Economic diversification strategies in resource-rich developing countries The experience of the Gulf Cooperation Council countries GCC

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Abstract:
This research analyzes the reality of economic diversification efforts within the Gulf Cooperation Council (GCC) and applied curriculum content research analysis to study the trends of economic diversification potential in the future from the reality of the current development plans of the governments of the Cooperation Council for the Arab States of the Gulf. It should be noted that current development plans are oriented to diversification as a way to ensure stable and sustainable income levels in the future. However, this research is based on the question of the possibility of translation diversification into concrete action plans,but there are a lot of structural barriers to diversification, regarding growth scenarios in the global economy, and duplication economic activities in the GCC. Furthermore, political responses to anticipating the “Arab Spring” uprisings suggest that these systems easily yielded and planned policies when it came under pressure to return to traditional ways of running businesses, through the intervention of the state and the dominant role of the public sector.
Keywords:
Economic diversification.; private sector, .; privatization; foreign investment.

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1. INTRODUCTION

Developing countries as a whole have been successful in diversifying their economies and their export structures. Economic globalization is the final product of the new world economic system, which has gone through various stages of development, and it is noted that these developments were based on the deepening of the principle of economic interdependence as an inevitable result of the convergence and interdependence of markets in light of regional and international frameworks due to economic globalization that made the world without borders and no borders. Restrictions, which prompted countries to race to gain a competitive advantage in the face of other countries in light of the competitive conditions imposed by the new international order.

However, despite the multilateral international efforts exerted to liberalize world trade through the establishment of the World Trade Organization, it is noted that the growing trend towards the establishment of economic blocs is growing, as the average number of new blocs before 1989 was up to seven, while the period 1990-1999 was Formation of more than 80 new regional blocs.

It is noted that the trend of the world's systems towards blocs is an attempt to get out of the economic crises that the developed and developing countries suffer from, and to consolidate their position in the new global economic system and also to try to avoid the negative effects of globalization.

But to ensure the success of the bloc, there are a set of conditions that must be met, such as the geographical proximity of the bloc countries, the integration of economies, the compatibility of social, cultural and political values, the existence of coordination between national economic policies, as well as the availability of means of transportation and communication to ensure linking countries among them.

On the other hand, the World Trade Organization is working on liberalizing trade restrictions and liberalizing foreign trade between countries to facilitate the movement of goods and services and open commercial markets to each other. integrated.

It is noticeable in our time that the economies of countries and their systems have become more convergent and integrated through the growth of the volume of international trade and the increased interest in establishing regional trade blocs, but there are other reasons also to believe that the trend towards increasing regionalism will continue. Taken from the last century, creating a problematic link between it and the World Trade Organization.

In this context, the issue of economic diversification has assumed great importance after the countries, especially the rentier ones, which suffer from major imbalances and distortions in the structures of their economies, realized, resulting from their dependence on the only source of income, which comes through their possession of large natural resources, foremost of which is oil, which made them It is characterized by mono-economy.

As the danger of relying on this resource is manifested through the correlation of its prices with global oil markets, and the sharp fluctuations that take place in them from time to time, and the impact of this on growth and economic stability in these countries, which prompted the International Monetary Fund to issue warnings of the necessity of adopting a system of diversification in their economies. to address these imbalances.

Therefore, many countries have sought to work hard to implement the economic diversification strategy and make it a success by adopting a package of diversified economic policies, the aim of which is to restructure the economy, raise the level of contribution of alternative economic sectors to the domestic product, and improve the efficiency and effectiveness of these sectors, especially the manufacturing sector.

As well as the methods of managing the diversification pillars represented by financial surpluses and resources, and in light of the importance that arises from diversifying the production base, we find that most countries have strived and in all ways and means to achieve this goal and by relying on the expertise and competencies of their economists and planners, and this is what many countries have adopted, which have achieved economic developments that have been reflected In achieving an acceptable degree of diversification of their economies, to ensure the continuity and sustainability of economic growth in their countries.

In the midst of that, and what the Algerian economy suffers from economic unilateralism and structural imbalances during the past decades that have passed through Algeria, and the consequent administrative and economic development paralysis, which led to the oil sector being largely dominated in contributing to the gross domestic product, and through this it can be presented After recent successful and useful experiences of economic diversification strategies for developing countries rich in natural resources, including the Gulf Cooperation Council countries, which are rentier countries in nature, where the oil sector is the main source of income, and controls about 80% of total government revenues and about 49% of the total It is not normal for the economies of the Gulf Cooperation Council countries to continue to rely on one commodity to contribute to the revenues of the public treasury, in addition to the fact that this commodity occupies the largest proportion of exports, especially since the oil sector is subject to the laws of supply and demand in global markets, which makes the GCC countries It is subject to fluctuations in the global energy market, which prompted it to diversify its sources of income.

The policy of economic diversification in the Gulf Cooperation Council countries is of particular importance, in light of the continuous rises in oil prices in recent years, which is an opportunity to benefit from oil revenues in employing potentials with the aim of diversifying the economies away from the oil sector.

The economic diversification policies of the domestic product have succeeded to a greater degree than the diversification of exports and government revenues, due to the focus of the policies on diversifying economic activities and providing oil revenues at more and sufficient levels for government spending and import coverage. Because of the tendency of most of the growth in the non-oil sectors to cover the domestic demand for goods and services, especially services whose exchange is limited to the local economy.

The policy of economic diversification is one of the important tools in the process of sustainable economic development, and it is one of the most important challenges facing the economies of the Gulf Cooperation Council countries, which depend on the export of one depleted commodity, oil, whose returns are exposed to fluctuations and fluctuations in global markets and therefore cannot be relied upon to advance the process sustainable development.

In the wake of the recent oil boom, and the drop in oil prices to below $30, the Gulf states have remarkably invested in sovereign wealth funds as a way to diversify sources of income, and many funds include huge holdings of cross-border assets, although investment through sovereign funds helped reduce Due to the impact of the global economic crisis and fluctuations in oil prices on the countries concerned, the issue of economic diversification in the GCC countries still requires efforts and effective strategies to achieve it in a sustainable manner.

In light of the foregoing, the main problem of the study and a number of sub-questions appear as follows:

How successful are the GCC countries in diversifying their economies away from the oil sector?

Accordingly, the following sub-questions can be reached:

- What is the concept of economic diversification policy and its reality in the countries of the Gulf Cooperation Council? What are the conditions for achieving this?
- What are the most important Gulf strategies adopted to achieve economic diversification in the GCC countries? What are the requirements to achieve this?
- What are the obstacles and challenges to achieving economic diversification for the GCC countries? What are the efforts made to do so?

Based on the above, the main problem and subsidiary questions can be answered through the following hypotheses:

- ➢ The Gulf Cooperation Council countries have achieved remarkable success through economic diversification strategies away from the oil sector through diversifying exports and government revenues.
- ➢ Although the GCC countries continue to manage their economies, diversification involves reviving the private sector, which requires implementing reforms on a larger scale than before.
- ➢ Building a productive base and privatizing the public sector are among the most important concerns of the Gulf Cooperation Council countries in order to establish real economic diversification.
- ➢ The necessity of not relying on oil as the only financial source has become known to the oil countries in general and the Gulf states in particular, by diversifying their sources of income by diversifying the economic sectors contributing from the GDP, reducing domestic dependence on oil and stopping daily waste, by increasing prices and working in the segments system in same time.

Based on the foregoing, the research sheds light on:

First: The concept and reality of the policy of economic diversification in the GCC countries and the conditions for achieving this.

Second: Gulf strategies to diversify the economies of the GCC states and the most important requirements for achieving this.

Third: Obstacles to achieving the policy of economic diversification in the GCC countries and the efforts made to overcome them.

Accordingly, the following can be addressed:

First: The concept and reality of the policy of economic diversification in the GCC countries.

1. The concept of economic diversification

Economic diversification has various concepts that differ according to the vision through which this phenomenon is viewed. Some link diversification to production and sources of income, while others link it to the structure of commodity exports, where economic diversification relates to policies aimed at reducing dependence on a limited number of exported goods whose price and volume fluctuate or subject to chronic decline.

There are two trends that explain the relationship between economic diversification and economic growth: (1)

- The first trend: It is represented in the theory of comparative advantages by "Ricardo" and sees that specialization (low degree of economic diversification) is an important catalyst and source of economic growth.
- The second trend: It is represented in several studies that show that the low degree of economic diversification, and the concentration of production and exports, have negative effects on economic growth, and therefore it is necessary to increase the degree of economic diversification, and the lack of concentration of production and exports on a few products and economic sectors.

Contrary to what the first trend sees, many believe that economic diversification leads to economic growth through what (2):

- Reducing investment risks by distributing investments over a large number of economic activities,
- Reducing the risks of declining export earnings, as a result of the country's dependence on exporting one product or a specific number of it,
- Increasing the productivity of human capital and promoting sustainable development,

Raising the rates of trade exchange as a result of distributing the risks of declining the export price index on a large number of goods and services instead of concentrating exports in one commodity or a limited number of goods and services,

- Increasing the added value because vertical diversification enhances the front and back links in the economy, as the sector’s outputs constitute productive inputs for another sector, which helps economic diversification in generating new job opportunities, and consequently higher incomes for production elements, and the consequent increase in the added value generated by the sector and locally,

a**. Definition of Economic Diversification**:

The policy of economic diversification is one of the important tools in the process of sustainable economic development, and some economists define economic diversification as a gradual process of diversifying sources of income.(3)

While others see it as “a cumulative process to increase the contribution of the industrial sector and the service sector to the gross domestic product.” On the other hand, it is “a relative process of the transformation of the national economy, which refers to the adoption of an increasing group of diversification of sources of domestic product that participate in the formation of the gross product.”

With regard to the countries of the Gulf Cooperation Council, we can define economic diversification as (4):

A process aimed at reducing the contribution of the oil sector and its revenues to the GDP and government revenues, reducing the role of the government sector, and enhancing the contribution of the private sector to economic activity and development.(5)

b. Objectives of economic diversification

Economic diversification aims to achieve the following (6):

Expanding domestic investment opportunities and prospects as well as foreign direct investment and increasing trading partners and international markets,

Strengthening the links between economic sectors and thus achieving economic stability,

ü Expanding and diversifying returns and increasing added value in sectors of the national economy, thus accelerating the process of economic growth,

• Providing some employment opportunities for national employment,

- Creating an export or substitution industry that contributes to strengthening the front and back links of existing industries.

2. **The reality of economic diversification policy in the GCC.**

Full dependence on oil has become the main dominant feature of the Gulf economies, as oil has become the first source of revenue for the GCC countries, and thanks to oil revenues, the oil sector has placed the GCC countries in the ranks of the so-called **emerging** economies, which emerged during the global financial crisis in 2008 more cohesive than other major major economies in the world thanks to the strong performance of their oil sectors **(7).**

The oil sector constitutes about half of the Gulf GDP except for the relative importance of treasury and export revenues, where it constitutes about 49% of the Gulf GDP, and it should be noted that oil is a strategic commodity whose prices are affected by many variables that include and are not limited to the levels of oil production, but include political and economic developments, the psychology of dealers in the global oil markets and other variables outside the control of commodity-producing countries.

Kuwait is the most dependent among the GCC countries on the oil sector, which constitutes 91% of treasury income, 90% of exports and 45% of GDP, while Bahrain is the least dependent on the oil sector, which in turn accounts for 86% of treasury revenues and about a quarter of GDP (8).

Although the rise in oil prices has contributed to enhancing the importance of the oil sector, there are expectations of a decline in oil prices and thus the inability of governments to meet current spending obligations and allocate funds for investment spending, in addition, their dependence on a near-sole source of income (oil), where its revenues constitute the largest proportion of total state revenues, and this makes Gulf economies vulnerable to risks due to the fluctuation of oil prices, and its depletion is considered inevitable on the other hand (9).

Therefore, it is not normal for the economies of the GCC countries to continue to rely on a single commodity to contribute excessively to the revenues of the public treasury, in addition to the fact that this commodity occupies the largest proportion of exports, and GDP to a lesser extent, and therefore the need not to rely on oil as the only financial source has become known to the oil countries in general and the Gulf countries in particular, through diversifying their sources of income by diversifying the economic sectors contributing to GDP, and reducing dependence. On oil and stop daily waste by increasing prices and working on the system of segments at the same time (10) .

There are several reasons why the issue of economic diversification has been placed as an economic priority for the GCC States since the discovery of oil(11):

Fluctuating oil prices and demand,

related to the issue of development, suchas, these countries follow the "**distributive** state model(*) which is based on the sale of petroleum materials, a model led and driven by the state and makes great use of foreign labor, and is characterized by a significant delay at the level of productive assets, and therefore the model It does not support further development because it does not help it generate a stable and sufficient income for the population, in addition to providing job opportunities for the highly educated segment of the population and youth, which are increasing at the moment.

There are some economic indicators that govern the process of economic diversification in the GCC countries (12):

- The contribution of different sectors to GDP,
- contribution of the oil sector to exports and the proportion of oil revenues in the total government revenues.

This is illustrated in**:**

a. The relative importance of some non-oil sectors in the Gulf GDP:

This indicator is one of the most important indicators to measure the degree of economic diversification, the greater the economic diversification, the greater the contribution of the services, industry and agriculture sectors, and to the GDP and the lower the contribution of the oil sector[(12).]

Table 01: The Relative Importance of Some Non-Oil Sectors in the Gulf Gross Product

	Services Sector	Manufacturing Sector	Agriculture Sector
Bahrain	24%	13%	0.5%
Kuwait	21%	06%	0.3%
Oman	20%	10%	1.5%
Qatar	15%	09%	0.1%
Saudi Arabia	22%	10%	3.5%
U.A.E	17%	13%	1.8%

Source: *Arab Monetary Fund quoting: Duha al-kuwari. Mission impossible? Genuine economic development in the Gulf cooperation council countries" . September 2013,London school of economies & political science/www.lseac.uk/IDEAS/programmers/Kuwait/documents/missionimpossible-genuine-development-in-the-GCC.pdf*

Studying the evolution of the structure of the GDP of the GCC countries shows the extent to which oil revenues affect the structure of GDP, and highlights the importance of accelerating the diversification of sources of income in those countries to gradually reduce the risks of relying on the source of influence (oil) in financing various economic activities, and create a balanced economic base that provides them with diverse investment opportunities.

Table 02 the components of the Gulf GDP at current prices during the period 2020.

Sector	% of GDP
Oil, Gas & Mining	49%
Government Services	10%
Manufacturing Industries	9%
Retail, wholesale, restaurants and hotels	8%
Real Estate Activities	6%

& Business Services	
Financial Services & Insurance	**5%**
Transport, Communications and Storage Sector	**5%**
Construction & Building	**5%**
The other	**3%**
Total	**%100**

It is clear from the following table that the oil and gas sector dominates the Gulf economies, contributing about 49% of GDP, while the government services sector contributes about 10%, and manufacturing industries about 9%, and despite the development of the manufacturing sector, it has not yet reached a stage where it can be considered the driving force of the national economy.

The Gulf manufacturing industries have also not reached a degree of technology and quality that enables them to compete in the global export markets except for a few commodities, especially petrochemical products(13).

b. The Relative Importance of the Oil Sector in the GCC

This is exemplified by the following table (14)

Table No. (03) The Relative Importance of the Oil Sector in the GCC

The State	% of total exports	% of public revenues	% of GDP
Bahrain	69%	86%	24%
Kuwait	90%	93%	45%
Oman	65%	77%	41%
Qatar	91%	80%	46%
Saudi Arabia	85%	85%	50%
U.A.E	69%	77%	32%

Source: Martin Hvidt, Economic diversification in GCC countries: Past records and future trends, London School of Economics and Political Science, January

2018,No.27. http://www.lse.ac.uk/IDEAS/programmes/kuwait/documents/economic-diversification-in-the gcc-countries.pdf

From the results of the table it can be noted that:

- **Ratio of oil exports to total exports:** during the year 2018-2020

Despite the efforts made by the GCC countries to diversify the structure of exports and address the imbalance in it, we find that the relative importance of oil exports in the total exports of the GCC countries remains high, accounting for about 90% in 2000, where for example, the oil sector contributes more than 90% of total exports in Saudi Arabia during 2000 but declined to reach about 85% during 2011, and then below that in 2013-2014 and this is within the framework of Saudi Arabia's endeavor. To reduce the dominance of oil exports over the export structure.

- **Ratio of oil revenues to total government revenues:**

Although the percentage of revenues in total government revenues decreased from 87.5% in 1980 to 81.6% in 2000, to reach about 80% during 2013, the decline varies from Qatar to another, and it is noted that the contribution of oil revenues to total government revenues has witnessed a decline during the past two decades in all GCC countries except Kuwait, where the contribution of oil revenues increased from 82% during 1980 to 91.18% in 2000, and about 93% during 2020.

3. Elements of economic diversification of the GCC

Alif. Privatization Policy:

Privatization has received increasing importance during the decade of the nineties of the last century within the framework of the great efforts made by most of the GCC countries to achieve economic reform, due in general to the significant shift in the development strategy that began to be adopted by the GCC countries, given the important advantages of privatization policy, which are as follows: (14)

- the opportunity for small national investors to invest in industrial and service projects in the country, which increases their participation in the process of economic and social development.
- the process of employing private sector savings in the national economy instead of directing them abroad.
- Expanding the ownership base of institutions.
- Enhance and expand the growth opportunities of the region's stock markets in terms of the number of registered companies, trading volume and liquidity.

By extrapolating developments in privatization policies, which are a prerequisite for structural change that is of vital importance to economic diversification, the following points can be confirmed:

Progress remains limited in selling GCC government shares, with the exception of Kuwait, in local companies, although various governments have announced their intention to go down this path in the future.

Accelerated efforts to privatize infrastructure facilities, which leads to the emergence of significant needs for the development of these facilities as a result of the economic and population growth witnessed by all GCC States, and the decline in their efficiency as a result of lack of adequate funding and lack of management.

privatization activities have been concentrated mainly in the electricity, water and telecommunications sectors, due to the large and successive developments in the technology used in them, which have led to a decrease in the volume and cost associated with them.

Here it should be noted that the Saudi economy is managed through two economic models:
 The first model: a market economy that manages about 55% of GNP,
second model: while the other part is managed through targeted planning which is the part owned by the government and based on the policies of the government is pumped into the local economy, this situation makes it difficult to achieve the goal of economic diversification of the current composition of the economy, where the first model depends on the freedom of the market and maximizing profits to balance it whether commodity markets or money, in which case the invisible hand works, as Adam Smith called it to reach balance An economist who achieves the employment of economic resources and economic growth in the long run.
As for the government sector, it depends on the central planning and efficiency of the government apparatus to achieve the optimal distribution of economic resources through government spending, that the model of a free economy and the government's focus on regulations and legislation that ensure fair competition and prevent economic monopolies is the best to maximize economic well-being and achieve sustainable economic development. In the case of developing countries as in the Kingdom, the government is forced to intervene inThe economy is in the event of market failure, but the government must warn against controlling the economy and paralyzing the market mechanism from working through the role too large for the government and the subordination of the private sector to the government sector, and until the goal of economic diversification, reducing dependence on oil and distributing oil revenues more equitably, part of **Aramco** must be privatized and sold at a subsidized price to citizens. The sale of part of **Aramco** to citizens primarily reduces the proportion of government sector control over the economy and increases the proportion of the private sector through the ownership of citizens and the re-injection of oil revenues achieved in other sectors of the economy, thus promoting the principle of economic diversification through market mechanisms[15].
Despite the stages of privatization in the GCC countries, it is still simple and has not contributed to expanding the base of economic diversification due to the existence of some institutional, economic, social and political obstacles.

B. Promotion of Foreign Direct Investment:

Foreign investments are an important indicator and a supportive element for the efforts of economic diversification and expansion of the productive base of the national economy, and this is proven by the evidence of successful economic development in many countries of the world.mThese successful experiences have prompted many countries of the world, including the Gulf Council countries, to intensify their efforts to attract foreign direct investment aimed at creating economic diversification and export to enhance their competitiveness in global markets, and maximize the development benefits of these investments through the adoption of more focused and investor-oriented methods. Foreigner.
Arguably, the significant attraction of foreign investment reflects a relatively advanced stage of economic integration with participating societies and represents a clear trend towards openness and integration with the world economy. The region continues to be the main destination for FDI flows in the coming years, providing a boost to labour productivity through the introduction of the local workforce into new technologies, production techniques and administrative procedures [16]

Fiscal policy can influence economic diversification by:

- structure and management of public spending as the investments of the present in education and infrastructure are of great importance to encourage the private sector and improve the return on investment in the future.

If options in the area of public spending are constrained by the large budget of consumption subsidies and the dominance of employees' wages, the fiscal space to invest in human capital and infrastructure is limited.
Excessive spending in fuel subsidies tends to distort investment incentives for sectors that use energy and capital intensively, at the expense of man-intensive manufacturing and services.
The challenge for the Gulf region is to ensure that fiscal policy is harnessed to promote economic growth and diversification, and to implement business environment reforms to accelerate non-oil growth and create sustainable jobs to keep pace with the dramatic increase in the size of the workforce. (17)

Conditions for a successful diversification process in the GCC countries:
This is as follows:**:**
A. Reform of the overall macroeconomic management framework (demand-side policies)
This lies in particular in the overall stability centered on pegging to the dollar, and this is represented by three main economic policies to manage aggregate demand: fiscal and monetary policy, exchange rate policy as well as a review of the rigid system of currencies of the GCC States in US dollars from a win-for-cost perspective (18).
B. Diversification of the production base
In parallel with the reform of the general framework to promote macroeconomic stability, supply-side reforms are required, in addition to diversifying the productive base away from the rents of the hydrocarbon sector, and diversifying production structures to a long-term extent requires the following:
Human capital accumulation development: It is considered the most important element in the Gulf Cooperation Council countries and the biggest challenge in the process of development and diversification of economies in addition to the lack of empowerment represented in the shrinking of economic opportunities and the weak role of the private sector in development, as well as the inflation and deterioration of the public sector and the large disguised unemployment in it (19).
- Public sector reform: It constitutes the largest source of job availability for the national workforce in the Gulf Cooperation Council countries, but it has reached the stage of saturation and has become huge, which has led to a decline in its efficiency and productivity (20).

Fixing market and private sector distortions: The private sector activity in the GCC countries is still concentrated in three main areas (contracting, import trade, and foreign product promotion) through the commercial agency system and services. Bring the following points:
The Gulf private sector between the past and the present: The business sector before oil exploitation was more independent, organized and negotiating power, and more influential in making local policies and providing services and infrastructure for society (21).
After the emergence of oil, the GCC states dispensed with the tax that they imposed on merchants, and instead became rent-seekers, and thus the Gulf regimes bought the business elite (21).
Employing citizens in the private sector: which can fulfill a very large number of jobs, as it represents about 80% of the Gulf workforce, but about 90% of these jobs are occupied by low-paid and low-productivity foreign workers (22).
The private sector is not obligated to pay a minimum level to cover the cost of living for citizens (23).

The lack of the private sector's contribution to the national investment of the Gulf countries: According to studies that indicate that 25 out of 30 companies in the Arab world in terms of capital are located in the Gulf Cooperation Council countries, and that among Arab businessmen, the Gulf countries have the largest foreign investments estimated at billions of dollars (24) .

The Gulf private sector contributes most of the national capital, but the latter remains relatively far removed from oversight and transparency, as well as corporate governance (25).

 Commercial Agency System: This system in its current state, which gives monopolistic privileges to promote foreign products across wide segments of products and goods (without restrictions and rationing), calls for review, because it harms the consumer and contributes to the concentration of wealth in society, and may lead to crowding out the industries sector The fledgling national

The dependence of the private sector on the intensity of the factors of production: the adoption of the cheapness of the factors of production and their intensity, and as a comparative advantage in the growth of the Gulf private sector, comes with a negative side effect represented in the lack of sufficient incentive to improve productivity and investment in technology, research and development (26).

c. Manufacturing for Diversification:

It is important to show the most important benefits of industrialization for the GCC countries in the process of economic diversification in the following points:

-Contributes to import substitution and export diversification, which leads to reducing the import bill and creating new sources of income (27).

- It deals with the flows and the positive effects in all types of the economy and trains the workforce, specialists and managers and gives examples for the entry of new investors (28).

 It enables learning by doing and technological development and contributes to creating jobs and reducing unemployment rates (29).

Second: Gulf strategies to diversify the economies of the GCC countries and the most important requirements to achieve this

In the early nineties of the twentieth century, most of the Gulf countries identified three interrelated transformations in the field of economic policies with the aim of promoting growth and creating adequate and decent employment opportunities. It is related to the transition from economies dominated by the public sector overburdened with excess labor to economies in which the private sector plays the role of the main engine of growth, From closed economies that rely excessively on protecting domestic production to competitive ones that are integrated and integrated into the global economy, and from economies centered around limited sectors dominated in many cases by oil and gas, to more diversified ones.

1. National Development Plans and Economic Diversification Strategies of the Gulf Cooperation Council Countries:

Over the past decades, the Gulf Cooperation Council countries have been able to take a number of important steps on the way to diversify their economies away from dependence on oil and gas as a primary source of national income. Infrastructure is established, educational and health systems are established, in addition to the establishment of a wide range of manufacturing industries that serve the global market. Among the prominent projects in the field of economic diversification in the Gulf Cooperation Council countries are the aluminum smelting project in Bahrain, the industrial cities of "Yanbu" and "Jubail" in Saudi Arabia, and international ports in "Dubai" and others.

a. Economic diversification in the national development plans in the Gulf Cooperation Council countries:

The long-term economic and social development strategies in the Gulf Cooperation Council emphasize the importance of economic diversification. These strategies aim to promote sustainable development, reduce dependence on oil revenues, and increase job opportunities in the private sector for citizens, for example: Saudi Arabia's long-term strategy for 2025, "Sultanate of Oman" 2020, UAE Strategy 2021, Bahrain Strategy 2030 and Qatar Strategy 2030) The strategies include an implicit recognition among policy makers that the Gulf Cooperation Council countries should follow a strategy to diversify their economies by developing different manufacturing sectors.

B. The strategies adopted by the Gulf Cooperation Council countries to achieve economic diversification:

The economic diversification strategies in the Gulf Cooperation Council countries are as follows (30):

- Financial and tax policies: The financial policies were represented in:

Diversification of financial investments in a diversified portfolio of assets to finance start-up

c. Economic diversification in the GCC States (current achievements):

The data indicates an increase in the production of non-oil sectors during the period (2000-2014) The average growth in the output of the Council for non-oil sectors reached about 8.6% in the GCC countries during the mentioned period, while the share of the non-oil sector in GDP increased from 12%% in 2015 to 70%% in 2018 mainly driven by Saudi Arabia and the United Arab Emirates, but this increase was driven largely primarily by higher prices Oil during the past years and with the strong growth of the non-oil sector in the GCC countries, the sector has been able to generatea number of jobs for citizens, there are almost 70 million jobs created in the GCC countries during the period (2000-2010) of which 5.4 million are in the private sector, but despite these figures, there are about 88%% of jobs in the private sector occupied by foreigners while citizens occupy about 70% of public sector jobs.

In the area of export diversification, non-oil merchandise exports increased during the period (2015-2020) as the share of non-oil exports (goods and services) increased from 13% to 30% % of non-oil GDP.

While the exports of non-oil goods increased from 18 to 23% of the non-oil GDP during the same period, and the most important commodity exports were exports of chemical products, especially in the Kingdom of Saudi Arabia and the United Arab Emirates. The concentration of chemical exports in the structure of non-oil commodity exports raises a source of concern in terms of their dependence mainly on oil. Despite this, the exports of the GCC countries are much less diversified than others. In addition, it did not lead to an increase in the exports of manufacturing industries in some countries to raise the level of quality Exports Index The indicators indicate that the Kingdom of Saudi Arabia and Kuwait are witnessing the largest concentration of exports, while the United Arab Emirates and Oman are witnessing a diversification of export products, while Bahrain and Qatar are witnessing a slight change (31).

On the other hand, the economies of the most diversified and open Gulf Cooperation Council countries achieved outstanding results in international indicators, which is not surprising. This is in line with the goal of economic diversification, as shown in the following table.

Table No. (04): GCC Ranking in Some International Indicators

The State	Logistics Index 2018.	Ease of Business Activity Index 2018.	Competitiveness Index (Economic Forum) 2017-2018
Bahrain	27	23	13
Kuwait	29	48	19
Oman	49	26	20
Qatar	52	46	43
Saudi Arabia	56	104	36
U.A.E	59	47	33

Source:lpi.worldbank.org/international/global/201**&**www.doingbusiness.org/~/media/GIAWB/doing20%business/documents/Annual-reports/english/DB14-full-report.pdf. **&-** www.wefrum.org/reports/global-competitiveness-report-2017-2018.

From the table, it can be said that the UAE's ranking of 27th is the best ranking for the countries of the Middle East and North Africa region on the Trade Logistics Index for 2018, and takes into account such things as logistics infrastructure, quality of logistics and customs as well as the standard of time commitment and efficiency of the supply chain, and there is excellence for the UAE in terms of transporting goods and connecting producers with international markets, especially across the Emirate of Dubai, and to demonstrate this, the volume of foreign trade of Dubai in 2017 A huge figure of $ 362 billion distributed between imports of $ 221 billion and $ 141 billion in the form of export and re-export, and in turn Qatar ranked second in the Arab world and 29th place internationally on the logistics index, and Qatar is expected to succeed in strengthening its international ranking against the background of expenses estimated at tens of billions of dollars including spending on logistics areas, such as preparing to host the FIFA World Cup in 2022.

As for the rest of the GCC, Saudi Arabia, Bahrain, Kuwait and Oman ranked 49th, 52nd, 56th and 59th globally respectively on the Trade Logistics Index out of the 160 countries included in the report, and it is noted that the GCC countries dominate the ranking of Arab countries on the index due to the availability of capabilities and the desire to achieve achievements, and some GCC countries, especially the UAE and Qatar, perform better than some European Union countries.

In addition, some GCC countries have achieved remarkable performance on the Ease of Doing Business index in the 2014 Doing Business report issued by the World Bank Group, which in turn is characterized by the rapid creation of new jobs.

As with the Logistics Index, the UAE has the lead in the MENA region on the Business Index at 23rd place internationally, thanks in essence to the Emirate of Dubai, which serves as the commercial gateway to the region through its ports, airports and free zones, as Dubai has succeeded in diversifying its economy into service sectors such as retail, tourism, hosting exhibitions and events, re-exporting and financing by investing heavily in infrastructure and logistics services such as ports.
In turn, Saudi Arabia ranked 26th on the index of commercial activities for reasons including the strength of the Saudi economy as evidenced by the Kingdom's membership in the Group of Twenty, which is the only case among the Arab countries in the group, which includes the largest global economies, and Saudi Arabia has been able in the past few years to strengthen its ranking on the index within the steps of accession to the World Trade Organization during 2005 Among other things, the Saudi authorities have reduced the negative list or areas prohibited for international investors to invest in, and allow them to invest Direct in the local stock market starting from the first half of 2015 and opening new horizons for the Saudi economy including the provision of new sources of financing, to serve the desired economic goals, especially with the desire of some foreign investors to carry out commercial transactions in the largest market in the region with a market value of more than $ 530 billion. Bido that it limits official intervention in the labor market through the Nitaqat program, which came into force in the second half of 2013 from the space of freedom granted to private institutions to employ expatriate workers, and the Nitaqat project seeks among other objectives to make the Saudi citizen the preferred choice to work in the private sector by regulating the labor market, stressing that it enumerates the promotion of job opportunities for research citizens, which is one of the goals of economic diversification.

- Strengthening sources of income for public budgets: It is appropriate that the GCC countries listen to the repeated calls issued by the International Monetary Fund regarding the imposition of taxes, and it is possible in the first place to impose a sales tax or a value-added tax, and not necessarily an income tax; As the imposition of one or more types of taxes contributes to enhancing the sources of income for the public budgets, and in this regard it is imperative to impose a tax collectively and not individually among the countries of the Gulf Cooperation Council (32).
-The necessity of accelerating the diversification and development of more export industries: in order to confront any possible drop in oil prices.
-Expanding competitiveness across a wide range of export industries in the Gulf countries: This is through improvements in education, skills and innovation that contribute to the development of the industrial sector to be successful and more competitive internationally and globally. Expanding the industrial base: The Gulf countries have the infrastructure and financial means to accelerate the pace of industrialization and export, because it requires more attention to encourage innovation in order to compete more effectively in international markets.

The right thing to do is to invest an important part of the financial surpluses that the Gulf countries possess in developing infrastructure, such as the construction of trains within and between the cities of the Gulf Cooperation Council countries, especially in the sprawling Kingdom of Saudi Arabia. Which would contribute to improving the business environment and consequently enhancing the role of the private sector at the level of the Gulf system (33).

Establishing a financial fund for economic diversification: establishing a special fund from oil revenues for the purpose of achieving diversification goals, and that the returns of this fund are dedicated to the development of the primary sector by diversification. A pioneering sector in the future, and an in-depth study of the expected returns and the resources required for it, provided that an important outcome is allocated to developing the capabilities of this sector to have a developmental role, and to be considered as a real alternative in the future. itself and to include other sectors in the future.

 Plans and financing targeting diversification: It is a policy that depends on the development of short, medium and long-term plans aimed at diversification by relying on two sources:

- The first source: It is to take advantage of the local central funding to finance projects with feasibility and quick returns that qualify as alternatives to oil. It is also possible to create tax voids, tax exemptions and other incentives, which constitute a sure addition to the gross domestic product, and the focus is on infrastructure projects for the alternative sectors.

- The second source: This source depends on the enactment of laws that facilitate the entry of foreign direct investments in the aspects of alternative activities, in terms of increasing spaces, exemptions and incentives for the foreign investor in these aspects, and because the Gulf countries have made important strides in this field, there is no inevitable increase in support, and calls for Effective application of economic diversification policy The presence of some requirements and conditions at the national and regional levels.

At the national level, we can focus on the following points:

-Providing the necessary conditions for creating a multi-skilled workforce.

-Creating the appropriate economic base and building the scientific and technical base.

-Supporting privatization efforts.

At the regional level, the economic policies adopted by each of the Gulf Cooperation Council countries should be developed in an integrated framework with the rest of the GCC countries, and this calls for coordination in formulating those policies. In this context, we can focus on three areas to encourage competition and diversify economic activity, namely (34):

-Exploiting opportunities for import substitution.

-Industrial activity benefited from integration efforts.

-Opening regional integration to horizontal integration.

Third: Obstacles to achieving the policy of economic diversification in the GCC countries and the efforts made to overcome them.

There are several structural obstacles facing the economic diversification of the GCC countries, and they are related to growth scenarios in the global economy, the duplication of economic activities among the GCC countries and the great obstacles to trade between the different regions, as well as the reactions towards the emergency political situation in the Arab region, indicating that these countries are moving away It is easily removed from its well-thought-out and planned policies whenever it is subjected to pressure to return to the traditional methods of state intervention, i.e. the dominant role of the public sector. Therefore, the possibility of economic diversification through economic reforms fraught with political difficulties suffers a significant decline. Therefore, the GCC countries sought to make huge material and moral efforts to overcome these challenges. Difficulties and access to real economic diversification (35).

. Obstacles and challenges to achieving economic diversification in the countries of the Gulf Cooperation Council:

The political focus on economic diversification is behind a set of problems arising from development issues that characterize economies dependent on oil and gas, and one of the most important of these problems:

-The nature of the development model of the distributive (rentier) countries: it is a model that depends on the sale of hydrocarbons, emphasizes the distribution of wealth, and uses expatriate labor on a large scale. (36)

-Competitiveness: as a concept that represents the most prominent theoretical problems facing attempts to diversify the Gulf sources of income, as the concepts of diversification and competitiveness are considered contradictory concepts in the sense that diversification may be at the expense of competition on the one hand and competitiveness may limit the possibility of diversification on the other hand. The ingredients owned by a country in a sector or economic activity, which in this sense are considered specific and limited to specific and limited activities and sectors, while diversification means acquiring capabilities and ingredients in more than one sector or economic activity, which in this concept is considered undefined and not limited to activities and sectors Therefore, diversifying sources of income may sometimes mean a concept contrary to the concept of competitiveness, or rather, the competitive advantage that certain countries have at the expense of other countries, because the more activities it includes, the higher the degree of diversity, while the more concentrated in specific sectors, the higher the degree Competitiveness is higher, and the Gulf states, when they try to diversify sources of income, are trying to acquire or develop certain capabilities and sectors at the expense of their competitiveness in other sectors, instead of supporting competition. In the traditional sectors in which it has a relative or competitive advantage, it directs financial and human resources to other sectors in which it does not have this preference, which may lead to a decline in competitiveness in the traditional sectors without achieving or gaining an acceptable degree of competitiveness in the new sectors .

2. Efforts to achieve economic diversification in the countries of the Gulf Cooperation Council.

For example, the Ninth Development Plan for Saudi Arabia 2014-2018, which aims to diversify the economy and reduce dependence on oil and gas and create job opportunities for the large and growing numbers of the population. The development strategy is based on building four new economic cities, each with a special strategic direction, such as existing industries On knowledge and services, minerals and food production, automobile products, logistics and agro-industries, the government has given large private companies the role of major developers of economic cities, in order to encourage development in the private sector. The largest of these economic cities is King Abdullah Economic City with a value of 93 billion dollars. Which is being implemented by Emaar, and the city intends to host two million people by 2025, and will include the largest port in the Red Sea region, in addition to an area for logistics and industry. Providing high-quality living conditions near KAUST, and supporting the development of international capital for human.

In Qatar, the Qatar National Vision 2030 is based on diversifying the economy away from oil and gas by building a knowledge-based economy, by investing in human development and education. For example, the Education City project, worth about $7.5 billion, aims to establish a center Regional educational excellence through building schools and attracting branches of world-famous universities. The Education City also includes the Qatar Science and Technology Park, which adopts scientific and applied research and transforms it into commercially marketed products, and because economic diversification means, among other things, the creation of exports and non-hydrocarbon sources of revenue, and As part of reducing the public sector's leading role in Qatar's economy by promoting the growth of the private sector, the state has implemented development policies aimed at building an economy in which the dominance of natural resources is less and achieves the desired stability and growth.

The most important mechanisms that enabled the State of Qatar to activate the diversification policy are:

- Expanding the contribution of the private sector to the development process, and making good use of oil and gas resources in spending on developing promising economic sectors and providing the appropriate climate to attract investments.

-Establishing free economic zones, forming strategic partnerships with international multinational companies, modernizing laws and legislation, and working on forming effective national cadres.

In addition, other mechanisms have effectively contributed to diversifying sources of income, such as the Sovereign Fund of the State of Qatar, the growing development of petrochemical projects, and public and private shareholding companies, in addition to the stable general climate in which these mechanisms worked from internal and external political factors, and an economic boom experienced by the state that led to a high growth rate. And this policy has been echoed in many interventions and initiatives adopted by the state as a tangible reality, to reach a diversified competitive economy, as it invested and encouraged to increase private and foreign investments in sectors not related to energy, such as financial services, health, education, sports and tourism related to business activities.

As for Dubai, despite its limited hydrocarbon resources, it was able to diversify its economy into service sectors such as retail trade, tourism, hosting exhibitions and events, re-exports and financing, and invested heavily in infrastructure and logistics services, such as ports and huge warehouses, and established free trade zones characterized by lack of stringent regulations and taxes. This has helped create regional business hubs in diverse industries, such as manufacturing and services, as the government continues to do

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(*) This model has in fact been able to achieve a number of strong economic and social results as GCC governments have increased employment opportunities in the public sector, increased spending on infrastructure, health and education, which has helped to raise living standards and support private sector activity, especially in the sectors of construction, retail, transport and restaurants, but this model suffers from many weaknesses, exposing the economy to many fluctuations as a result of the volatility of global oil prices (see IMF e-Bulletin - 23/12/2018).

Conclusion

From the above, it can be said that, despite the importance of the policy of economic diversification and its role in finding alternative sources of income for oil in the Gulf

Cooperation Council countries, oil and its revenues will remain the pillar of development due to the role it plays in the economy as an economic commodity and the role of oil revenues in achieving a high standard of living. Quantitative indicators of economic diversification that the GCC countries have achieved some success in certain economic indicators, as the percentage of non-oil exports from the total exports increased at the expense of oil exports, and this is a healthy trend. While other indicators failed, for example, the percentage of oil revenues from the total Government revenues, and this represents a negative indicator of the economic diversification process. The industrial sector is also one of the important non-oil sectors that benefited from the diversification process, as the contribution of the industrial sector to the GDP increased in the GCC countries, while the contribution of the agricultural sector remained the same in the GCC countries Except for the UAE and Saudi Arabia. Hence, the success of the Gulf Cooperation Council countries in implementing economic diversification policies requires continuing economic and structural reforms, accelerating the privatization process, increasing degrees of regional economic cooperation, seeking to attract and encourage foreign direct investment, and taking monetary and financial measures that encourage the private sector to transfer some of its assets abroad to other countries. mother and its investment in national economies in local or regional projects.

Results:

The Gulf countries used their huge surpluses to finance large projects in order to diversify their economies and create additional areas for growth. As a result, the non-oil sector's contribution to growth has increased in recent years, and has become the main engine of growth in most of these countries.

-The International Monetary Fund confirmed that the UAE has a huge reserve in the form of foreign assets, which means that any potential financial deficit does not represent any problem, and the World Bank confirmed that most of the member states of the Cooperation Council have a huge financial reserve that represents a protective shield that would help them to Withstand the shocks caused by low oil prices, without the need for major adjustments in debt levels or infrastructure spending.

-The Gulf Cooperation Council countries directed a large part of the investments towards infrastructure projects, such as building new cities, roads, transportation networks, real estate, power and water plants, while the partial goal of this is to accommodate population growth in the region, and the main objective of establishing infrastructure is to enable the private sector to Playing a greater role in driving long-term economic growth.

-"Horizontal diversification" away from the oil and gas sectors is the main common reason behind the large capital spending in the Gulf Cooperation Council countries, where there is a process of "vertical diversification" currently underway, and this process is represented in investing in petrochemicals and other industries.

-Although the process of diversifying the economy represents the common goal in all the countries of the Gulf Cooperation Council, there are great differences in the vision of each country and the mechanism for implementing these visions.

-Privatization and the promotion of foreign investment in the GCC countries are key elements in economic diversification policies, as they expand the role of the private sector and the accumulation of private capital, help change the orientation of the economies concerned from dependence on the private sector, and reduce the financial burden on the public sector.
-Reducing the role of the public sector in the economy of the Gulf Cooperation Council countries leads, in the end, to the optimal use of limited wealth and its employment in the right place.

Recommendations:

In order to increase the effectiveness of economic diversification in the countries of the Gulf Cooperation Council, and through the policies that have been implemented, a set of recommendations are proposed in the light of what was presented in the research:
-The optimal mix of the three macroeconomic policies (financial, monetary and exchange rate) must be designed for the Gulf countries with the aim of enhancing economic stability in the short to medium term, i.e. controlling inflation rates and enhancing monetary and financial stability, and this matter is important to create an enabling environment to attract long-term investments with high added values production and its settlement, raising production efficiency, in addition to combating the negative effects of inflation on the economy and society on the one hand, and supporting competitiveness with progress in the diversification process in the long term, on the other hand,
-Increasing investments in infrastructure, and investing in human capital to ensure the availability of skilled labor, as it requires the establishment of industrial complexes that provide highly skilled labor,
-Freedom of trade, encouragement of foreign direct investment, and the use of foreign capital to enhance the technological base in industry,
-Small and medium enterprise development, and providing the necessary support through financing and support from development banks, venture capital funds, and export promotion agencies,
-The GCC countries should focus on the importance of activating the law on small and medium enterprises, and the importance of issuing a public debt law to develop the bonds and sukuk market to build the so-called “return curve” that encourages companies to issue debt instruments in the local market.
-Creating an appropriate business environment, in addition to providing tax incentives and providing support for exports in the non-oil sectors,
- Developing non-oil activities based on initiatives from the private sector and companies affiliated with local governments, by borrowing from banks and issuing bonds in global financial markets,
-Increasing Arab integration and speeding up the implementation of the Gulf Common Market project, with the aim of increasing the freedom of production elements, goods and services among the countries of the Gulf Cooperation Council.
-Investing in the establishment of highly productive industrial clusters, establishing strong horizontal and vertical links based on these clusters, and benefiting from the experience of

some leading countries in the process of economic diversification, such as: Indonesia, Malaysia and Mexico.

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