

*Faculty of Commerce*

*Faculty of Commerce - Papers*

---

*University of Wollongong*

*Year 2006*

---

The globalization of accounting  
standards: the case of the United Arab  
Emirates

H. J. Irvine\*

N. Lucas†

\*University of Wollongong, [hirvine@uow.edu.au](mailto:hirvine@uow.edu.au)

†Chapman Eastway

This conference paper was originally published as Irvine, H and Lucas, N, The globalization of accounting standards: the case of the United Arab Emirates, in Proceedings of the 3rd International Conference on Contemporary Business, Leura, New South Wales, 21-22 September 2006, Charles Sturt University, Australia.

This paper is posted at Research Online.

<http://ro.uow.edu.au/commpapers/219>

**“Globalized accounting standards: the case of the United Arab Emirates”** by Helen Irvine<sup>1</sup> and Natalie Lucas<sup>2</sup>

A paper prepared for the 3<sup>rd</sup> International Conference on Contemporary Business 2006

<sup>1</sup> Corresponding Author. Senior Lecturer, School of Accounting & Finance, University of Wollongong, Northfields Avenue, Wollongong, NSW, Australia, 2522.

Phone: 61 2 42215919 ; Fax: 61 2 42214297 ; Email: [hirvine@uow.edu.au](mailto:hirvine@uow.edu.au)

<sup>2</sup> University of Wollongong Commerce student and 2005 Dubai study tour participant.

***Abstract.** International Financial Reporting Standards (IFRS) are a manifestation of globalization, with financial reports prepared under IFRS presenting an image consistent with that of multinational corporations and developed countries. Developing countries and emerging economies, in pursuing the global economic benefits offered by the adoption of IFRS, face challenges in adapting their regulatory infrastructure and culture to western-oriented accounting standards. Based on data gathered primarily from archival sources, this paper suggests that the UAE, in embracing globalization and adopting IFRS, will need to develop appropriate regulatory systems to overcome cultural issues relating to secrecy and fraud.*

**Key words:** IFRS; developing countries; emerging economies; globalization

**Word count:** 2,850

**JEL Code:** M41

## **“Globalized accounting standards: the case of the United Arab Emirates”**

***Abstract.** International Financial Reporting Standards (IFRS) are a manifestation of globalization, with financial reports prepared under IFRS presenting an image consistent with that of multinational corporations and developed countries. Developing countries and emerging economies, in pursuing the global economic benefits offered by the adoption of IFRS, face challenges in adapting their regulatory infrastructure and culture to western-oriented accounting standards. Based on data gathered primarily from archival sources, this paper suggests that the UAE, in embracing globalization and adopting IFRS, will need to develop appropriate regulatory systems to overcome cultural issues relating to secrecy and fraud.*

**Key words:** IFRS; developing countries; emerging economies; globalization

**Word count:** 2,850

**JEL Code:** M41

## **Introduction.**

The financial health of global financial markets is important to dominant nation-states, as they pursue “intentional politics and policies” to enhance their wealth (Arnold and Sikka, 2001, p. 478), and it is also important to emerging economies<sup>1</sup> and developing countries<sup>2</sup>, as they seek to participate in the wealth promised by the adoption of globalized business practices, including the adoption of a set of globalized accounting standards. The convergence of many national Generally Accepted Accounting Principles (GAAP) with International Financial Reporting Standards (IFRS) (Fontes *et al*, 2005, p. 416) promises “transparent, comparable and consistent financial information” to guide investors in making “optimal investment decisions” (Jacob and Madu, 2004, p. 357).

Developing countries have recognized their need to participate in the opportunities offered by globalization (United Nations General Assembly, 2004, p. 3), and in consequence, have led the way in adopting IFRS (IAS Plus, 2006a). However, numerous studies question the relevance of IFRS to developing countries (Mir and Rahaman, 2005, p. 816), and draw attention to the need for contextualized studies of accounting (Reiter, 1998, p. 160). While emerging economies typically enjoy greater wealth than developing countries, and therefore do not face the same financial constraints, they nevertheless face many similar challenges in adopting IFRS in terms of changing culture and developing systems of regulation and accountability. The United Arab Emirates (UAE), a Middle Eastern Federation of seven Emirates, is unique in that it is a rich economy<sup>3</sup> with significant wealth from oil and gas (DIFC, 2006f), currently launching itself onto the world financial stage

with the setting up of a stock exchange and actively pursuing foreign direct investment (FDI). While embracing globalization, and adopting IFRS, it nevertheless has challenges ahead as it makes necessary reforms to its regulatory, legal and economic structures and adapts its culture to westernized forms of expression.

This paper first identifies IFRS as a manifestation of globalization, outlining some adoption difficulties faced by emerging economies and developing countries. The UAE is then described, and factors are identified which have influenced its adoption of IFRS. Discussion of challenges ahead follows, together with conclusions about the future of IFRS for countries undergoing significant changes in their culture and institutional infrastructure.

### **Globalized accounting standards**

While not a recent phenomenon, the process of globalization has accelerated in the last twenty years, promoting greater interdependence between economies, operating as a universalizing process, and promising greater wealth and a decrease in poverty for all economies through the “logic of capitalism” (Clifford, 2000, p. 46). As envisaged by the “Washington Consensus”<sup>4</sup>, and propounded by the World Bank (Suttle, 2003), The International Monetary Fund (IMF) and the Organization for Economic Co-operation and Development (OECD), globalization currently proposes that borders should be “porous” (Harris, 2002, pp. 417 – 418), and that by implementing policies such as free trade, privatization, deregulation, fiscal discipline and tax reform, the result will be economic growth for developed and developing countries alike (Stiglitz, 2001, p. 213).

Described as “a worldwide pressure for change” (Granell, 2000, p. 89), globalization has polarized opinion (Engardio and Belton, 2000, p. 43; Stiglitz, 2001; Clifford, 2000, p. 46; Cooper *et al*, 2003; Tisdell, 2001). It is much more than an economic phenomenon for the developing world, having wide-ranging effects, with both winners and losers. While its proposed benefits are substantial, global capitalism nevertheless has a downside. By embracing globalization, whole societies are disrupted (Engardio and Belton, 2000), and the cultural uniqueness of nations is threatened by western-dominated ideologies and technologies. At the same time as millions of people benefit from foreign aid which establishes irrigation and education, there are profound changes in legal, regulatory and cultural systems that have been in place for generations<sup>5</sup>. This applies to emerging economies as well as developing countries, as they face significant changes in their cultural, legal and regulatory structures. Another criticism of globalisation is that poverty reduction goals have not been achieved<sup>6</sup>, rather the reverse has occurred. Tisdell (2001, p. 585) observed that the increase in worldwide poverty was caused by ‘structural adjustment policies’, which were the foundation of economic globalization policies. The opening up of former Centrally Planned Economies, for example, has caused unemployment and social security problems (Tisdell, 2001, p. 587), as western institutional structures are imposed on cultures ill-equipped to accommodate them.

Accounting has a role to play in the process of globalization, through the operations of multinational corporations, the regulatory systems of developed countries (Arnold and Sikka, 2001, p. 476), and the prevalence of international accounting firms (Perera *et al*, 2003). Consequently, IFRS is both a manifestation of globalization and a technology by

means of which globalization is mobilized. In 1973 the International Accounting Standards Committee (IASC) was formed to work towards greater comparability between financial reports across countries (Alfredson *et al*, 2005, p. 7). Since then, and reconstituted as the International Accounting Standards Board (IASB), it has grown in influence to the point where it now has almost 100 countries either converging or adopting IFRS (IASB, 2006c)<sup>7</sup>, although, significantly none of the 14 members of the IASB is from a developing nation (Jacob and Madu, 2004, p. 359).

Substantial benefits have been proposed by the adoption of IFRS, including a decreased cost of capital, greater mobility of capital, greater efficiency in the allocation of resources, improved and more comparable financial reporting, and a decrease in the opportunities for earnings management (UNCTAD, 2005, pp. 5 – 6). These, together with the accountability demands of the World Bank and the IMF (Neu and Gomez, 2006; Stiglitz, 2001, pp. 12 – 13), make a compelling case for the adoption of IFRS by developing countries and emerging economies<sup>8</sup> as they seek to participate in the wealth and financial opportunities promised by globalization.

On the other hand, there are cultural challenges faced by these countries in adopting IFRS (Ampofo and Sellani, 2005, p. 229; World Accounting Summit, 2005; Turner, 2001; IASB, 2006c; IASB, 2006a, pp. 13 – 14), language challenges (Evans, 2004, pp. 210 – 211) and regulatory and accounting profession challenges (Chand, 2005, p. 212). China, in opening the door to harmonization with IFRS and other global influences, will face the necessity of privatizing its state-owned enterprises (Bolton, 2006, p. 69; IASB, 2006e), which will challenge its traditional regulatory and legal systems, as well as employment policies. All

these factors raise the question not just of whether developing countries and emerging economies ought to adopt IFRS, but whether they are capable of doing so. Here, too, there can be difficulties, as they face implementation challenges involving the overthrow or reformation of cultural practices that have been in place for centuries.

The UAE, as a country within the Middle East and North Africa (MENA) region, and one of six Arab states making up the Gulf Cooperation Council (GCC), is unique with rich resources, eager to embrace globalization, and committed to attracting foreign direct investment (FDI)<sup>9</sup>. Its government, recognizing the benefits of the adoption of a set of globalized accounting standards, has set in motion the adoption of IFRS, while recognizing the need for regulatory reform as a result.

### **UAE and IFRS**

The UAE is a significant player in the world oil industry (United Arab Emirates, 2006), but its wealth is increasingly attributable to its non-oil sector, which has risen from a 35.4% share of GDP in 1972 to a 70% share in 2003 (Kawach, 2003). Its “free zones” and developments have been designed to capture investment from the “petrodollars” of its oil booms. It also has an important political role in its region, as part of the GCC, which consists of six oil-rich states, all developing their own stock exchanges and all, with the exception of Saudi Arabia, having adopted IFRS to some extent (IAS Plus, 2006a).

Currently the UAE requires its banks to abide by IFRS, as well as companies listed on the UAE’s new stock exchange, the Dubai International Foreign Exchange (DIFX), both vital requirements if the UAE is to attract global capital. This commitment to globalization

(Global Investment House, 2005) has been continued by Sheikh Khalifa bin Zayid al-Nuhayyan, the President of the UAE since his father, also pro-globalization, died in 2004 (*The World Factbook*, 2006). The UAE's reliance on oil revenue, heavy in the past, is now of less significance with its broader-based economy focusing on international trade, banking, tourism, real estate and manufacturing. During the first world oil boom (1973 – 1985), Arab states invested money offshore, but the second oil boom (2000 – 2006) has seen them making greater investment in the Middle East itself, with various overseas ventures being undertaken (Reed, 2006, pp. 35, 37). Several key factors have influenced the UAE's move to adopt IFRS. These are its trade, capital markets, the “Big 4”<sup>10</sup> international accounting firms and the World Bank.

The UAE has increased its trade with western nations significantly in recent years (Looney, 2003), with the establishment of “free trade” zones to establish the UAE as the headquarters for Middle East trading. This brings pressure to adopt globalized forms of accountability and financial reporting, particularly those of its “influential trading partner(s)” (Haswell and McKinnon, 2003, p. 8). The UAE's trade links with countries in the European Union (EU) are strong, with over \$US9.5 billion in trade in 2003, as compared to trade with the US of only a little over \$US2 billion (Dubai Chamber of Commerce and Industry, 2003). In the context of these trading relationships, and the EU's requirement for listed consolidated entities to adopt IFRS from January 2005, the UAE's move towards adoption of IFRS is understandable.

Alongside the aspirations of the UAE to attract Foreign Direct Investment (FDI), there are requirements for a globalized set of accounting standards (AME Info, 2005c). With no tax

on income or profits and 100% foreign ownership, the attraction of this onshore capital market is obvious (DIFC, 2005), and increases the need for the UAE to demonstrate integrity, transparency and efficiency (DIFC, 2006a; DIFC, 2006b), which can be achieved by adopting a set of IFRS and establishing a regulatory regime to accompany them (AME Info, 2005b). This is a challenge to countries with authoritarian governments, as they move towards “demands for greater accountability and wider political participation” (Reed, 2006, p. 40)<sup>11</sup>.

The establishment of the Dubai International Financial Centre required the adoption of IFRS in order to project an image of “integrity, efficiency and transparency” (Al Mulla, 2005). To this end, the UAE has been undergoing a process of overhauling its legislation (DIFC, 2006b; DIFC, 2006d), courts (DIFC, 2006e) regulatory requirements (DIFC, 2006b) and regulator (DIFC, 2006g), consistent with World Bank requirements of developing nations. The opening of the DIFX in September 2005 further established UAE as a globalized nation, providing investment opportunities on the world market. Not only does the establishment of the DIFX facilitate the growth of FDI in the UAE, but it also reinforces the need for the UAE to demonstrate integrity, transparency and efficiency by adopting a set of IFRS and establishing a regulatory regime to accompany them (AME Info, 2005b).

The World Bank, and its sister organization the IMF, are both major players in world capital markets, are “deeply embedded in the structures of capitalism” (Annisette, 2004, p. 316), with the World Bank pushing countries towards adoption of IASs, making it a requirement of loans in some cases (Alfredson *et al*, 2005, p. 9), in order to achieve global

harmonization through applying “principles of economic rationality” (Lehman, 2005, p. 976). World Bank ratings of nations are based on their economic strength, the ease of starting a business, dealing with licences, and other business-related outcomes (World Bank, 2006b). The UAE joined the World Bank in 1972, and since then has been working on a Technical Cooperation Program (World Bank, 2006a), and following World Bank guidelines<sup>12</sup>. The globalization of the Big 4 accounting firms has been accomplished in part because of the World Bank requirement that projects it finances be certified by “internationally reputable firms of accountants” (Annissette, 2004, p. 318).

International accounting firms have both driven the adoption of IFRS (Chand, 2005, p. 223) and benefited from it, as they have invested in “systems of global coordination and control” (Cooper *et al*, 1998, p. 531). All of the Big 4 international accounting firms have a presence in the UAE, and each one has pitched itself as adding value to Arab states, for example PricewaterhouseCoopers (PWC) with its Arab Business Intelligence Report (PricewaterhouseCoopers, 2006) , KPMG (2004) with its Gulf Cooperation Council Fraud Survey, and Ernst & Young (2006) with its Global Fraud Survey. Big 4 accounting firms in the UAE require their clients to prepare financial reports under IFRS (Interview, 2005), and other accounting firms have offered strong encouragement to their clients to do the same (Khanna, 1999, p. 78). The first and second World Accounting Summits, held in Dubai in 2005 and 2006, involved multinationals, as well as Big 4 representatives, and participation by the IASB and United Nations Conference on Trade and Development (UNCTAD). In 2005, industry speakers and accountants from over 190 countries, including representatives of the Big 4 accounting firms (AME Info, 2005a) recognized that the adoption of IFRS by

the UAE was important (AME Info, 2005b), but also that there were difficulties in the “consistent application” of IFRS (World Accounting Summit, 2005).

### **Challenges to IFRS adoption and implementation in UAE**

Since the accounting practices in particular countries reflect their unique culture and beliefs (Deegan, 2002, p. 43), it would be foolish to assume one single regulatory framework is appropriate for the financial reporting needs of all countries (Rodrigues and Craig, 2006, p. 14). As developing countries and emerging economies have embraced IFRS, insufficient attention has been paid to issues of national culture and regulatory infrastructure, which result in difficulties in implementation. Studies on Fiji and Papua New Guinea (Chand, 2005, p. 222) and Bangladesh (Mir and Rahaman, 2005) reinforce the difficulty of imposing western-style systems of regulation on developing countries. Even though they have greater wealth, emerging economies often face implementation difficulties also as they struggle to adjust their existing systems to cope with changing forms of accountability and regulation. This is certainly the case in the UAE.

Opposition to the adoption of IFRS in UAE has been quite limited (*Khaleej Times*, 2005a) in comparison with other countries around the world, attributable no doubt to its desire to participate in FDI. One challenge for the UAE is likely to be the culture of secrecy, common in countries that have not previously been required to report financial information to a regulatory body<sup>13</sup>, but this could be alleviated by the ease with which expertise can be imported, particularly given the UAE’s tax incentives. Lack of regulation, linked to the culture of secrecy, will be an additional problem, but this is likely to be alleviated by the

presence of international accounting firms and multinational corporations. In addition, IFRS have been put forward as a way of controlling fraud and money laundering (AME Info, 2005b), a common problem in developing and emerging economies. Financial scandals in the UAE (*Khaleej Times*, 2005b) damage its reputation as a reputable investment centre, with Dubai widely believed to be the centre of money laundering operations. It has been recognized that developing and emerging economies often have a culture of fraud, particularly bribery and corruption, and that if the adoption of IFRS is likely negatively to impact financial results, this may increase financial statement fraud (Ernst & Young, 2006, p. 6). In spite of, or perhaps because of, these concerns, in such countries the regulatory systems and accounting profession are not mature enough to provide appropriate accounting and financial reporting regulation (Chand, 2005, p. 212, citing Peasnell, 1993), an essential requirement for the reliable implementation of IFRS (UNCTAD, 2005, p. 12). With requirements for the adoption of IFRS limited at present, there are many UAE companies therefore not yet open to foreign investment (*Khaleej Times*, 2005b), and therefore not subject to the regulatory requirements of IFRS. Even for those companies bound by IFRS requirements, the mere adoption of a set of international financial reporting standards is not sufficient to overcome negative perceptions (AME Info, 2005c), but requires effective implementation and transparency to be a reality, not just an ideology.

## **Conclusions**

Developing countries and emerging economies exist alongside developed economies in an increasingly globalized world (Stiglitz, 2001, p. 250), with capital markets and regulatory

systems dominated by the westernized practices of the developed world (Floyd, 2001). By adopting IFRS, these countries seek to enter global capital markets and participate in the benefits globalization is thought to bring. While the adoption of IFRS is relatively simple, its implementation is not, and developing countries and emerging economies face particular challenges if they want to make IFRS a reliable, regulated reality and not just an image. The UAE, one of many emerging economies adopting IFRS, faces challenges of culture, regulation and transparency and fraud, all of which threaten to damage the process of the implementation of IFRS, and consequently the reputation of UAE as a reputable developing country in a globalized environment. Further research is needed of the challenges involved in actually implementing IFRS in emerging economies such as the UAE.

## References

- Al Mulla, H., 2005, World Accounting Summit Welcome Speech, November 17. Available on <http://www.ameinfo.com/72880.html>. Accessed 19<sup>th</sup> April 2006.
- Alfredson, K., Leo, K., Picker, R., Pacter, P. and Radford, J., 2005, *Applying International Accounting Standards*, John Wiley & Sons Australia, Ltd, Milton, Queensland.
- AME Info, 2005a, "First global accounting summit to be held in Dubai", Middle East Business Resource. Available online <http://www.ameinfo.com/56451.htm>. Accessed June - September 2005.
- AME Info, 2005b, "Uniform accounting standards will fight fraud", Middle East Business Resource. Available online <http://www.ameinfo.com/60978.htm>. Accessed June - September 2005.
- AME Info, 2005c, "Transparency key to attracting foreign investment", Middle East Business Resource. Available online <http://www.ameinfo.com/61895.htm>. Accessed June - September 2005.
- Ampofo, A. A., and Sellani, R. J., 2005, "Examining the differences between United States Generally Accepted Accounting Principles (U.S. GAAP) and International Accounting Standards (IAS): implications for the harmonization of accounting standards", *Accounting Forum*, 29, pp. 219 – 231.
- Annisette, M., 2004, "The true nature of the World Bank", *Critical Perspectives on Accounting*, 15, pp. 303 – 323.

- Arnold, P. J. and Sikka, P., 2001, "Globalization and the state-profession relationship: the case the Bank of Credit and Commerce International", *Accounting, Organizations and Society*, 26, pp. 475 – 499.
- Chand, P., 2005, "Impetus to the success of harmonization: the case of South Pacific Island nations", *Critical Perspectives on Accounting*, 16, pp. 209 – 226.
- Clifford, M. L., E., 2000, "Moving up the ladder", *Business Week*, November 6, pp.46 – 51.
- Cooper, C., Neu, D., and Lehman, G., 2003, "Globalisation and its discontents: a concern about growth and globalization", *Accounting Forum*, Vol. 17, No. 4, December, pp. 359 – 364.
- Cooper, D. J., Greenwood, R., Hinings, B. and Brown, J. L., 1998, "Globalization and Nationalism in a Multinational Accounting Firm: the case of Opening new markets in Eastern Europe", *Accounting, Organizations and Society*, Vol. 23, No. 5/6, pp. 531 – 548.
- Deegan, C., 2002, *Australian Financial Accounting*, (Third Edition), McGraw-Hill Australia Pty. Ltd., Sydney, Australia.
- Deloitte. 2006. "Our locations". Available online at <http://www.deloitte.com/dtt/article/0,1002,cid%253D114691,00.html>. Accessed 15<sup>th</sup> August 2006.
- DIFC, 2005, Dubai International Financial Centre Website. "DIFC Companies Regulations". Available online at [http://www.difc.ae/difc\\_authority/laws\\_and\\_regulations/proposed\\_laws.html](http://www.difc.ae/difc_authority/laws_and_regulations/proposed_laws.html). Accessed 25th August, 2005.

DIFC, 2006a, Dubai International Financial Centre Website, “About DIFC”. Available online at [http://www.difc.ae/about\\_difc/index.html](http://www.difc.ae/about_difc/index.html). Accessed 19th April 2006.

DIFC, 2006b, Dubai International Financial Centre Website, “Foreword”. Available online at [http://www.difc.ae/about\\_difc/foreword/](http://www.difc.ae/about_difc/foreword/). Accessed 19<sup>th</sup> April 2006.

DIFC, 2006c, Dubai International Financial Centre Website, “Dubai International Financial Exchange Limited”. Available online at [http://www.difc.ae/about\\_difc/structure/difca/](http://www.difc.ae/about_difc/structure/difca/). Accessed 19<sup>th</sup> April 2006.

DIFC, 2006d, Dubai International Financial Centre Website, “Hawkamah”. Available online at [http://www.difc.ae/about\\_difc/structure/hawkamah/](http://www.difc.ae/about_difc/structure/hawkamah/). Accessed 19<sup>th</sup> April 2006.

DIFC, 2006e, Dubai International Financial Centre Website, “DIFC Judicial Authority”. Available online at [http://www.difc.ae/about\\_difc/structure/courts/](http://www.difc.ae/about_difc/structure/courts/). Accessed 19<sup>th</sup> April 2006.

DIFC, 2006f, Dubai International Financial Centre Website, “Dubai”. Available online at <http://www.difc.ae/dubai/index.html>. Accessed 19th April 2006.

DIFC, 2006g, Dubai International Financial Centre Website, “Dubai Financial Services Authority”. Available online at [http://www.difc.ae/about\\_difc/structure/dfsa/](http://www.difc.ae/about_difc/structure/dfsa/). Accessed 19<sup>th</sup> April 2006.

Dubai Chamber of Commerce and Industry, 2003, “Data Management & Business Research Department”, Department of Ports & Customs, Emirate of Dubai. Available online at [http://www.dcci.ae/contents.asp?page=SiteMap#Foreign%20Trade%](http://www.dcci.ae/contents.asp?page=SiteMap#Foreign%20Trade%20). Accessed 24<sup>th</sup> July 2005.

Engardio, P. and Belton, C., 2000, "Global Capitalism", *Business Week*, November 6, pp. 40 – 45.

Ernst & Young. 2006. "About EY in the Middle East". Available online at [http://www.ey.com/global/content.nsf/Middle\\_East/About\\_Us\\_Overview](http://www.ey.com/global/content.nsf/Middle_East/About_Us_Overview). Accessed 15th August 2006.

Ernst & Young. 2006. "9<sup>th</sup> Global Fraud Survey. Fraud risk in emerging markets". Available online at [http://www.ey.com/global/download.nsf/International/FIDS\\_-\\_9th\\_Global\\_Fraud\\_Survey\\_2006/\\$file/EY\\_Fraud\\_Survey\\_June2006.pdf](http://www.ey.com/global/download.nsf/International/FIDS_-_9th_Global_Fraud_Survey_2006/$file/EY_Fraud_Survey_June2006.pdf). Accessed 3 August 2006.

Evans, L., 2004, "Language, translation and the problem of international accounting communication", *Accounting, Auditing & Accountability Journal*, Vol. 17, No. 2, pp. 210 – 248.

Floyd, D., 2001, "Globalisation or Europeanisation of business activity? Exploring the critical issues", *European Business Review*, Vol. 13, No. 2, pp. 109 – 113.

Fontes, A., Rodrigues, L. L., and Craig, R., 2005, "Measuring convergence of National Accounting Standards with International Financial Reporting Standards", *Accounting Forum*, 29, pp. 415 – 436.

Global Investment House, 2005. Available online at [http://www.menareport.com/en/business,Economy\\_and\\_Trade/192803](http://www.menareport.com/en/business,Economy_and_Trade/192803). Accessed 12 May 2006.

- Global Trade Negotiations, 2006, “Washington Consensus”. Available online at <http://www.cid.harvard.edu/cidtrade/issues/washington.html>. Accessed 20th May 2006.
- Granell, E., 2000, “Culture and globalisation: a Latin American challenge”, *Industrial and Commercial Training*, Vol. 32, No. 3, pp. 89 – 93.
- Harris, P. R., 2002, “European challenge: developing global organizations”, *European Business Review*, Vol. 14, No. 6, pp. 416 – 425.
- Haswell, S. and McKinnon, J., 2003, “Forum: International Standards. IASB Standards for Australia by 2005: Catapult or Trojan Horse?”, *Australian Accounting Review*, vol. 13, no. 1, pp. 8 – 16.
- IAS Plus, 2006a, “Use of IFRSs for reporting by Domestic listed companies by country and region”. Available online at <http://www.iasplus.com/country/useias.htm>. Accessed 19th April 2006.
- IAS Plus, 2006b, “UNCTAD report on implementation of IFRSs”. Available online at <http://www.iasplus.com/resource/0511unctad.pdf>. Accessed 19th April 2006.
- IAS Plus, 2006c, “China adopts 38 new accounting standards”. Available online at <http://www.iasplus.com/country/> Accessed 19th April 2006.
- IASB, 2006a, “Statement of Best Practice: working relationships between the IASB and other Accounting Standard-Setters”, February. Available online at [http://www.iasb.org/uploaded\\_files/documents/8\\_1500\\_SOBPFFebruary2006final.pdf](http://www.iasb.org/uploaded_files/documents/8_1500_SOBPFFebruary2006final.pdf). Accessed 18<sup>th</sup> April 2006.
- IASB, 2006b, IASB Structure. Available online at <http://www.iasb.org/about/structure.asp>. Accessed 19th April 2006.

IASB, 2006c, “IASB Press Release”, 6 April 2006. Available online at

[http://www.iasb.org/news/iasb.asp?showPageContent=no&xml=10\\_806\\_29\\_06042006.htm](http://www.iasb.org/news/iasb.asp?showPageContent=no&xml=10_806_29_06042006.htm). Accessed 19<sup>th</sup> April 2006.

IASB, 2006d, “Roadmap for Convergence”. Available online at <http://www.iasb.org/current/memoofunderstanding.asp>. Accessed 19th April 2006.

IASB, 2006e, “Release ceremony for Chinese Accounting Standards”, Press Release 20 February, Available online on

[http://www.iasb.org/uploaded\\_files/documents?10\\_769\\_press\\_accounting\(revised\).pdf](http://www.iasb.org/uploaded_files/documents?10_769_press_accounting(revised).pdf). Accessed 19<sup>th</sup> April 2006.

Interview, 2005a, Interview with partner of PriceWaterhouse Coopers, UAE. 4<sup>th</sup> July.

Jacob, R. A. and Madu, C. N., 2004, “Are we approaching a universal accounting language in five years?”, *Foresight*, Vol. 6, No. 4, pp. 356 – 363.

Kawach, N., 2003, “UAE economy to swell to Dh284.5b”. Available online at [http://www.datadubai.com/uaegdp\\_2003.htm](http://www.datadubai.com/uaegdp_2003.htm). Accessed 12 May, 2006.

*Khaleej Times*, 2005a, “Accounting standards should have a regional flavour”, 30<sup>th</sup> May, p. 68. Available online

[http://www.khaleejtimes.com/Displayarticle.asp?section=business&xfile=data/business/2005/may/business\\_may563.xml](http://www.khaleejtimes.com/Displayarticle.asp?section=business&xfile=data/business/2005/may/business_may563.xml). Accessed 17th October 2005.

*Khaleej Times*, 2005b, “Bourses target firms ignoring disclosure rules”, 10<sup>th</sup> February. Available online

[http://www.khaleejtimes.com/Displayarticle.asp?section=business&xfile=data/business/2005/February/business\\_February195.xml&section=business](http://www.khaleejtimes.com/Displayarticle.asp?section=business&xfile=data/business/2005/February/business_February195.xml&section=business). Accessed 17th October 2005.

- Khanna, N., 1999, "A Commercial Hub for the Middle East?", *Accountancy*, Vol. 123, Issue 1266, p. 78.
- KPMG, 2004. "2004 GCC Fraud Survey Results for Gulf Cooperation Council Countries". Available online at <http://www.ae-kpmg.com/emirates/downloads/gcccfs-2004-e.pdf>. Accessed 3rd August 2006.
- KPMG. 2006. "kpmg.com". Available online at <http://www.kpmg.com/>. Accessed 15<sup>th</sup> August 2006.
- Lehman, G., 2005, "A critical perspective on the harmonization of accounting in a globalizing world", *Critical Perspectives on Accounting*, 16, pp. 975 – 992.
- Looney, R., 2003, "Economic Integration in the Gulf Region: Does the Future hold more Promise than the Past?", Center for Contemporary Conflict. Available online at <http://www.ccc.nps.navy.mil/si/mar03/middleEast2.asp>. Accessed 15th August 2005.
- Mir, M. Z. and Rahaman, A. S., 2005, "The adoption of international accounting standards in Bangladesh", *Accounting, Auditing & Accountability Journal*, Vol. 18, No. 6, pp. 816 – 841.
- Neu, D., and Gomez, E. O., 2006, "The ethics of World Bank lending", *Accounting Forum*, 30, pp. 1 – 19.
- Perera, H. B., Rahman, A. R. and Cahan, S. R., 2003, "Globalisation and the major accounting firms", *Australian Accounting Review*, Vol. 13, No. 1, pp. 27 – 37.
- PriceWaterhouseCoopers and Moutamarat. 2006. "Arab Business Intelligence Report". January. Available online at

<http://www.pwc.com/extweb/pwcpublications.nsf/docid/85E96B2EEC25BA3B8025714D005A4EA8?OpenDocument>. Accessed 3 August 2006.

PricewaterhouseCoopers. 2006. "Middle East Region". Available online at

<http://www.pwc.com/extweb/home.nsf/docid/6350bb94be4cd9bb802570fa0037ac44>. Accessed 15th August 2006.

Reed, S., 2006, "The new Middle East Oil Bonanza", *Business Week*, March 13, pp. 32 – 40.

Reiter, S. A., 1998, "Economic imperialism and the crisis in financial accounting research", *Critical Perspectives on Accounting*, 9, pp. 143 – 171.

Rodrigues, L. L., and Craig, R., 2006 (In Press), "Assessing international accounting harmonization using Hegelian dialectic, isomorphism and Foucault", *Critical Perspectives on Accounting*.

Standard & Poor's, 2006. "S&P IFCG GCC Index Series". Available online at

[http://www2.standardandpoors.com/spf/pdf/index/IFCG\\_GCC\\_factsheet.pdf](http://www2.standardandpoors.com/spf/pdf/index/IFCG_GCC_factsheet.pdf). Accessed 15th August 2006.

Stiglitz, J., 2001, *Globalization and its discontents*, Penguin Books, New Delhi, India.

Suttle, P., 2003, "Financial Flows to Developing Countries: Recent Trends and Near-Term Prospects". Available online at

<http://siteresources.worldbank.org/INTRGDF/Resources/GDF2003-Chapter1.pdf>. Accessed 20th April 2006.

*The World Factbook*, 2006, "United Arab Emirates". Available online at

<http://www.cia.gov/cia/publications/factbook/geos/ae.html>. Accessed 20 May 2006.

- Tisdell, C., 2001, "Transitional economies and economic globalisation", *International Journal of Social Economics*, Vol. 28, No. 5/6/7, pp. 577 – 590.
- Turner, L. E., 2001, "Disclosure and Accounting in a Global Market: looking to the future", an issues paper prepared for "Securities Regulation in the Global Internet Economy" Conference, November 14 – 15. Available online at <http://www.iasplus.com/usa/0111turner.pdf>. Accessed 19th April 2006.
- Tweedie, D., 2006, "Statement of Sir David Tweedie", 15<sup>th</sup> February. Available online on [http://www.iasb.org/uploaded\\_files/documents/10\\_766\\_Chinesestatement.pdf](http://www.iasb.org/uploaded_files/documents/10_766_Chinesestatement.pdf). Accessed 19th April 2006.
- UNCTAD, 2005, "Review of Practical Implementation Issues of International Financial Reporting Standards". Available at <http://www.iasplus.com/resource/0511unctad.pdf>. Accessed 19th April 2006.
- United Arab Emirates, 2006, "Economics Statistic". Available online at <http://www.uae.org.ae/business/index.htm>. Accessed 20th April 2006.
- United Nations General Assembly, 2004, "Ministerial Declaration", 21<sup>st</sup> October. Available online at <http://daccessdds.un.org/doc/UNDOC/GEN/N04/567/62/PDF/N0456762.pdf?OpenElement>. Accessed 13 May 2006.
- World Accounting Summit, 2005, "Deloitte Chairman will speak at IFRS conference in Dubai", 25 May. Available online at <http://www.iasplus.com/pastnews/2005may.htm>. Accessed 18th April 2006.
- World Bank, 2006a, "Overview". Available online at <http://web.worldbank.org/WBSITE/EXTERNAL/COUNTRIES/MENAEXT/UNIT>

[EDARABEXTN/0,,menuPK:310365~pagePK:141132~piPK:141121~theSitePK:310358,00.html](http://EDARABEXTN/0,,menuPK:310365~pagePK:141132~piPK:141121~theSitePK:310358,00.html). Accessed 20<sup>th</sup> April 2006.

World Bank, 2006b, “Doing Business”. Available online at

<http://www.doingbusiness.org/ExploreEconomies/Default.aspx?economyid=195>.

Accessed 1 May 2006.

World Bank, 2006c, “GNI per capita 2005”. Available online at

<http://siteresources.worldbank.org/DATASTATISTICS/Resources/GNIPC.pdf>.

Accessed 15th August 2006.

World Bank, 2006d, “World Bank list of Economies”. Available online at

<http://siteresources.worldbank.org/DATASTATISTICS/Resources/CLASS.XLS>.

Accessed 15<sup>th</sup> August 2006.

## Endnotes

---

<sup>1</sup> This paper takes the view that “emerging economies” are those that, while they may possess wealth, are in the process of developing a stock market, entering global financial markets, and changing and improving their economies to reach a level of sophistication similar to that of a developed nation. Attracting Foreign Direct Investment (FDI) is important to them. Standard & Poor’s (2006) includes the Gulf Cooperation Council (GCC) countries, of which the UAE is one, in their “Emerging Market Data Base”.

<sup>2</sup> “Developing countries” are those that are identified by the World Bank as having low Gross National Income and major infrastructure deficiencies to overcome, such as poverty and health.

<sup>3</sup> The World Bank identified UAE’s Gross National Income per capita in 2005 at \$US 23,770, and placed it 34<sup>th</sup> in the world (World Bank, 2006c). It was identified as a “high income non OECD country” (World Bank, 2006d).

<sup>4</sup> This phrase was coined in 1990 to encapsulate the economic rationalist policies put forward by Washington in dealing with Latin American developing countries (Global Trade Negotiations, 2006).

<sup>5</sup> Attempts to introduce globally-friendly educational systems in the Middle East and North African countries, for example, have been difficult, since attempts to import Western knowledge clash with a context where policy co-ordination is not reliable (Shaw, 2005, p. 467).

<sup>6</sup> Stiglitz (2001, p. 5) observed that in spite of the promise of poverty reduction, there were almost 100 million people living in poverty by the end of the 20<sup>th</sup> century.

<sup>7</sup> The IASB released its “Statement of Best Practice: Working Relationships between the IASB and other Accounting Standard-Setters” on 6 April 2006. The document states the aim of developing a set of high quality global accounting standards, and also acknowledges the need to take account of “the special needs of small and medium-sized entities and emerging economies” (IASB, 2006b).

<sup>8</sup> In 2005, an “unprecedented” number of countries adopted IFRS for financial reporting (IAS Plus, 2006b), including China (38 new accounting standards), Brazil (requiring IFRS for financial institutions), the Slovak Republic and Bulgaria (extending the use of IFRS), India (“moving to align its GAAP with IFRSs), Uruguay (requiring IFRS) (IAS Plus, 2006c). In addition, Chile and Israel have now embarked on a programme of convergence with IFRS (IASB, 2006a; Tweedie, 2006). Significantly, the US has not yet adopted IFRS, although it has committed to a programme of convergence since its Financial Accounting Standards Board (FASB) signed a Memorandum of Understanding with the IASB in 2002 (IASB, 2006d), and US representation on the IASB is substantial (IASB, 2006b).

<sup>9</sup> The MENA region includes countries with a wide disparity in economic wealth, including Algeria, Bahrain, Yemen, Libya, Lebanon and Malta, among others. The GCC countries (UAE, Bahrain, Oman, Saudi Arabia, Qatar and Kuwait), all within the MENA region, are, with the exception of Oman, characterized as high income, non OECD countries (World Bank, 2006d).

<sup>10</sup> The “Big 4” accounting firms, PricewaterhouseCoopers, Deloitte, KPMG and Ernst & Young, all have a presence in the UAE, having been there over 25 years (PwC, 2006), since 1964 (Deloitte, 2006), 1973 (KPMG, 2006) and 1966 (Ernst & Young, 2006) respectively.

<sup>11</sup> Members of the UAE Royal family hold most of the important positions in government, and there is no elected representation, leading to a difficulty in criticizing the actions of the sheikhs. Consequently, the UAE has not had a culture of accountability and transparency.

<sup>12</sup> In 2003 Dubai, UAE, hosted the annual meetings of the Boards of Governors of the World Bank Group and the International Monetary Fund (DIFC, 2006j). Its World Bank rating currently is 69<sup>th</sup> overall out of 155 countries, and it is rated 6<sup>th</sup> best in terms of paying taxes (World Bank, 2006b).

<sup>13</sup> Some countries have “cultural attributes that suggest they tend more toward secrecy than transparency, and their accounting disclosure requirements may reflect this cultural bias” (Deegan, 2002, p. 43).