

# مؤتمر التنوع الاقتصادي ECONOMIC 2022 في دول الخليج DIVERSIFICATION CONFERENCE



## Conference on "Economic Diversification in the Gulf States: Between Reality and Prospective

The conference on "Economic Diversification in the Gulf States: Between Reality and Prospective" was held in Salalah, Sultanate of Oman from 30-31 August 2022. It was organized by Smart Investment Gateway in cooperation with the Roya newspaper and the Regional Programme Gulf States of the Konrad-Adenauer-Stiftung (KAS).

The conference featured participants representing the Gulf States, as well as a number of specialists from international and regional organizations. The conference discussed economic-diversification efforts in the Gulf Cooperation Council (GCC) and mechanisms for achieving them. In addition, the conference covered the role of public policies in strengthening competitiveness, efforts to attract local and foreign investment, and the future of economic diversification in the GCC. The working papers and debates resulted in a number of recommendations, outlined as follows:

- 1 Enhancing investments in the oil and gas sectors through focusing on manufacturing and environment-friendly petrochemical industries derived therefrom, instead of simply exporting raw materials. The future of the oil and gas industry is still bright, as it represents the source of more than 300,000 commodities used in daily life, meaning that it is still premature to discuss its decline. In addition, participants recommended working on boosting the technological content and interest in studies concerning the reduction of the oil and gas industry's negative impacts on the environment, as opposed to of looking for diversification in new industries in which the countries of the region have no comparative advantage.
- 2 The necessity to narrow the gap between labor-market incentives and advantages in the public versus the private sector, which would raise citizens' openness to working in the private sector and reduce the constraints associated with sponsorship (kefala), thus ensuring smooth movement of labor between employers and increased productivity. In addition, this would create incentives and advantages pertaining to attracting skilled workers from different countries around the world, enhancing development capacities and encouraging creativity and advancement in human resources skills, as well as introducing labor market reforms.
- 3 Adopting various policies to encourage the private-sector companies in general and small-to-medium-size enterprises (SMEs) in particular, including the launch of more of initiatives and national programs that support entrepreneurs and boost the competitiveness of their products and services at the local and international level.

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- 4 Activating coordination mechanisms between national diversification programs in the Gulf States emerging from the "Oman 2040" Vision in the Sultanate of Oman, "Vision 2030" in the Kingdom of Saudi Arabia, "Centennial 2071" in the United Arab Emirates, "Qatar 2030" in the State of Qatar, and "Bahrain 2030" in the Kingdom of Bahrain and forming a higher committee for diversification at the GCC level that ensures integration and not competition in the diversification efforts.
- 5 Accelerating the transformation towards knowledge economies, as such economies are among the best available alternatives for diversifying the Gulf economies, which already enjoy considerable readiness in the infrastructure and abundance of human, natural, and financial resources. Achieving this requires adopting legislation and developing institutions concerned with transformation towards the knowledge economy, as the level of achieved progress in this area is still incommensurate with the size of the potential and opportunities available.
- 6 Focusing on investment in different renewable energy industries due to their importance in the Gulf States as areas of prospective competition and their potential to provide new job opportunities for thousands of citizens. Here, the overall aim would be to reduce the use of oil for local consumption and channel it for export instead.
- 7 Providing detailed—as opposed to gross—data and statistics pertaining to different economic sectors. This would enable researchers and businessmen to analyze these data scientifically, thereby paving the way to market them and make investment decisions. This would also entail finding means and platforms through which to make these data accessible to all domestic and foreign stakeholders.
- 8 Reinforcing implementation mechanisms through continuing to build and empower partnership-supporting organizations, nationalizing production and manufacturing, establishing a stimulating climate for export, entrepreneurship, and innovation, and using advanced technology to broaden the productive foundation.
- 9 Creating a more competitive environment through introducing economic reforms in state-owned companies, thus avoiding competition between these and private-sector companies, identifying economic sectors to be focused upon in each Gulf state, according to its comparative advantage, and working in a manner that promotes integration, not competition. At the national level, however, state companies may exercise the role of "market maker" through seizing opportunities in economic areas in which the private sector is not interested, thereby paving the way and providing information that may encourage local and foreign companies to invest in such segments.



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- 10 Managing geopolitical changes in the region and the world in a manner that contributes to filling in the missing elements in the equation of economic diversification in the Gulf countries, such as: opening markets, localizing technology, and attracting proficient and competent people to augment creative capacities in the Gulf States.
- 11 It is necessary to speed up the process of transformation in government jobs and to re-design development policies so that they agree with sought-after shifts, through implementing appropriate public policies in order to advance diversification, set up business environments, and attract local and foreign investments. It is also necessary to intensify the employment and governance of public policies in various sectors.
- 12 Achievement of economic diversification requires communication and outreach to the media in order to mature and entrench the convictions of the concerned parties in realizing economic diversification: the government with all its various institutions; private sector companies; individuals, families, and civil society organizations; and clients around the world. Thus, the focus should be on increasing investment, production, manufacturing, local added value, and the national technological content.

An electronic platform for measuring economic diversification in the GCC the Economic Diversification Barometer, was experimentally launched during the conference at ([www.gccdiversification.com](http://www.gccdiversification.com)). This platform includes statistical data and content of interest to different groups, starting from individuals within a society up to academics and decision-makers. It also provides general and specialized information on the concept and significance of economic diversification, and on the most prominent indicators of economic diversification that are used in the economic literature. It does so through detailing the contribution of non-oil activities to domestic output, public finance, overseas trade, and other economic activities. The platform describes the current status of diversification and its necessity for the growth of Gulf economies in the medium and long term. Moreover, it explores the most important public policies aimed at ensuring the success of endeavors pertaining to diversification and helps in the formulation of public policies for economic diversification that are based on statistical data and evidence. The platform also provides profiles of the structure of each Gulf economy, and conducts comparisons between the Gulf states, both individually and as a joint entity. The platform is also working on creating a compound barometer for economic diversification in the gulf states, based on a scientific methodology. In the future, it will likely release an annual report summarizing the progress achieved in the Gulf States with respect to economic diversification, in addition to detailing the most significant individual projects and initiatives related to this topic.