Role of Cultural Factors on FDI Mobility to Jordan

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Keywords: FDI, MENA, Risks, Cultural, political, and economical factors.
JEL Classification: C42, D73, F21, F23, O53.

[1] The author is willing to share the data.

This paper presents results of a survey that has been conducted to analyze and trace the significant factors that affect FDI inflow to the Jordanian market. The survey findings are expected to contribute to a better understanding of trends and prospects of FDI inflows to Jordan; through concentrating on the following broad objects: First identifying the main risks that affect FDI inflows to Jordan. Second: exploring the main components of each factor (economical, political, and cultural) that contributed most to FDI decision making in Jordan.

Using a Conditional Logit model, it is found that despite the political factors to have most significant influence on FDI decision to Jordan, there is a significant hidden role of the cultural factors that drive political ones; in the way political factors could be considered as a result of hidden cultural factors. Such conclusion, the importance of cultural factors, couldnøt be clear even for several policy makers in the Middle East countries rather for foreign investors. The thing which may explain that several countries in the Middle East region, such as Jordan, despite enjoying with traditional attractive factors to FDI, they still suffer from a fragile FDI mobility.

The paper proceeds as: section two is a brief review on Jordan; section three presents the survey design and approach, while section four describes the data analysis and methodology. Finally, section five discusses the results.

2. Brief review

Jordan is a constitutional monarchy with an economy that historically has been supported by foreign loans, aid, and remittances from expatriate workers, many of whom work in the oil Gulf countries. At the end of the 1980s, the Jordanian economy underwent a severe economic crisis caused by a number of factors, of which the most significant were the external shocks that exacerbated the finance gap and the decline in the sources that covered that gap, caused by the reductions in the volume of Arab assistance, the remittances of Jordanian expatriate workers and demand for Jordanian labor and the

s. That crisis led to a sharp drop in real economic growth and an appreciable increase in levels of unemployment and imbalances in the stability of the monetary situation.

In order to confront the challenges posed by that crisis, the government took urgent action towards the adoption of a method of economic and structural reform as part of the first economic reform programme, which was inaugurated in 1989. With the passage of the Investment Promotion Law of (16/1995), the country was well on its way towards realizing that favorable investment climate (Badran, 2000). The next plan to be adopted was the economic and social development plan for the period 1999-2003, which devoted greater attention to strengthening the role of the private sector in economic activity by improving the government decision-making mechanism by getting rid of bureaucracy and routine and adopting measures to make that mechanism more responsive to the demands of adjusting the work environment of the private sector as an essential step for attracting foreign and regional direct investors. On this field Jordan spent tremendous efforts to eliminate and diminish as possible any obstacles and risks that may hinder FDI from its market.

3. Survey design and approach

Foreign direct investment statistics are currently available from several sources in Jordan, such as Jordan Industrial Estate Corporation, Jordanian Commerce Champers, and Ministry of Trade and Industry. However many of these statistics deviate significantly from the international guidelines, one common deviation is the use of percentage-ownership threshold different from the recommended ten percent level for identifying an investment as direct. Such problems have faced many other researches regarding the Arabic countries (like Sadik and Bolbol, 2000; Wurzel, 2002; Onyeiwu, 2003, Bouoiyour, 2003, and Gilmore, et al, 2003; among others). Therefore, the population source has been taken from Amman stock Exchange ASE and Jordan Investment Board JIB, since they were the only reliable sources for FDI in Jordan; as nition of FDI and follow the Jordanian Investment Promotion law (no.16, 1996)[2].

The survey administered to foreign direct investment in several sectoral companies. Based on the ASE and JIB databases seventy (70) foreign companies were defined as the population research. A total eighty four (48) foreign companies agreed to receive the questionnaires, fifteen (15) from them have refused to answer the questionnaires; which mean that a 68.7 percent response rate was achieved in the sample, and this represents 47.14 percent of the entire population. The sample in Jordan study was almost a representative, but a check was made to ensure that the non-participating companies were not significantly different from the rest of the population and it was indeed verified that their omission would not result in non-response bias. A comparison between the population and the sample in terms of industry sector and size of investment also showed close similarity and, as such, the sample was deemed to be representative.

The questionnaire was designed in both English and Arabic languages and it was constructed from three branches to obtain data on Jordanøs economical, political, and cultural features (determinants and risks); the types of data obtained in this part are in two forms: nominal data of yes and no answers, and numeric data scrolled from 1-5, where ñ1ò stands fro very weak/unimportant and ñ5ò very strong/very important; respondents were requested to indicate their perceptions to the degree of importance of these factors (independent variables) to their parent firmøs decision in investing in Jordan.

The delivery mode conducted via facsimile, telephone calls, electronic (e-mail) approaches, and personal interviews. But as a primary step a pilot survey of seven respondents was taken, for their feedback. The process began in early April 2006, and was conducted over a five-month period. A custom database was developed to capture and tabulate the aggregated results of the study. All individual company data remain confidential.

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[2] According to Jordan Investment promotion Law (no. 16, 1996), the ownership of the foreign investor in the trade, commercial, and construction sectors must be from 10%-50%, whereas, in the other sectors the foreign ownership can be from 10%-100%, and when the foreign investor aims to establish his own investment, the initial capital of the investment must not be less than 50,000 Jordanian dinners (70.000 US$).

To analyze the data, the statistical package of EViews 4.0 version was used. The statistical analysis techniques were carefully considered and selected, with attention being paid for the nature of the data with small sample size (thirty three cases) and relatively large number of variables.

Since the data has been divided into main groups and subgroups, the first step before using the Conditional Logit regression was conducting main descriptive statistics for main groups, subgroups, and individual questions. The purpose of using the Conditional Logit regression technique is to test the hypothesis between the dependent and independent variables (sub-groups) to detect which sub-group (s) of factors contributed most to the dependent variable. According to the conditional Logit model the dependent variable is measured at a nominal level that takes the value of ó1ô and ó0ô, while the independent variables are measured at an ordinal level. The conditional Logit model is very widely used in economics and market research. If it is assumed that *Yi* is a random variable that indicates the choice made, then McFadden (1974) has proven that under certain assumptions:

$$prob\ (Y = j) = \frac{e^{\beta' z_{ij}}}{\sum_{j}^{J} e^{\beta' z_{ij}}} \qquad (1)$$

The choice will depend on a set of variables that includes characteristics specific to the firm as well as to the potential factors (vector z). For example, if a specific firm decided to invest in joint venture mode, the dependent variable Y takes the value of ó1ô joint venture, and the value of ó0ô for the other FDI mode. This decision of the firm to invest in one specific mode instead of another depends on the aspects of the firm and the particular effect of that factor. If those characteristics $z_{ij} = [x_i, w_j]$ are distinguished, x_i varies across regions, while w_j contains the characteristics of the firm. The conditional Logit model performs a maximum likelihood estimation of models with dichotomous dependent variables coded as 0/1.

4.1 Descriptive statistics

Based on the conceptual framework on the determinants and risks of FDI, the dimensions of independent variables in the survey are formed in three main groups; economical, political and cultural factors, from these main groups we construct ten subgroups (three economical, three political, and four cultural subgroups). Independent variables are measured at an ordinal level, as the questions were designed with a five-point likert scale.

The three subgroups constructed in terms of economical factors are: unique strategic location and economic relations (E_SUB1), economic performance and competitive human resources (E_SUB2), attractive investment climate (E_SUB3). The three subgroups constructed in terms of political factors are: stable political environment (P_SUB1), external conflicts (P_SUB2), and internal conflicts (P_SUB3). Then the four subgroups constructed in terms of cultural factors are: corruption and red taps (C_SUB1), social-cultural and traditions closeness (C_SUB2), ethnic tension and law order (C_SUB3), and religion tension and active presence of Islamic parties (C_SUB4). The political and cultural classifications are driven from International Country Risk Guide classifications (ICRG).

The descriptive analysis was firstly carried out to summarize the mean scores and standard deviations for each group, subgroup, and variable. The sample mean scores and standard deviations for the main groups and their subgroups are depicted in Figures 1 and 2; they suggest that political factors (as a main group and as subgroups) are the most important factors that affect FDI inflows to Jordan. Consequently to investigate more in this primary result, Tables 1 through 3 present the components of each subgroup descending according to their mean scores and therefore according their importance.

Figure 1. Mean score for Main Groups

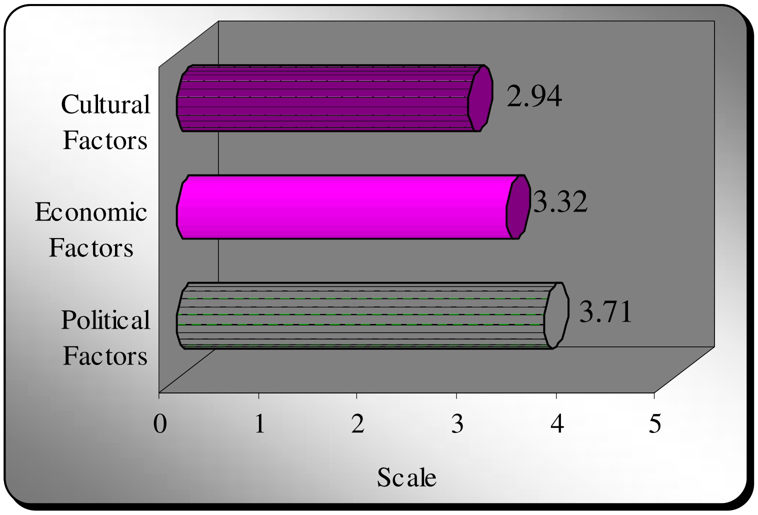
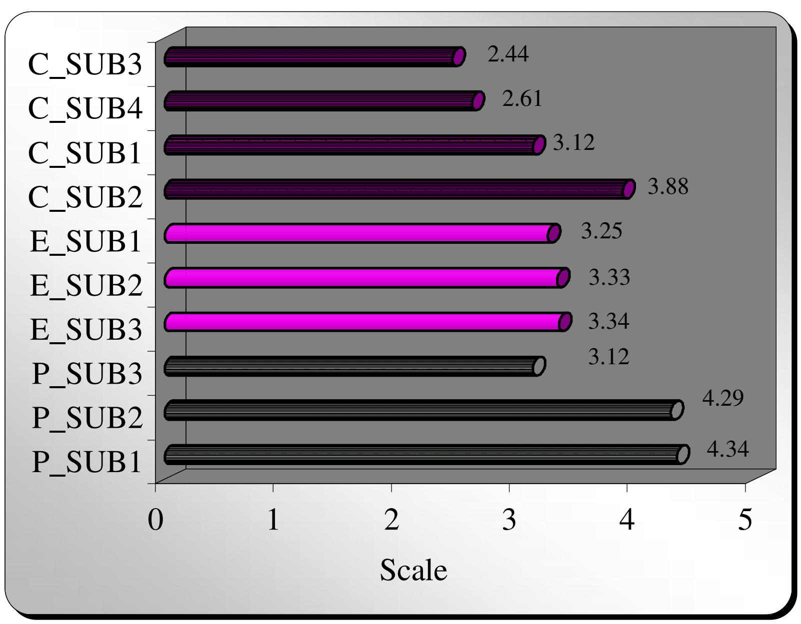


Figure 2. Mean score for Each Subgroup



- **Political variables**

Table 1 presents the political subgroupsô components. Six variables were been used to construct the first important political subgroup (stable political environment/ P_SUB1). They are: *stable leadership, politically stable country, welcoming to foreign investment, free and fair elections, freedom of beliefs, and protection of political rights and freedoms*. The mean scores show that the most attractive variable was *stable leadership* (mean=4.576, Sd. =0.83), whereas, *protection of political rights and freedoms* has the marginal effect (mean=2.667, Sd. =0.89).

Six variables also were been used to construct the external conflicts factors (P_SUB2). They are: *peaceful country, safety boarders, political ties with the parent firm's country, status of political relationship with the surrounding countries, the effect of Palestinian-Israeli conflict, and the effect of the Iraqi war.* The vast majority of external conflicts variables were perceived as important variables; four from the six variables have means score more than 4.00.

As for the internal conflicts factors (the least important political subgroup P_SUB3) we construct three variables. They are: *strong internal security system, organized demonstrations, existence of internal conflicts.* The result of the last variable (mean=2.242, Sd. =1.173) shows that Jordan doesnøt suffer from the *existence of internal conflicts*.

- **Economical variables**

Table 2 shows the economical subgroupsô components. Nine variables have been created to construct most important economical subgroup (Attractive investment climate/ E_SUB3). They are: *income and corporate tax structure, tax on capital profits and profit repatriation, tax incentives and advantages, cost of logistic services, availability of free zones, import restrictions, level of industry competition, export restrictions, and restrictive environment law.* The fist variableøs mean score (mean=3.606, Sd. =0.788) shows that Jordanøs income and tax structure doesnøt has a significant role on the foreign investorsô decisions. Whereas, the mean score of the last variable (mean=2.939, Sd. =1.144) shows that Jordan doesnøt have a *restrictive environment law.*

n used to construct the economic performance and competitive human resources (E_SUB2). They are: *good infrastructure, availability of skilled labor, unemployment rate, cost of raw materials, inflation rate, cost of labor, growing demand, market size, commitment to privatization process, land possessing, and restrictive labor law*. The last variable was the most weak /least significant (mean=2.818, Sd. =0.727) in point of view of foreign investors in Jordan.

The components of the unique strategic location and economic relations (least important economical subgroup /E_SUB1) consist of: *economic ties with surrounding countries, geographical proximity, access to international markets, economic ties with FDI home country, and economic relations with Israel.* The mean scores show that the *economic ties with surrounding countries* (mean=3.636, Sd. =0.929) are much more important than the *economic relations in specific with Israel* (mean=2.273, Sd. =1.306).

- **Cultural variables**

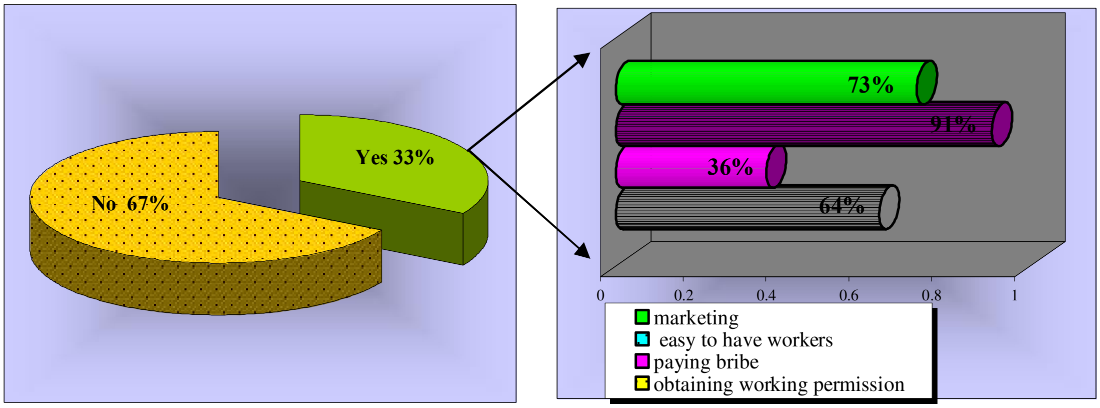
Table 3 presents the components of the cultural factors. The most important cultural subgroup (Social-cultural and traditions closeness/ C_SUB2) was constructed from nine variables. They are: *lovely tradition country, command of at least one foreign language, friendly people and easy to communicate, well educated, sharing the same language with the firm's parent country, cultural closeness to firm's parent country, traditionally complicated but can be adjusted, women play an effective part in the society,* and finally *traditionally complicated but can be ignored.* The Jordanian lovely traditions were attractive element to foreign investors, as it possesses the highest among the other variables (mean=4.03, Sd. =1.015).

Six variables have been used to construct the second important cultural subgroups (corruption and red taps variables/ C_SUB1). They are: *government awareness of the corruption phenomenon, bureaucratic/long procedures in licensing and registration, Jordanians evaluation of time, dealing with corruption via personal relations, existence of bribes, and awareness of corruption before the investment decision made in Jordan.* The mean scores of half of the variables are less than 3.00, this result seems to illustrate that Jordan doesnòt have a grave corruption phenomenon.

ic variables, corruption subgroup have also nominal questions, Figure 3 shows that 33 percent of the foreign investments in the sample are producing products either inconsistent with religion or traditions or causes pollution.

It can be seen that 64 percent of those (that their products are inconsistent with religion or traditions or causes pollution) said that it is normally to obtain a working permission, while the majority indicates that it is difficult to obtain such permissions through paying bribes and using personal relationships; since only 36 percent said that they can do so. 91 percent agreed that it is easy to find workers to work with them, and that 73 percent said that they can market their products inside Jordan. Such impressive results confirm the previous results that Jordan doesn't suffer from a grave corruption phenomenon.

Inconsistency between FDI Products and Religion, Traditions and Environment



p (religion tension and active presence of Islamic parties/ C_SUB4) six variables have been used to build it. They are: *the existence of Islamic parties, Islamic parties are open and welcoming to all kind of FDI, tough Islamic society, Islamic regime, effective role of the Islamic parties on government's internal decisions, effective role of the Islamic parties on government's political relations*. The vast majority of these variables were weak with mean scores of less than 3.00, a result that may indicate that the Jordanian society is not an Islamic one and even with the natural existence of the Islamic parties, they seems to have a minor effect on the governmental decisions[3]. In addition, it can be realized that Islamic partiesô existence seems not to affect the Jordanian market in dealing (working and marketing) with investment that is inconsistent with religion or traditions or causes pollution. In other words, it seems that religion tension and active presence of Islamic parties do not play an influential role on the FDI decision -from the ñproduction typeò point of view-.

Finally five other variables were used to create the ethnic tension[4] and law of order (least important cultural subgroup/C_SUB3). They are: *respecting other religions, equal chances between national and foreign workers, treating foreigners with suspicion, existence of crime, and existence of assassinations.* The marginal effect of equal chances between national and foreign workers (mean=2.848 Sd. = 1.064) indicates that sense of nationality in Jordan overcomes foreigners; a fact has to be considered more in the foreign investorôs decision. The mean results of the existence *of crime,* and *assassinations* assume that they do not exist in a way that affect the law of order in Jordan (mean= 1.606, Sd. =0.998 and mean=1.364 Sd. = 0.94 respectively).

[3] Religions in Jordan are: Sunni Muslim (96%), Christian (4%)
[4] Ethnic groups: Arab 98%, Circassian 1%, and Armenian 1%.

Descriptive Statistics for Poltical Individual Questions (Componants of Subgroups)

Subgroup	Componants		Mean	Std. Dev	Obs.
Stable Political Environment	Stable Leadership.	P1_Q1	4.576	0.830	33
	Politically Stable Country.	P1_Q5	4.273	1.069	33
	Welcoming to Foreign Investment.	P1_Q4	4.182	1.014	33
	Free & Fair Elections	P1_Q2	3.152	1.064	33
	Freedom of Beliefs	P1_Q3	2.879	1.053	33
	Protection of Political Rights and Freedoms	P1_Q6	2.667	0.890	33
External Conflicts	Peaceful Country.	P2_Q5	4.545	0.711	33
	Safety Boarders.	P2_Q6	4.182	0.917	33
	Political Ties with the Parent Firm's country	P2_Q1	4.152	0.972	33
	The Status of Political Relationship with the Surrounding Countries.	P2_Q2	4.061	0.609	33
	The Effect of Palestinian-Israeli Conflict	P2_Q3	3.879	1.293	33
	The Effect of the Iraqi War	P2_Q4	3.667	1.137	33
Internal Conflicts	Strong Internal Security System	P3_Q1	4.545	0.711	33
	Organized Demonstrations	P3_Q3	2.576	1.062	33
	Existence of Internal Conflicts.	P3_Q2	2.242	1.173	33

Descriptive Statistics for Economical Individual Questions (Componants of Subgroups)

Subgroup	Componants		Mean	Std. Dev	Obs.
Attractive Investment Climate	Income and Corporate Tax Structure	E3_Q4	3.606	0.788	33
	Tax on capital profits and profit repatriation.	E3_Q5	3.576	1.062	33
	Tax Incentives and Advantages	E3_Q6	3.545	1.003	33
	Cost of Logistic Services	E3_Q3	3.515	1.093	33
	Availability of Free Zones.	E3_Q1	3.455	1.371	33
	Import Restrictions	E3_Q7	3.455	1.003	33
	Level of Industry Competition	E3_Q2	3.000	1.146	33
	Export Restrictions	E3_Q8	3.000	1.146	33
	Restrictive Environment Law.	E3_Q9	2.939	1.144	33
Economic Performance and competitive Human Resources	Good Infrastructure	E2_Q6	3.788	0.857	33
	Availability of Skilles Labor	E2_Q10	3.697	0.883	33
	Unemployment Rate.	E2_Q8	3.667	0.816	33
	Cost of Raw Materials	E2_Q4	3.364	1.319	33
	Inflation Rate.	E2_Q7	3.364	1.113	33
	Cost of Labor.	E2_Q9	3.364	1.168	33
	Growing Demand	E2_Q1	3.273	0.977	33
	Market Size	E2_Q2	3.273	1.098	33
	Commitment to Privatization Process	E2_Q5	3.061	1.223	33
	Land Possessing	E2_Q3	2.939	1.273	33
	Restrictive Labor Law	E2_Q11	2.818	0.727	33
Unique Strategic Location & Economic Relations	Economic Ties with Surrounding Countries	E1_Q3	3.636	0.929	33
	Geographic Proximity	E1_Q1	3.606	1.560	33
	Access to International Markets	E1_Q2	3.394	1.059	33
	Economic Ties with FDI Home Country.	E1_Q5	3.333	1.339	33
	Economic Relation with Israel.	E1_Q4	2.273	1.306	33

Descriptive Statistics for Cultural Individual Questions (Componants of Subgroups)

Subgroup	Componants		Mean	Std. Dev	Obs.
Social-Cultural & Traditions Closeness	Lovely Tradition Country.	C2_Q2	4.030	1.015	33
	Command of at Least One Foreign Language	C2_Q8	4.000	0.901	33
	Friendly People and Easy to Communicate.	C2_Q6	3.939	0.704	33
	Well Educated	C2_Q9	3.848	0.755	33
	Sharing the Same Language with Firm's Parent Country	C2_Q3	3.606	1.853	33
	Cultural Closeness to Firm's Parent Country	C2_Q1	3.576	1.393	33
	Traditionally Complicated but can be Adjusted.	C2_Q4	2.758	1.200	33
	Women Play an Effective Part in the Society.	C2_Q7	2.758	1.091	33
	Traditionally Complicated but can be Easily Ignored.	C2_Q5	2.515	1.004	33
Corruption & Red Taps	Government Awareness of Corruption Phenomenon	C1_Q5	3.485	0.795	33
	Bureaucratic/ Long Procedures in Licensing & Registration	C1_Q6	3.394	0.899	33
	Jordanians Do Evaluate Time.	C1_Q3	3.000	0.829	33
	Dealing with Corruption via Personal Relations	C1_Q1	2.909	1.011	33
	Existence of Bribes	C1_Q2	2.818	0.882	33
	Awareness of Corruption before Investment Decision	C1_Q4	2.667	1.216	33
Religon Tension & Active Presence of Islamic Parties	Existence of Islamic Parties.	C4_Q1	3.091	1.071	33
	Islamic Parties are Open and Welcome to all Kinds of FDI	C4_Q4	2.939	0.899	33
	Tough Islamic Society	C4_Q5	2.424	1.173	33
	Islamic Regime	C4_Q6	2.303	1.075	33
	Effective Role of the Islamic Parties on Government's Internal Decisions	C4_Q2	2.273	1.008	33
	Effective Role of the Islamic Parties on Government's Political Relations	C4_Q3	1.939	0.966	33
Ethnic Tension & Law Order	Respecting other Religions	C3_Q3	4.212	0.650	33
	Equal Chances between National and Foreign Workers	C3_Q2	2.848	1.064	33
	Treat Foreigners with Suspicion	C3_Q1	2.182	0.983	33
	Existence of Crime.	C3_Q4	1.606	0.998	33
	Existence of Assassinations.	C3_Q5	1.364	0.994	33

In order to investigate the factors that affect FDI decision to Jordan more deeply, the Conditional Logit regression analysis will be employed. The total scores for each one of the ten subgroups of factors that were used for the Conditional Logit regression analysis were calculated respectively by adding up all the original scores for each single factor in each one of the respective ten subgroups of factors. Then each subgroup will be considered as independent variable (regressor) on the dependent variable; which is FDI. However, the dependent variable FDI has been taken in several forms, such as region of origin, FDI entry Mode, investment industrial category, and FDI firmøs size.

Modeling the dependent variable by this way enables us to trace the effect of these factors on FDI from aforementioned taxonomies such as nationality, size, etc. For instance, it is not expected that the importance of such factor that affect small FDI firms to be the same for large FDI firms. Tables 4 through 7 illustrate the performance of FDI subgroups by region, FDI mode of entry, investment industrial sector, and the size of investment. A positive β coefficient means an increased probability of the specific type of FDI relative to an alternative, and a negative β coefficient means a decrease probability to such type of FDI.

It appears from the results that not all the models fitting the data; since only the models which include partially acquisition, joint venture, manufacturing, and small FDI as dependent variables found to be significant at 5% level (*P*-value of Likelihood ratio LR), while the models that include Middle East and services found to be significant at 10%level. From the above models, it appear that the political sub-factorsö coefficients found to be the most significant. For instance, external conflicts (P_SUB2) found to be negatively significant at 5% level in both joint ventures and services, in other words, the existence of external conflicts is expected to decrease the entrance probability of both joint ventures and FDI in services.

While the same political subgroup (external conflicts /P_SUB2) found to be positively significant at 5% for both Middle East and partially acquisition FDI, which means the existence of external conflicts could increase the probability of the entrance of FDI from the Middle East region and in partially acquisition form. For a while, this result stigating look at the Middle East region could explain such result. During the last three decades and the Middle East region is witnessing a political instability (internal and external conflicts) that makes it a common phenomenon, except for few countries, Jordan is one of the countries that is minor affected with this phenomenon.

Jordan's geographical location has pros and cons; from one hand, this strategic location has negatively affected Jordan with the others' conflicts like the war in Iraq on 2003 (that leads to changing the government and make Iraq to start charging Jordan for the oil, despite the fact that Jordan was the Iraqi main supplier of products and services during the international economic siege 1992-2003), and not forgetting the Palestinian-Israeli conflict's effects. From the other hand, this strategic location has brought many privileges to Jordan; such as being a transportation hub of the Middle East, and having access to the Red sea though the Port of Al Aqabah. Also being in the centre of Middle East conflicts was a great advantage for Jordan; this can be seen not only during the Iraqi wars from 1991 until now and during the Palestinian-Israeli conflict, but also during the last Lebanese war 2006. For example, the Iraqi rich investors transferred their investments toward Jordan; the same thing happened with the Palestinians investors.

Internally, it is known that the Jordanian regime is a strong stable one that doesn't suffer from any internal conflicts because of the non-existence of harmful Islamic nor sectarian parties, but on the contrary such parties are open and welcome to all kind of foreign investments (mean score 4.182, as in Table 1). Even in the case that FDI is inconsistent with the traditions and religion, these parties can not affect the government to forbid such investment, for the reason that, these parties don't have effective role on the government internal decisions (mean=2.273, Sd. =1.008 as in Table 3). From another hand, most of the inconsistent foreign investments -in the case of producing for the Jordanian market- can market their products easily in Jordan (see Figure 3).

Externally, Jordan's good political relations with the Arabs, Europe and especially with USA (P_SUB1 mean=4.34 as illustrated in Figure 2) have delivered many important economic ties that give Jordan privileges over other Middle East countries.

up performance was social cultural and traditions closeness (C_SUB2); the Logit regression results show this subgroup is positive and statistically significant at 5% for both joint ventures and small size FDI firms. Jordan enjoys with cultural and traditions that are lovely to foreigners, and are common to Arabsô a fact being consistent with the means scores, when foreign investors in the sample placed this subgroup (C_SUB2) as the most important among other cultural subgroups (mean= 3.88, see Figure 2). Whereas, corruption and red taps (C_SUB1) has a negative and statistical significance at 5%only in the case of joint ventures, which means that the existence of corruption will decrease the probability of the entrance of joint ventures FDI to Jordan.

Moreover, the results of the Conditional Logit regression indicate that for partially acquisition FDI mode, it is found that all political sub-factors to be significant both at 5% and 10%. The existence of internal conflicts (P_SUB3) could decrease the probability of the partially acquisition FDI mode entrance, while the existence of attractive investment climate (E_SUB3) may increase the probability of such FDI mode.

Another important results could be noticed for the FDI directed toward manufacturing sector, since neither cultural nor political factors (only P_SUB1 is significant at 10% level) found to have influence on the FDI decision, while the existence of economic performance and human capital (E_SUB2) (positive and significant at 1%) and the existence of attractive investment climate (E_SUB3) (positive and significant at 10%) increases the probability of FDI in manufacturing sector. The interpretation of results for FDI directed toward manufacturing sector could be explained under the fact that most of foreign manufacturing firms in Jordan are export-oriented rather than market-oriented, therefore, they give more attention to the economical factors, such as factors related to production and exporting aspects, rather than factors that are related to the political system and society (like cultural and political factors). Given that, these firms can find workers even if they produce socially and culturally inconsistent products (see Figure 3).

While for small FDI firms, local social and political factors are found to have significant influence on their decisions. This could be explained by the fact that, in et-oriented and therefore are more sensitive to local factors.

In general, the results of Conditional Logit model reveal that the political factors to have most significant influence on FDI decision in Jordan, rather than other FDI factors. For instance, the coefficient of external conflicts (P_SUB2) found to be significant for Middle East, partially acquisition, joint ventures, service, and small FDI models, while the coefficient of stable political environment (P_SUB1) found to be significant for Middle East, partially acquisition, manufacturing, and small FDI models. The results of Conditional Logit model consistent with the previous results, which indicate that the political factors are the main factors that affecting FDI decision to Jordan.

Table 4.
Performance of Variables by Region of Origin

	Middle East LR = 16.84***		USA & Canada LR = 9.8		E.U LR = 14.28		Asia LR = 12.18	
Variable	Coefficient	Z-stat.	Coefficient	Z-stat.	Coefficient	Z-stat.	Coefficient	Z-stat.
SUB_C1	-0.313	-0.87	-0.112	-0.55	0.612	0.98	0.166	0.56
SUB_C2	0.123	0.85	0.203	0.85	-0.254	-1.71***	-0.222	-1.85***
SUB_C3	0.108	0.41	0.059	0.18	-0.468	-1.32	0.000	0.00
SUB_C4	0.087	0.67	-0.469	-1.10	0.226	1.39	-0.144	-1.42
SUB_P1	0.504	1.69***	-0.196	-1.10	0.312	0.57	0.528	1.31
SUB_P2	0.569	2.57**	-0.073	-0.35	-0.121	-0.61	-0.213	-0.83
SUB_P3	-0.097	-0.30	-0.033	-0.06	0.447	0.81	-0.134	-0.25
SUB_E1	-0.085	-0.29	0.080	0.23	-0.016	-0.11	0.075	0.51
SUB_E2	0.053	0.57	-0.068	-0.73	0.333	1.71***	0.025	0.28
SUB_E3	0.054	0.25	0.079	0.39	-0.366	-1.71***	0.101	0.71

Notes: t-statistics are in brackets; * significant at 1% level or more, ** signoficant at 5% level or more, and ***significant at 10% level or more.

Performance of Variables by Mode of Entry

	Partial Acquisition LR = 24.98*		Joint Venture LR = 20.6**		Wholly Owned LR = 15.94	
Variable	Coefficient	Z-stat.	Coefficient	Z-stat.	Coefficient	Z-stat.
SUB_C1	-0.361	-0.90	-0.689	-2.36**	-0.124	-0.57
SUB_C2	0.305	1.79***	0.482	2.34**	0.284	1.94***
SUB_C3	0.275	0.97	-0.906	-1.96**	0.806	2.59*
SUB_C4	-0.744	-1.62	0.486	2.31**	-0.135	-0.79
SUB_P1	0.617	1.77***	0.260	0.64	-0.264	-1.28
SUB_P2	1.108	1.96**	-1.239	-2.14**	0.407	1.69***
SUB_P3	-2.346	-2.49**	-0.107	-0.18	0.845	2.39**
SUB_E1	-2.036	-2.42**	1.512	2.45**	0.105	0.61
SUB_E2	0.191	1.17	0.059	0.52	-0.180	-1.97**
SUB_E3	1.125	2.02**	-0.590	-1.62	0.043	0.23

Notes: t-statistics are in brackets; * significant at 1% level or more, ** signoficant at 5% level or more, and ***significant at 10% level or more.

Table 6.
Performance of Variables by Sector

	Services LR = 16.13***		Financial LR = 9.258		Manufacturing LR = 18.19**	
Variable	Coefficient	Z-stat.	Coefficient	Z-stat.	Coefficient	Z-stat.
SUB_C1	0.208	0.52	-0.394	-1.17	0.446	1.32
SUB_C2	0.021	0.14	-0.031	-0.29	0.095	0.60
SUB_C3	0.259	0.95	0.076	0.39	-0.392	-1.09
SUB_C4	-0.136	-0.83	-0.068	-0.43	0.231	1.85
SUB_P1	0.263	0.72	-0.575	-1.65	0.624	1.92***
SUB_P2	-0.777	-2.16**	0.108	0.39	0.405	1.43
SUB_P3	-0.601	-0.99	-0.095	-0.15	0.330	0.53
SUB_E1	0.283	0.97	-0.052	-0.20	-0.194	-0.64
SUB_E2	0.232	1.66	0.169	1.52	0.376	2.87*
SUB_E3	-0.382	-1.45	-0.047	-0.27	0.342	1.75***

Notes: t-statistics are in brackets; * significant at 1% level or more, ** signoficant at 5% level or more, and ***significant at 10% level or more.

Table 7.
Performance of Variables by Size

	Small LR = 25.31**		Medium LR = 9.41		Large LR = 13.71	
Variable	Coefficient	Z-stat.	Coefficient	Z-stat.	Coefficient	Z-stat.
SUB_C1	0.350	1.39	-0.197	-0.56	0.046	0.15
SUB_C2	1.206	2.21**	-0.706	-1.49	-0.513	-1.75***
SUB_C3	-1.889	-1.88***	0.751	1.40	0.458	1.18
SUB_C4	0.310	1.21	-0.128	-0.70	-0.275	-1.22
SUB_P1	0.641	1.66***	-0.407	-1.12	-0.395	-1.32
SUB_P2	-1.360	-1.78***	0.855	1.52	0.447	1.24
SUB_P3	0.577	2.34**	-0.397	-0.84	-0.164	-0.46
SUB_E1	0.173	0.49	-1.104	-1.69***	-0.014	-0.05
SUB_E2	0.745	1.81***	-0.525	-1.83***	-0.418	-1.62
SUB_E3	1.124	2.01**	1.652	1.91***	0.512	1.28

Notes: t-statistics are in brackets; * significant at 1% level or more, ** signoficant at 5% level or more, and ***significant at 10% level or more.

The findings of the survey have illustrated that both cultural and political factors in Jordan are evaluated more in the FDI decisions than the economical factor. Jordan is one of the Middle East countries that holds a stable political environment, has a good investment climate, enjoys excellent national and regional economical and political relations, and doesnôt suffer from a grave corruption phenomenon, or from any ethnic or religion problems. In other words, Jordan is a country that doesnôt endure from a noticeable traditional FDI risks, thus, theoretically this country suppose to attract a good quantity and quality FDI. But practically, this is not the case, so *why FDI hinders from Jordan*?

An inclusive look at the Middle East map, one can see how loaded this region with conflicts (wars on Iraq, Iranôs nuclear file, same as Syriaôs conflict, Israeli-Palestinian conflict, and Israeli-Lebanon conflicts, etc.) that spread their effects to reach all the regionsô stable countries including Jordan; that locates in the centre of the conflictsô area (Jordan is the main neighbor for all of the conflicted countries). Such external effects have placed Jordan in instable position; from one hand, the regional instability may have positive effect on Jordan; when foreign and regional investments escape from the conflicted neighboring countries and find their way in Jordan. While from the other hand, such instability has two main negative effects, the first is social-cultural effect happened when all of the instable countriesô refuges gathered in Jordan (moving with them their sectarian and ideological problems), and the second is an economical-effect that occurs when all of the foreign and regional investments run away from the whole Middle East region including Jordan, despite its stable and attractive political, cultural, and economical environment (as supported by mean scores: high significances of Jordanian stable political environment {mean= 4.34}, attractive investment climate {mean=3.34}, and the low significance of corruption phenomenon {mean=3.12} see in Figure 2).

A straight forward interpretation of the results indicates that political factors are the main factors that affect FDI inflows to Jordan, since stable political environment (P_SUB1) found to be the most important factor that affects FDI inflows to Jordan, SUB2). However, a closer look on the surrounding Jordanian environment or on the Middle East region in general, reveals that it is difficult to separate cultural factors from political factors, especially that in most cases, it seems that cultural factors induce and drive political factors. For instance, external conflicts found to have important influence on FDI decision to Jordan, this could be normal in a region such as the Middle East region which witnessed several conflicts as mentioned previously.

From an analytical point of view, it is safe to conclude that in several conflicts the cultural factors are hidden behind such conflicts and play a dominant role in them. While this effect of the cultural factors could not be statistically or econometrically clear enough, as it is in several cases for policy makers and investors. For instance, it could be seen that the sectarian parties were behind the last conflict between Israel and Lebanon (July 2006) which induced political instability for the Middle East region, even for the whole world. Since it is not Lebanon who created the problem, but it is the Iran to deal with its nuclear problem with the West, as Iran has used its arm in the region (which is Hezbollah the Shiite party in Lebanon). By this example, it appears how the sectarianism and loyalty to external parties play dominant role of political conflicts rather than national interests.

Another clear example of how cultural factors induce political instability and conflicts which affect the Middle East region especially Jordan (even that these conflicts happened out side Jordan, but their negative effects transmitted to Jordan through cultural factors) is the Israeli-Palestinian conflict. This conflict is considered as the main problem for Arabian countries in the region, as they do not deal with the Palestinian problem as a conflict with a neighbor country, but they look at it through the religious and the social-cultural ties. From the Islamic point of view, Palestine contains the second most important mosque (in Jerusalem), and Islamic basics oblige Muslims to liberate this piece of land. While the effect of this conflict on Jordan, in addition to the previous reasons, transmitted through the demographic structure of Jordanian population, which possess igins[5]. Another example of how sectarianism (cultural risk) could induce internal conflicts (political risk) is the case in Iraq; since 2006 and this country has become a battle field for several external parties in the region. Each party is using its followers, for instance Iran uses Shiite in Iraq, whereas the Sunnites are been used from another country and so on, the thing that leads each Iraqi party to follow its sectarian loyalty rather than the interest of his home land.

These examples and others remove the shadow from the hidden role of the cultural factors that drive political ones, in the way political factors could be considered as a result of hidden cultural factors. Such conclusion, the importance of cultural factors, couldnôt be clear even for several policy makers in the Middle East countries, rather for foreign investors. The thing which may explain that several countries in the Middle East region, such as Jordan, despite enjoying with traditional attractive factors to FDI (such as political stability, attractive investment climate, etc.) they still suffer from a fragile FDI mobility.

Moreover, the survey results indicate that, despite the existence of Islamic parties in Jordan, they do not have a significant role to that degree that affects government policies, and do not have an influential power in the Jordanian parliament (religion tension (C_SUB4) mean score = 2.61), which indicate that Jordan does not suffer from the religion tension in the way that affect the FDI environment such as other countries (like Iran). However the increasing share of Islamic parties in the political map must not be considered as an indicator of increasing the risk of religion tension in the society, whereas, Arab civilians have elected the Islamic groups as a punishment tool for their governments (i.e. Hamas in Palestine and Islamic group in Egypt) because of the frustration feelings they have toward their governmentsô political and economical policies and in several cases, because of the high level of governmental corruption as in the case of Egypt.

The implication of these results is that the political factors dominate the FDI decision making in Jordan could be induced by cultural factors rather than purely political factors.

[5] According to Jordan Economic Studies, 2000 Icon Group International, Inc. over 2.3 million Palestinian refugees are registered in Jordan with the UNRWA.

nd cultural factors are very high, and in some cases it could be considered as a casual relationship goes from cultural to political factors. These results are confirmed by the correlation tests (parametric and non-parametric)[6], which indicate that the cultural factors are the dominant factors that affect FDI inflows to the MENA region.

For policy makers, it is important for the Middle Eastern countries to adapt a higher degree of cooperation in promoting aggregate strategies that attract FDI. While firstly, it is important for these countries to understand the exact reasons that affect FDI and the inter-relationships between these factors. Previous experiments indicate that it is not enough and secure that countryꞌs individual policies in attracting FDI to be success (as mentioned previously, in a region such as the Middle East, it is not only the individual country characteristics that affect FDI). Egypt for example, preceded a huge privatization program and structure economic reforms during the last 15 years, in addition to its political stable environment, which theoretically should increase the mobility of FDI, practically the figures indicate that FDI inflows draw back to 647 million $ in 2002 after being 1256 million $ in 1994 (Kamar and Bakardzhieve, 2002) (World Bank Indicators, 2005). Such example could explain why a country as Jordan despite enjoying with several attractive factors to FDI, FDI mobility toward it still fragile.

Hence, policy makers in the Middle Eastern countries are recommended to recognize regional strategies rather than individual ones in promoting and attracting FDI, such strategies will be able to diminish the damage effects of political conflicts in the Middle East region, such conflicts that do not know boarders and therefore it is transmitted between countries through social-cultural ties.

For FDI investors, especially those from outside the Middle East region, it is important to understand and consider the complicated social-cultural relations, and then the political factors that affect Middle East region, rather than concentrated only on the traditional factors (like economical and pure political factors).

These results contribute to the existing literature by introducing new evidence of non-traditional factors that affect FDI decision, which require specific strategies to deal

[6] Both parametric and non-parametric correlation tests are available under request.

a framework that able to deal with such complicated cultural factors, starting with admitting and understanding the real elements of such factors, in order to manage their effects on FDI decision.

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