

2. THE ECONOMIES OF THE MIDDLE EAST

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2.1 Introduction

No nation throughout the history has lived comfortably forever. It is the hard reality that what exists today may not be there tomorrow. Wisdom may arise on how to live through in hard times and consistent trial may lead to the discipline required to overcome the difficulty or to make major changes in a nation's ways of living. Reactions may vary from nation to nation. The size and the extent of change are enormous. The strategies and the approaches to tackle the hardship need a great deal of patience, vision, discipline and willingness to accept the newly emerging situations.

In many cases, people do not realize how serious the problem is until it occurs and by then it could very well be too late. Raising the level of awareness about economic instability must take priority above all other concerns. Many people worry about their personal financial matters. It is very important to convince them that a healthy economy at the national level could lead to a prosperous economy and the betterment of individuals, cooperatives as well as governments.

2.2 The Arab Countries

The end of the First World War led to the fall of the Ottoman rule over the Arab countries in 1918. The West, mainly Britain and France, divided the Arab countries among themselves through the so-called international treaties in the early 1920's. Countries like Algeria and Libya were occupied at the time such treaties were signed. France had occupied Algeria for 128 years till it was liberated in 1962 at a cost of more than a million lives. Before the western powers left the Arab countries physically, they had divided those countries in such a way that the huge masses were left with the least natural resources while the scant populations were left with vast amounts of wealth. But these scant populations were too weak to protect themselves from their neighbors and were tied to the West through unjust oil contracts and other means.

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Such division guarantees that countries with huge masses of population will struggle to feed its people while small but very rich countries will not be able to protect themselves and therefore the West will always be there to protect such nations through very costly measures and schemes. Therefore, under such circumstances, the real opportunities for the Arab countries to prosper will never come to reality. Countries with large populations are forced to borrow money from the World Bank and the International Monetary Fund (IMF) which are politically directed institutions. Such borrowing is subjected to strict and humiliating measures from the IMF and usually leads to further deterioration of the economies of such countries.

On the other hand, the sparsely populated Persian Gulf Arab countries which are sound economically but lacking security will be directed to spend a great deal of their Gross Domestic Product (GDP) on defense contracts, security measures and other related huge expenses. A superficial state of fear is created to force such small but rich countries to spend most of their wealth, which may not last forever, on such ventures rather than supporting other fellow Arab countries to prosper and build strong industrial, commercial and scientific bases which could be beneficial to all countries in the Middle East. In reality, all Arab countries are losers and potential for success or changes in the near future does not exist.

The idea of a united Arab nations has been considered for quite some time. Unity may not necessarily be in the armed forces, school systems, removing borders or other less important matters, but in my opinion, unity is achieved through realizing that the economic crisis facing the middle eastern countries at present and in the near future needs a united front and collective effort. It is no longer a matter of one man's decision that could either sail the ship or sink it.

2.3 What can be done?

The cooperation and merging of the think-tanks, and scholars of the middle eastern nations must be clear and pragmatic. Arabs, as well as some other nations, are known for their self-denial and working as unknown soldiers for the sake of the societies. Reviving this spirit among the thinkers and scholars will enhance the collective schemes and ideas and give clearer pictures about what should be done to improve the plight and misery of many middle eastern countries.

It should be clear that economies which produce a single product could be a captive and even can be ruined because of the basic supply and demand principle. Oil is considered a powerful source of revenue to the Persian Gulf countries. For the time being, it is the cheapest and most reliable form of fuel. It is known that many countries in the West and other parts of the world are seriously

working on producing alternative forms of fuel. In Sweden, cars which run by electric power (batteries) are being produced on a trial basis. Almost forty thousand such cars were produced in 1994. The number is expected to increase. In New Zealand, natural gas is the main source of fuel. In Brazil, alcohol products are used as fuels for cars and other means of transportation. The United States, through its Department of Energy, encourages research on fuel substitutes. As a result of the Arab oil embargo in 1973, Japan took a decisive action to reduce its dependency on foreign oil and to rely more on nuclear power to run more than 75% of its factories and power plants.

Oil-producing countries in the Middle East, especially the Persian Gulf Arab countries, are similar to someone who is surviving on a "life support system". Cooperation is essential among the countries which have similar concerns. The establishment of strategic institutes and ad-hoc groups that are independent and non-political would heighten optimism substantially and could provide effective solutions.

Privatization reduces a great deal of burden on government spending. However, governments must work as regulators to secure the minimum standard of living. The task of the governments will not be easy. Many countries in the Middle East, as well as many parts of the world, are experiencing mandatory austerity programs at all levels which are affecting the economic well-being of their people. The levels of severity and consequently endurance vary from country to country. Prolonged durations of austerity may lead to unrest that could undermine the political systems of the countries in the region. It is a big advantage for the political systems in the region to provide reasonable standards of living to the people through various means of reforms that could create more jobs and provide security to the citizens.

The best way out is through developing mutual understanding and a strong urge for unity among Arab countries. Arabs must learn that more than 23 countries are forming the European Community even though many disputes exist among the European countries. The contradiction that the West has created is quite clear. It is favorable to the West to remain strong itself through such unity and the Arab countries (or other groups of oppressed countries) to remain effectively fragmented. It is up to the Arab countries to decide to act as one nation in order to pull themselves out of this mess before it is too late.

The creation of profound scientific base through this united Arab front will lead to research and development that are tied to specific or general types of industries. Many rich Arab countries have established funds for financing projects in other less fortunate Arab countries. But such funds need more scrutiny and possibly better focus on priorities. Effective integration among Arab countries will result in financing huge projects and industrial developments by the rich Arab

countries through joint and capital ventures. Such development will create solid paths to be followed leading to the economic emancipation of all people in the Arab and its neighboring countries. However, the corruption in many Arab countries may hinder such ambition. By carefully monitoring the funds, some of the related setbacks may be eliminated and the funds may become more effective in reaching the intended goals.

2.4 Scholars' contributions

The ever-growing concerns about uncertainty in the future economic outlook should encourage scholars to contribute and provide more realistic approaches, recommendations and solutions to existing economic problems and hardships as well as economic forecasts. It is very essential for planners, scholars, decision-makers and officials to visit the countries which have similar conditions and which have been going through major shifts in economic policy, i.e., countries which have been forced to take a sharp turn or redirect their course to accept the new imposed reality or the predicted economic fate.

An urgent strategy is needed which may be composed of the following :

1. a review of the local economies during the past fifty years;
2. a detailed assessment of present local and national economic sectors as well as trade links, and export/import ratios among the middle eastern countries and with the rest of the world;
3. an accommodation of modern theories of economics to fit the needs of middle eastern countries with the least amount of adjustments. Some practices can be tailored in many fashions to produce optimum benefits;
4. advocating the participation of all unions, labor organizations and professional societies as well as decision makers and chambers of commerce in drafting specific regulations that follow up the implementation of the above-mentioned steps (1 through 3). Moreover, it is important to share the ideas of these organizations for the benefit of the communities.
5. the potential for a good economic work outlook is real but a high level of sincerity is needed with hard work. The West and other countries have been putting a lot of efforts, discipline, sacrifice and vision to reach their current level of economic superiority. It is very important to define short and long terms goals, domestic/ regional/ international missions and related matters.

2.5 Concluding Remarks

Today's complex and dynamic economic structure of the world demands matching awareness and education on the part of the policy-makers and the public in middle eastern as well as other nations for the economic survival and growth. This may require a more appropriate program for the allocation of scarce resources.

Arab countries should be aware that unless they form some type of a bloc like many other groups of countries and nations such as Organization of African States (OAS) and North American Free Trade Agreement (NAFTA), Europe and European Community (EC) and last but not the least Association of South-East Asian Nations (ASEAN), they will not exist as nations who deserve to be proud of their heritage, history and past achievements. Arab countries are experiencing severe setbacks. Remembering the past history should lead to a vision that will carry any nation to the door steps of the 21st century where the norms of life will not be as simple as it appears to be these days. Such determination will be the guide that will enlighten the future generations and will be a very clear sign of survival in an ever-changing world.