Chapter 17
Electronic Commerce in the Arab World

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ABSTRACT

This chapter presents a literature discussion and empirical research that examines the factors that affect Electronic Commerce (EC) adoption in the Arab countries. The five countries that are represented in this research include Saudi Arabia, Qatar, Kuwait, United Arab Emirates and Yemen. The purpose of this research is analyzing the crucial factors affecting EC adoption among the Arab consumers. The chapter presents the effect of risk perception, trust and consumer knowledge on their EC adoption. It also highlights consumer's knowledge mediation in affecting their perception of risk and trust towards EC adoption. Upon filtration, three hundred samples were selected for data analysis. Descriptive and inferential statistical analyses including statistical mediation technique were carried out to analyse the data. Results reveal knowledge as the most important factor that contributes to EC adoption and it mediates consumers' perception of risk and trust in contributing to their EC adoption. The preliminary findings of this research was presented in the International Arab Conference of E-Technology held in Amman, Jordan from 14th to 16th October 2008 and subsequently published in the first issue of the International Arab Journal of E-Technology. This chapter presents the complete research with further data analysis, extended reports and discussions on issues relating to EC adoption.

INTRODUCTION

The advancement and convergence of telecommunications and computer technology has created the possibility of conducting businesses over the Internet, known as the Electronic Commerce (EC). In the recent years, Internet usage has grown tremendously in countries around the world including in the Arab Countries [Amin, H. (2000)] [ElShenawi, N. (2001)][Gray, V. (2001)]. The Internet popularity has grown at a phenomenal rate

as it changed from its initial purpose as a defense tool, now to commercial applications.

The Arab countries represent a large part of the geographical world and capture a major share in the global economic pie. These countries tend to be economically more inclined towards service-based industries. There is much that the Arab countries could achieve if they could tap into the business possibilities of using the Internet. In reality, they are yet to experience the optimum benefit of adopting the Internet technologies.

The recent Arab Council for Judicial and Legal Studies (ACJLS) was held in Manama, Bahrain, on September 11-12, 2007. The workshop examined current trends and best practices in EC and the Challenges with Technology & the Law, EC and the Methods of Contracting and Transactions Online, Electronic Contracting, and a conclusive discussion on the regional perspectives and challenges in adoption EC. Over seventy senior legal professionals including from Ministry of Justice officials, judges and other judicial leaders, attorneys and academics from 11 countries in the Middle East and North Africa attended the workshop. Additionally, the Arab Advisors Group conducted a research analysis during the second half of 2007. The research focused on EC expenditure in Kuwait, Saudi Arabia, the UAE, and Lebanon. As a result, the research observed that total number of EC users in these four countries has exceeded 5.1 million people in 2007. The council also highlighted that the Arab countries are in general still lagging behind due to the lack of national information infrastructure, national information networks and advanced computer technology. Internet penetration in the Middle East stands at 17.4% while the rest of the world is 20.1% [Devlin, J.] [Internet World Statistics (2008)].

Various factors contribute to the lag of Internet and EC adoption in the Arab countries; one of it is the late introduction of the Internet in this region. When the Internet phenomenon was spreading like wild fire across the globe, the initial reaction of the Arab countries in adopting it was rather skeptical. Computer technologies crept in slowly into the Arab countries and Internet penetration happened at a much slower pace during the introduction years in these countries as compared to the developed countries of the West.

In countries such as Yemen and Iraq, there are still restrictions on hard currency transfers and consumers will find it difficult to make an online transaction and make payments online. One research conducted in the UAE suggests that the slow acceptance of EC is due to consumers' lack of knowledge about the advantages of using the Internet and their view of it as a Western product propagating Western values and cultures [Shaheen Al-hosni, 2000]. The Arab nationals, particular the respondents who participated in the said research viewed Internet and computer technologies as a western propaganda and are against the tenets of the Arab culture.

Internet usage in the Arab countries was considered important only in the mid 1980s. Most consumers do not surf Internet from home, instead they go to Internet cafes. As a result, they do not spend much time online. Most users use the Internet connections to make cheap long-distance phone calls as well as chatting. The majority of the Internet users here are concentrated in the Gulf countries (UAE, Saudi Arabia, Oman, Bahrain, Kuwait and Qatar), countries whose population does not exceed 11 percent of the whole region's total population. In addition, consumers in the Gulf region enjoy the possibility of completing transactions directly by using credit cards or other methods of payment. In other countries such as Yemen and Iraq, there are still restrictions on hard currency transfers, and consumers will find it difficult to complete transactions and effectuate payments online without these services.

Most studies on EC have often focused predominantly on Western countries although the Internet and EC it is perceived as global phenomenon. EC also impacts developing countries and the Internet penetration in these countries are on

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