corporate social responsibility, but also formed a culture contents all the pillars of the concept that companies and its stakeholders believed in the corporate social responsibility meaning before the concept itself. This culture is appeared in some features as:[xxvii]

- **(CSR) is a behavior by businesses over and above legal requirements, voluntarily adopted because businesses deem it to be in their long-term interest.**
- **(CSR) is intrinsically linked to the concept of sustainable development: businesses need to integrate the economic, social and environmental impact in their operations.**
- **(CSR) is not an optional "add-on" to business core activities, but about the way in which businesses are managed.**

This culture is not seen in Arabian countries, although (CSR) is appeared there, but in the form of charity practices, which is considered one of the primary features of the Arabian culture, and the Islamic traditions; especially zakat and sadakat, not as a commitment on companies that the company, by itself, feels and has the awareness that this is its' duty towards its internal and external stakeholders.

This may be clear in the local companies, but the foreign companies that established on the partnership between local and foreign investors, the matter is different; there is a (CSR) culture in the other type of companies.

4.2.2 CSR Definition:

There are many attempts to define corporate social responsibility, (ISO) 2600 defines the social responsibility as the responsibility of an organization for the impact of its decisions and activities on society and the environment, through transparent and ethical behavior that:xxviii

- **Is consistent with sustainable development and the welfare of society.**
- **Takes into account the expectations of stakeholders.**
- **Is in compliance with applicable law and consistent with international norms and behavior.**
- **Is integrated throughout the organization and practice in its relationships?**

The 3rd European Commission Communication on (CSR) of 25 October 2011, defined (CSR) as the responsibility of enterprise, for their impacts on society and a process to integrate social, environmental, ethical, human rights and consumer concerns, into their business operations and core strategy conducted in a close collaboration with their stakeholders and coupled with the respect for applicable legislation and for collective agreements between social partners.

The World Business Council for Sustainable Development (WBCD) has defined corporate social responsibility as the commitment of business to contribute and sustainable economic development, working with employees, their families, the local community and society at large to improve their quality of life.xxix

5. Societal Corporate Social responsibility:

The practices of CSR are classified into two dimensions: the first is the internal, which encompasses the social responsibility towards employees and the related issues; such as investing in human capital, health and safety, and managing change, in other words it includes Managers, Employees, Customers, Investors, Shareholders and suppliers. While the second dimension, is the external entities that includes Government, society in large and the Local Community. The second dimension is what we called the Societal Corporate Responsibility, which means that companies contribute to their societies, especially the local communities, by providing jobs, wages and benefits and tax revenues.

On the other hand, companies depend on the health, stability, and prosperity of the communities in which they operate. For example, they recruit most of their employees from the local labor markets, and therefore have a direct interest, in the local availability of the skills that they need.

Societal (CSR)'s role in the developing countries is increased particularly in the foreign companies or the hybrid (local& foreign capital partnership), because it plays a significant role in developing these societies socially and economically. There are many practices that foreign companies had carried out in the Arabian societies, which presented real services that met the necessary needs of communities.

5.1 Societal corporate responsibility principles:

The societal corporate responsibility relies on a group of principles: xxx

- **Providing the societal needs:**
  This principle refers that gaining profit is not the mere goal of any business, but the main principle that business is responsible, to provide and satisfies all the needs of society from goods and services. In other words, business should seek about the real needs of society and tries to meet it. Therefore, societal satisfaction leads to gaining profit.

- **Enhancing Human resources:**
  Corporations must develop human resources skills in society, by providing real opportunities for people in the society, to learn, train and gain peoples in society by knowledge and technical specialized skills in various professions and crafts. This may be achieved by opening corporations' doors for people to train or by establishing training centers to make them qualified enough to have the ability to join any corporate. In addition to play a role in combating illiteracy, particularly in developing countries.

- **Environment protection:**
  This principle affirms the corporate responsibility to achieve sustainable development, through giving more interest by concerning with the environmental elements and protects it from pollution, which may be resulted from its activities, to reach green environment.

5.2 International Corporates Practices in the Arabian societies:

When we wish to introduce the best practices of corporates, in the context of societal responsibility in the Arabian region, we find that it is inevitable to mention the pioneer role of (FORD) foundation in this area[xxxi], because it represents the ideal model for the corporate societal responsibility, not only for its headquarter community but all over the world especially in the areas that it makes her sounder and this reflects on its profits.

The foundation began its activities in the Arabian region in 0s, when opened a regional office in Beirut in 3 and a country office in Cairo in 9. The foundation made major grants throughout the Arab region during the 0s and 1960s that helped in training professionals and build institutions in public administration, economic planning, agriculture, and family planning. In addition to many early grants which focused on strengthening higher education through research, faculty training, and library acquisitions. In 1970s the foundation helped organizations to engage in local, national, regional, and international efforts to address critical issues, such as food security through improved land and water management, urban and rural poverty alleviation, gender equality, and maternal and child health.

Ford foundation collaborates with governmental and non- governmental organizations as well, in implementing its programs and activities, through a strategy; stands on three pillars:

1- **Building institutional Capacity.**

2- **Supporting Knowledge production.**

3- Promoting the growth of networks for social change.

This strategy may be appeared in the following programs which had been implemented in Egypt[xxxii] as it was considered the most country that had benefited, in the region, from FORD's programs. Ford Foundation donated and collaborated with the Egyptian Population Council an important project in 2005 -2007; titled in "The social Context of Youth Employment: A qualitative Study of Workforce Entry and Exit". The main objectives of the project are:

- **to identify the challenges of workforce entry that youth in Egypt face, in particular barriers to employment posed by employers, whose hiring practices may discriminate against young people, especially women.**
- **understand the social and economic consequences of employment and unemployment for young people.**

Another important collaboration with the national institutions had been occurred in the support to the diplomatic sector. In partnership with the Ministry of Foreign Affairs that supported young Egyptian career diplomats to meet with and learn from other diplomats and representatives of various national and international institutions of peace and development in Washington, DC and New York. In that same vein and to contribute to good Egyptian-African relations, which had supported the young diplomats to experience culture, economics, and politics of other countries of the Nile Basin, including Ethiopia, Kenya, and Uganda.

Ford foundation maintained a longstanding relationship with Cairo University; particularly with faculty of Engineering by supporting the pathways program that expanded management and leadership skills for students. It helped the faculty of Economics and Political sciences for obtaining accreditation for its programs, leading to collaborate with international programs at universities throughout Europe and the United States.[xxxiii]

In addition to the grants that contributed to support the launch of key national strategies of the Egyptian government, to end child marriage and strengthen sexual and reproductive health. As example, its supporting in the program held between CARE International and the national Social Fund for Development.[xxxiv]

(FORD) continued its role in the region till now; most recently it focused on helping the poor and other underrepresented groups, particularly women and youth, to overcome exclusion. Therefore, the foundation funded efforts to expand access to basic services, the right to work and social protection policies, quality higher education, knowledge of and access to reproductive health and rights, and free expression through the arts.

Currently most of multinational companies develop a strategy for its societal responsibility in the communities and societies and publish it, as an example Starbucks[xxxv] which has 25,000 stores in over 75 countries included the Arabian countries put a vision states that "together we will elevate our partners, customers, suppliers and neighbors to create positive change. Followed that it seeks to achieve inclusive society and a healthy environment through a mission in four elements:

1- Source ethically and sustainably: the commitment of offering high-quality, ethically purchased and responsibly produced products.

2- Create opportunities: the commitment to investing in paths to opportunity through education, training and employment.

3- Lead in Green retail: the commitment to minimizing their environmental footprint and inspiring others to do the same.

4- Strengthen Communities: the commitment of offering Starbucks as a place for public conversation and elevating civic engagement through service and promoting voter registration.

6. The legal nature of Societal responsibility in Arabian legislations:

No doubt, that all articles define social responsibility as stated before, referred that it is a voluntary nature for corporations, but if we categorize (CSR) to its two contents; internally and externally. We can notice that all countries obliged and enforced corporations by laws of labor, consumer protection, and governance. This represents the internal scope of corporate social responsibility; inside the corporations itself. Herein the question arises; what about the societal responsibility? Is it obligatory or voluntary for investors, particularly the foreign investor and the multinational companies in Arab law? The study is concerned by the investment laws principally and other substantial laws as the case requires.

6.1 *Investment Laws:*

After a survey to all the Arabian investment law seeking about the societal responsibility term, the study reaches that two legislations only; the Egyptian and Kuwaiti laws, which presented the societal responsibility directly in cleared and defined words, with different approaches. On the other hand, the study found the Tunisian legislator presented the societal responsibility indirectly, expressing its context without a cleared address about the CSR.

6.1.1 The Tunisian Law:[xxxvi]

Tunisian law, under title five – grants and incentives, states that government shall provide grants under the title of direct investment processes, as follow;

- **A grant to increase the employment ability, to cope with the unemployment problem, by paying a fixed percent of the Tunisian's salaries and wages, whom had been employed in the investment.**
- **A grant in opposite of any community development activities the investment carries it in the interest of the Tunisian community.**
- **A grant shall be delivered for any environment protection.**

Law states that all governmental grants delivered according to this law or other laws, shall not exceed one third the invested costs. Moreover, all these

grants shall be under monitoring from the entitled authority, and will be subject to withdrawal or lessen from the government, if any violations in this context shall be appeared.

6.1.2 The Egyptian Investment law:[xxxvii]

Law under chapter 3 which is titled in the societal responsibility of investor, in part one of the law, states that it is permitted to the investor, in achieving sustainability and comprehensive development, to assign a defined percentage of his annual net profit, to establish a societal development system, beyond his invested project; by participating in one or more of the following activities.

1- **Processing the possible measures to protect and promote environment.**

2- **Delivering services, or programs in health care, social, or culture or in any other developmental field.**

3- **Support the technical education or financing researches and studies, awareness campaigns, which aim to develop and promote producing in collaboration with one of universities or scientific researches institutions.**

4- **Training and scientific research.**

Providing that investor shall not exceed his costs and expenditures for the said previous activities than 10% of his annual net profit.

We can notice that the Egyptian legislator gave the possibility for the investor, in general, to frame out a program concerned with the social development issues, expressing his societal responsibility towards the Egyptian society, or the community where his business located in. this means that law does not oblige the investor by the societal responsibility, however, the law gave tax cut incentive that all costs and expenditures paid in societal development, shall be cut- off from its tax base, regarding that this cost must not exceed than 10 % of his annual net profit.

In addition, Egyptian law determines four activities exclusively that the investor can choose one to draw a societal responsibility program. These four criteria expressed the most important needs, which the Egyptian society suffers from it, but not all, this arise a focal point that it was better that the legislature takes a flexible methodology in determining these pillars, particularly that the law had missed one of the main problems facing the Egyptian society as unemployment problem, which continues to be high at 12.4 percent in the final quarter of the calendar year 2016[xxxviii].

6.1.3 The Kuwaiti investment Law:[xxxix]

Kuwaiti law has taken another trend of what the Egyptian legislation followed, in organizing societal responsibility for investments. Law states that any quantities, or kinds, or duration of privileges and exemptions, to be granted to investments shall be determined and evaluated per a group of criteria:

- **Transferring and nationalizing technology and modern management techniques, practical, technical, marketing expertise to Kuwait.**

- **Developing employment opportunities to national labor force.**
- **Participating in developing areas which are poor in similar projects and activities.**
- **Positive environment response.**
- **Delivering societal services to society beyond the main activity of the project and its economic activity.**

We can notice that Kuwaiti Law didn't articulate criteria for the societal program, if the investor wishes to do, but it may be understood as an implied meaning, from what law states; some pillars to evaluate the societal program according to it. This is a condition to grant the investor incentives and exemptions. This group of criteria shows what the Kuwaiti government wants from the foreign investor particularly; transferring and nationalizing technology and developing employment opportunities to national labor, which is considered one of the main policies that the Kuwaiti government and the Gulf governments are seeking about it.

In comparing between both latter legislations, we can reach that both strengthen investors towards the societal responsibility and joined it with incentives and exemptions, which the investor may enjoy it, but the Egyptian law determined the expenditures, in such a way that it shall be not exceed than 10% of the annual net profit of the investment. This determination may be justified, to avoid any kind of manipulation or corruption or Tax evasion which is considered one of the main public resources in Egypt. while the Kuwaiti law did not determine any percent, but left it to be assessed by the authority of investment to assess the situation, this may encourage investors to increase its expenditures in the societal programs, especially that it had been proven that (CSR) contributes in increasing sales of Business, when customers felt that the later nearby them and interact with their beyond needs not to exploit them yet.

6.2 *Other substantial Laws:*

- **Tax law in all Arab countries states one principle; that investor whatever his nationality or his economic activity shall get an exemption for his donations to societies or local community, but the range of exemption varies from one country to another. As example; the Egyptian law provides that "donations and gifts paid to the Egyptian societies, philanthropy institutions, scientific centers and public hospitals, shall be exempt from the total net profit of company to the extent of 10% not more"[xl].**
- **Most of Companies law in the Arabian region not included provisions related to the societal corporate responsibility, except the Jordanian companies' law; states that the public joint stock company shall assign not less than 1% of its annual net profit, for scientific research and professional training in the community.[xli] In the same context the Emirati law for commercial companies states that "Upon the expiry of two financial years from the date of its incorporation and making profits, the company may, under a special decision, give contributions. Such contributions may not exceed 2% of the average net profits of the company during two fiscal years preceding the year of contribution, provided that:**

1- Such contribution shall be used for the purposes of serving the society.

2- To clearly state the beneficiary from such contributions in the auditor's report and the balance sheet of the company[xlii].

- The Egyptian environment law[xliii] states in general incentives to all whom present environmental protection activities, which includes investors, this had been stated in art. 17; The agency shall, in collaboration with the Ministry of Finance, establish a system of incentives that the Agency and the competent administrative departments can present to other agencies, establishments, individuals and others for their environmental protection activities or projects. In contrast, the Emirati environment protection law; states that companies are obliged to maintain sustainable development and protect environment by the possible means, and must take all preventive measures to avoid pollution.[xliv]

Conclusion and Recommendations:

- (CSR), in general and particularly the societal responsibility becomes inevitable for the Arabian countries, because of the increasing trend towards capitalism and liberalism in the Arabian region, which is appeared clearly in relying on private sector to lead the economic development.
- The (FDI) foreign companies play some roles in the societal responsibility, but the Arabian societies need more. It must not stand merely on charities and philanthropies practices, it must go beyond by interacting with societal problems, especially people feel that these companies are a significant part in their communities.
- The study ended that the Arab legislations represented by the Egyptian and the Kuwaiti laws are concerned with the societal responsible, clearly; by defining provisions, while the rest of legislations refer to the meaning implicitly as; (UAE) Emirati, Saudi Arabian, and Jordanian laws.
- Despite the voluntary nature of the societal corporate responsibility, the study recommends that Arab legislations must draw a legal context for the societal responsibility, especially most of them needs to the (CSR), to guide companies especially the foreigners with the problems and needs of their societies.
- In parallel with the previous recommendation, the Arabian countries should provide more incentives in its laws to encourage foreign investors, to access voluntarily not obligatory in such societal developing projects.
- The study recommends that the Arabian legislations particularly in the executive regulations, include a provision, when licensing a foreign (FDI) company that the company has to submit its' (CSR) plan for the community it will be located, as same as a feasibility study required.
- Governments have to declare in transparent manner the problems which their societies facing and needs as well, to enable the (FDI) companies to frame out a CSR's plan.
- The study prefers what the Kuwaiti legislature stated in leaving the percent of expenditures on (CSR) projects without strict determination, but assessed and determined by the authority, this gives more flexibility.

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