

McDonald's in the Middle East: Navigating Political and Ethical Minefields

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Abstract. McDonald's, the renowned American fast-food giant, views the Middle East as an immensely promising market, yet one that presents formidable challenges. McDonald's experienced the complexity of this region firsthand when its Middle East franchises became embroiled in a public dispute over the divisive and emotionally charged Israeli-Palestinian conflict. This case study explores McDonald's political and ethical predicaments in the Middle East, examining the underlying causes of the backlash, dissecting the dynamics between franchisees and franchisors, and providing some potential remedies.

Keywords: McDonald's, Middle East, franchisees, franchisors, franchising.

1. Introduction

What happens when global corporations find themselves entangled in the midst of a deep-rooted geopolitical conflict? In October 2023, as the Israeli-Palestinian conflict raged on, fast-food giant McDonald's confronted this very challenge. Merely two years prior, McDonald's had been hailed across the Middle East¹ and North Africa as the preferred fast-food brand during Ramadan, a month of profound significance for Muslims (Puri-Mirza 2021). Fast-forward to the turbulent events of October 7, 2023, and McDonald's was now at the center of controversy, with widespread calls for boycotts across Arab and Muslim nations.

The McDonald's controversy unfolded in the wake of the deadly incursion into Israel by the Palestinian militant group Hamas on October 7, 2023. About 1,200 Israelis were killed, and 250 others were taken captive after the devastating attack by Hamas. Israel responded with relentless bombardments of the besieged

1. The region is generally understood to encompass the six Gulf Arab states (Bahrain, Kuwait, Oman, Qatar, Saudi Arabia, and the United Arab Emirates), along with Egypt, Iraq, Jordan, Lebanon, the Palestinian territories (West Bank and Gaza Strip), Syria, Yemen, Iran, Israel, and Turkey. Our analysis extends to include countries in North Africa as well. It is often referred to as the Middle East and North Africa (MENA) region by some sources.

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Gaza Strip. Tens of thousands of Palestinians, including many women and children, have been killed, according to Gaza's health authorities (United Nations 2023). The situation has been further exacerbated by the dire conditions resulting from the Israeli blockade of the Gaza Strip, setting the stage for the ensuing controversy surrounding McDonald's and many other foreign businesses in the region.

Indeed, as the conflict in Gaza escalated, the corporate world found itself in a precarious position. CEOs across various industries grappled with a mounting dilemma—how to respond to a conflict where the human toll was rapidly rising. The choices they made and the statements they issued carried significant weight, yet silence on the matter was not without its implications. They face tough questions. How can they navigate the sensitive terrain of global conflicts and safeguard their business interests? What are the repercussions of taking a stance? Furthermore, allegations of double standards, stemming from their prior responses to conflicts like the Russia-Ukraine situation, add to the situation's complexity.

In a company-wide communication, Nike CEO John Donahoe expressed his concern over the “horrific attacks in Israel, tragic loss of innocent Israeli and Palestinian lives” (Shanker *et al.* 2023). While some employees found this statement disappointing, one individual saw it as a “good first step” (Shanker *et al.* 2023). However, questions were raised regarding a company-organized fundraiser, specifically why it was exclusively designated for organizations in Gaza and did not include support for those in Israel (Shanker *et al.* 2023).

Starbucks and the labor union for its workers initiated legal action against each other following a conflict that arose from the union's social media post supporting Palestinians and condemning Israel. This incident spurred some U.S. officials, including Senator Rick Scott of Florida, to call for a boycott of Starbucks in a show of support for Israel. Simultaneously, in various Middle Eastern countries, there was a surge in pro-Palestinian social media drives calling for a boycott of the global coffee chain.

McDonald's CEO Chris Kempczinski, at the time of writing this case, chose to issue a somewhat vague statement. He “firmly condemns violence and hate speech” and expressed being “deeply disturbed by the acts of antisemitism and Islamophobia”. However, McDonald's situation is further complicated due to its franchisees in the Middle East openly taking sides in the Israeli-Palestinian conflict. This public alignment has led to a stark polarization among the franchisees. Such divisions have had a detrimental effect on McDonald's business operations in the Middle East. The CEO of McDonald's acknowledged that calls for a boycott in solidarity with Gaza have impacted several of the fast-food chain's markets, including those in the Middle East and other regions globally (Abueish 2024).

In the following, we undertake an examination of McDonald's operations in the Middle East, a region marked by a promising business environment and