Financial Crunch in ME

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As it is mostly everywhere in the world, most of the Middle Eastern countries are under the thrust of the financial crunch. Only countries like Syria and Iran slipped away because they are self-protective and never trusted the world's financial system. The oil wealthy countries of the Middle East are experiencing a financial horror that they never experienced before, and living the nightmare of losing their wealth. Stock markets are down particularly in the Gulf States, prices of oil are drastically down, and their savings and investments in the United States are facing collapse.

Financial Independence

The oil producing Gulf states had been advised over the years to have their own international currency, and to have a semi independent financial system from the international system that is mostly run by the American big financial empires. These states together with other Arab oil and gas rich states such as Iraq, Libya and Algeria have very high production, and high incomes. The international demand on their produce is very high, and they could easily impose their currency on the international level.

These countries had been advised also by Arab economists to have their own financial system that cooperates with the international system instead of being completely an attachment to the international system. They could build their own banking system depending on Islamic economic and financial principles, and build their own financial market that does not adhere strictly to capitalist teachings.

The Arabs, in general have been talking about a common Arab economy since the early fifties of the 20th century, but have failed so far to achieve good levels of cooperation. The Gulf states have been talking for years about an Arab currency called the Arab Dinar, but nothing tangible has come out.

Actually, Arab economists differed in their economic values but agreed on the dangers folded in the so called neo-liberal capitalism. Some of them thought the US giant companies are going to swallow the world's economy and reign over the financial system, and it would be wise to find a way to assert Arab independence in one way or another. Others thought that capitalist economic principles are disastrous because they concentrate on profits and pay little attention to human values. These thought that Islamic economic and financial principles make a reasonable balance between profits and humanitarian values. I have been talking lately to Islamic economists, and I felt that they are jubilant not because of the financial crisis but because their prophecies became true.

Dependence on the US

Probably the major problem with the Arab states particularly in the Gulf is that they are not truly independent states, and don't have an independent free political will. Most Arab regimes are under the domination of the US, and they can not act independently. The US has a firm hand on the Arab regimes because so many of these regimes are Western made, they are tribal regimes that care about social prestige and have very little knowledge of government and governance. Many Arab regimes would collapse without the military protection of the US, and many others would disappear if they are not financed and fed by the US.

Adopting independent or semi independent economic and financial policies require independent political will. Most Arab states are not independent. This explains why Iran and Syria have not been hit hard by the crisis. Both countries have been suffering from American economic measures for so many years, and have not been allowed free leverage to the international economic and financial arrangements. Now both countries are extending thanks to the US for these measures. Besides both countries have been opposing American policies in the Arab Islamic region, and always thought of creating self-sufficient economies. Iran in particular, has been working hard on building an economy in accordance with Islamic teachings, and has been making true advances toward self sufficiency.

Egypt, Jordan and the Palestinian Authority

Egypt and Jordan are not wealthy Arab states and they depend so much on financial aid from abroad particularly from the US, or from countries encouraged by the US. The Palestinian Authority depends almost completely on the donating countries. These three entities are given aid basically for political reasons. They are corner stones in building peace with Israel, and normalizing Arab relations with it. They are very much needed for the implementation of American policies in the Middle East, and it is unthinkable that they would de discarded by the US. The US won't let them collapse economically because that might mean political collapse, and consequently, collapse of the negotiations process in the area.

Prospects

Arab states have been following the footsteps of other states such as South Korea by taking financial measures. They have been pumping dollars into the local financial markets, and keeping close eyes on stock exchanges. But the main problem of these states is that most of their money is in Western banks, and mostly in American financial companies. That is why they have been living a real panic hoping that the American measures will do some good. However, they envisage that they will lose so much of their wealth.

Economists say that the Arab wealthy states might lose their money but they will not starve because of their huge oil reserves. Still the wheals do not run without oil, and the world is still way far from depending on renewable energy. However, there will be tremendous cuts on expenditures, and more thoughtful policies of investment.