Doing Business in the Middle East and Northern Africa

The Middle East and North Africa (MENA) region is notorious for its instability, yet this should not automatically eliminate the consideration of doing business there. In fact, opportunities for growth exist in these markets, if you and your company go in prepared.

Assessments
Take time to gather and assess available information about the prospective customer(s) and the country and region in which it operates to get an estimate of the level of risk. Information includes financial statements and country-based risk assessments that cover such things as the current political environment, corruption and terrorism. You may find, on one hand, that a company has a sterling payment record, but government instability (potential for rebellion, civil war), frequent destruction of property/sabotage or an inability to get money out of the country are too concerning to ignore. Conversely, you may already have good experience in doing business in a country, but your prospective customer has serious flaws in their financials or payment habits.

Another good source of information is your professional network. Industry and NACM colleagues can share relevant information and insight that may help you in making these business decisions.

Learn the Business Culture
Respect and trust are paramount in MENA. Find out what behaviors can make or break a deal, such as how you shake hands, make eye contact and address the other party. Successfully navigating initial interactions set the basis for respect and trust. Patience is necessary in this process, as deals do not typically occur quickly in MENA. Trust is as important as any other factor for businesses and governments in MENA, and is earned over time. Be prepared to make one or two in-person visits, especially for large sales, to close the deal. Pushing too hard early on can easily diminish chances for success.

Know Your Company’s Appetite
Before venturing into these markets, even for one deal, credit and sales should be on the same page with upper management regarding your company’s appetite for risk. The company’s goals and tolerable level of risk need to be clear to everyone involved. The last thing you want is to realize one of the stakeholders in your company was unclear about the risk involved after a significant line of credit has already been approved and the products shipped. One communication misstep can cause a big loss. Additionally, it’s important to set timeframes to periodically reevaluate the risk from a customer and the region in which your company has ventured. Risk is a moving target, especially in a region known for volatility as much as opportunity.

Look for Red Flags
Once in, do not ignore other red flags. If it looks too good to be true, it probably is. For example, if a customer seems too eager to pay, wants to pay early (or even on time) or have a third party pay for them when it is not their normal payment pattern or your previous experience with them, try to determine if something is amiss, as this is a red flag for fraudulent activity like money laundering. Ignorance is not a defense if your company is charged with aiding the activity. Also be aware of who your customer’s customers are. If the business relationships are too closely knit, such as many family ties or controlled by a small group of people, it could be nothing, of course, but it could also be a setup for a fraud attempt.

Source: NACM-National
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