Determinants of Economic Diversification in the GCC Countries

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Abstract
This paper is designed to investigate the main determinants of economic diversification in the Gulf Cooperation Council (GCC) countries. The data cover the six GCC countries over the period from 1995 to 2016. The model is estimated using the pooled OLS method, with fixed effects specification to detect the impact of trade, GDP per capita, FDI, tourism, industry, labor force, and oil prices on economic diversification. The empirical findings show that trade, GDP per capita, and industry are the key drivers for economic diversification in the GCC region.

Keywords: Economic Diversification, GCC, Economic Growth.

Introduction
Since the discovery of oil in the Gulf Cooperation Council (GCC) countries, economic diversification has been one of the main issues on the GCC economic agenda. The main source of income for these countries become oil, but it fluctuates highly. From mid-2014 to January 2016, per barrel oil prices fell by about 75%, from $115 to $27 (Figure 1). Because of the low oil prices, the budget deficits could not support the cost of the subsidies and social spending provided to the GCC citizens.

GCC governments recognize the necessity to diversify their economies to lessen their heavy dependence on oil and gas. The efforts to implement economic diversification strategies have become a priority for all. Diversification is central to the long-term vision that guides the development process, due to the recent huge fluctuation in oil prices.

An Overview of Growth and Oil Sector
Oil accounts for more than 80% of the GCC government revenues. It accounts for 87%, 90%, and 92% of budget revenues in the cases of Saudi Arabia, Kuwait, and Qatar, respectively (The World Factbook, 2018). The steady increase of oil prices before 2007 led to prosperity and economic growth in the GCC countries, however, the period from 2008-2017 was mainly marked by a major oil prices volatility which affect the GCC economies to a large extent. In early 2008, Brent crude oil prices hit the $140 per barrel level but by 2009 it fell sharply to $61.7 per barrel. Nevertheless, prices rose again to $111.3 per barrel in 2011 but fell again to $52.3 per barrel in 2015 (Figure 1). After the oil prices drop from 2008 onwards, all the GCC countries experienced sharp declines in their GDP, more specifically when the economic recession caused a decrease in the demand for oil. The economic damage done by lower oil prices has been serious.
Figure (2) illustrates the percentage change in real GDP for the GCC countries for the period 2000–2015. Despite the differences in their economies, the sharp drop in oil prices in 2009 and in 2015 negatively affected GDP and slowed their economic growth. The GCC countries had some attempts to diversify their economies. For example, in 2009, due to the significant decline in oil prices, Saudi Arabia dedicated $373 billion to diversify their industries and to protect the economy from future oil prices volatility (The World Factbook, 2018). However, Luciani (2012) argues that the discovery of oil and intensification in its production and export impede diversification and cause deindustrialization and less competitiveness in the international market.

The GCC countries’ national visions and development plans aim to shift their economies from being highly dependent on oil and energy to being driven by non-oil sectors. To change the economic structure of the GCC countries, they plan to diversify by engaging actively in tourism, financial services, petrochemicals, manufacturing, construction, and real estate. Prior literature has proven that economic diversification would reduce the reliance on a narrow range of natural resources. Diversification would protect the economy from macroeconomic shocks and fluctuations, create more jobs, and broaden the base for government revenue.

Countries like Oman and Qatar are faced with diminishing reserves relative to production. Oman’s proved reserves is expected to last about 15 years since its share of the global proved reserves is only 0.3% of the while Qatar reserves is expected to last about 35 years since its share of the global proved reserves is only 1.5% (BP, 2018). Diversification assists countries in sustaining their current spending patterns by replacing
oil-related economic wealth with other sources of economic activity. The other reason to diversify is to enhance macroeconomic stability.

Diversification is vital for economic stability, and for social stability. To pursue economic diversification, the GCC countries must improve the business climate, reduce the role of the public sector in the economy, and enhance national workers’ employment in the labor market.

According to El Kharouf (2010), diversity is necessary to avoid the decline in economic growth, deficiency of incentives to accumulate human capital, absence of competitiveness in the principal sectors, and economic shocks. A report by EYGM in 2015 expected that a diversified GCC economy will add up to $17.7 billion to the real GDP. For Dietz and Cypher (2009), diversification is about economic development rather than growth in GDP. It is about more employment of a skilled labor workforce, spreading knowledge, and technological progressions, enhancing an individual’s quality of life.

According to the IMF (2016), non-oil output has increased considerably in the GCC economies since the year 2000, but progress toward genuine output diversification has been modest. Growth in GCC non-oil output averaged 6.8 percent during 2000–2013. Figure 3 shows the huge oil dependence (oil share in total government revenue).

On the other hand, a diversification measure “Export sophistication index” calculated by Cherif et al. (2018) showed limited progress toward export diversification since 1990. This is unsurprising, given that oil products continued to dominate the export basket (constituting over 80 percent of total goods exports).

However, the GCC countries have developed oil-related industries, tourism, logistics, transportation, business, and financial services. For example, Bahrain has invested in an offshore financial sector, while the United Arab Emirates and Qatar have developed airlines and logistics with the former developing into a major trade and services hub in the Middle East. Saudi Arabia is developing industrial and economic cities to promote technology, industrial and service clusters around oil and mining. Kuwait is developing downstream oil industries and Qatar has established industrial cities to house a mix of energy-related industries to help integrate upstream and downstream hydrocarbon activity (IMF, 2016).

Comparing the diversification of the GCC countries with the diversification of other countries demonstrates the difference in the policies and strategies of diversification. Norway, for example, used their oil profits as a sovereign wealth fund for investment to protect the economy from oil-price fluctuations and to eliminate excess liquidity from the economy. Norway invested intensively in labor and capital and diffused knowledge and technology into industries and production that were not dependent on oil.
Many studies have investigated the main determinants of economic diversification and discussed its effectiveness in developing economies. This study follows the approach of Al-Kawaz (2008) and uses a pooled OLS regression model, including country and time fixed effects. The data used cover the period from 1995 to 2016. The main objectives of this study are to address the issue of economic diversification as a necessity for the GCC countries and to draw some conclusions on the main determinants of diversification.

The rest of the paper is organized in the following order. Section (II) reviews the relevant literature; section (III) is an overview that explains the diversification phenomenon and analyzes the dataset used in the estimated model. Section (IV) discusses the methodology and empirical work. The data description is provided in section (V). The interpretation of the descriptive results is in section (VI). Conclusion and policy implications are provided in section (VII).

**Literature Review**

Much of the prior literature in economic diversification emphasizes that diversification is a priority by many resource-rich countries. Many scholars pay special attention to the GCC region in their research. Several studies indicate that a significant association exists between sustainable growth and a diversified economy. Some countries are considered successful models in economic diversification. According to Hackbart and Anderson (1975), economic diversification enhances economic performance. Therefore, policymakers try to construct sustainable growth strategies to induce greater economic diversification.

Ahmed (2015) showed that a diversification strategy should target non-oil sector development and minimize oil financial dependency by creating a feasible, non-oil economy that maintains a high level of income. Spatafora et al. (2012) show that an increasing sophistication of exports can be an important contributor to overall economic growth. This is because some products offer knowledge spillovers, backward and forward linkages in the value chain allowing to produce products with high qualities. In turn, all of this are important to help industries growth.

At their annual meeting in April 2016, the Arab Ministers of Finance discussed that oil and hydrocarbon are exhaustible resources; therefore, creating and developing new sectors are necessary (IMF, 2016). However, even non-oil activities in oil-exporting GCC countries are dependent on funding from oil revenues. The report emphasizes promoting non-oil sectors as a sustainable source of growth and employment and to protect oil resources from depletion.

Several studies have discussed economic diversification in different regions. Shediac et al. (2008) investigated the link between economic diversification and sustainable growth among the MENA region and 19 industrial countries. They provided a framework for the policymakers indicating that the only key for a strong and sustained economy is through diversification to avoid overly relying on one single commodity.

Norway is a hydrocarbon-rich nation. It proved that economic diversification is possible and successfully diversified into productive non-oil sectors. Norway’s strategy is to rely less on oil as the main source to finance its budget. Only 4% of annual oil revenue is used to support the general budget (Alsharif et al., 2017). The Norwegian government encouraged oil production and adopted their policy to slowly deal with the oil revenues to avoid the curse of the newly discovered natural resources. Their main goal was to protect the economy from the instability of oil prices and inflation. Norway managed to create a large cash reserve from oil funds to improve the level of human capacity and the industrial sector (Alameen, 2016).

Different countries have succeeded in diversifying their economy, such as United States, United Arab Emirates, Chile, Finland, and Saudi Arabia (Hausmann et al., 2005). They display the transformation process of developing countries, which start off producing and exporting only a few things, such as wheat.
or crude oil. They then became more diversified in such areas as food processing or petroleum refining. After reaching higher income levels, the countries then became specialized again, selling financial and transport services. Based on this approach, GCC policymakers should determine what exports matter the most for economic development.

Bahrain is one of the GCC countries that is following new strategies toward a sustainable and diversified economy. Nakibullah (2018) states that the share of non-oil real GDP to total real GDP measures economic diversification in Bahrain. He found that the share of non-oil GDP increased from 64% in 2000 to 80% in 2016, with an average annual growth rate of 6.2%. The author shows that oil price positively impacts the non-oil real GDP, which means that the non-oil sector is still reliant on the oil sector and different alternatives must be considered.

UAE managed to overcome the negative impact of the fluctuations of oil price from 2008 to 2012 by diversifying their economy. Gelb (2010) showed that the non-oil sector contributes to the UAE's GDP by around 70%, and four different sectors contribute to the gross fixed capital formation by around 64%. UAE government realized that it is important to diversify income sources by developing non-oil sectors, such as tourism, manufacturing, real estate, and business services. Gelb suggested Dubai for a role model for the GCC countries. Dubai’s new reforms attracted investment in infrastructure and real estate. Dubai established a Free Zone to further diversify export dimensions. Gelb explained that Dubai’s vision was based on attracting foreign direct investments by an efficient bureaucracy with a free market economy.

Morakabati et al. (2014) evaluated Qatar’s economic development and its safety standards as factors of tourism sector growth. They display Qatar as a country who selected tourism as a tool for diversification. Tourism is an activity that can encourage foreign direct investment (FDI), increase GDP, and reduce the reliance on a narrow primary product (Mishrif, 2018). In an attempt to diversify the economy and boost exports across markets and products, policymakers in several countries tried to increase the inflow of foreign capital. Rodrik (2006) and Klinger and Lederman (2006) highlighted the importance of FDI in discovering new products, as well as in changing the technology content of exports. They concluded that FDI has spillover effects that may enhance the export performance of a country. Esanov (2012) stated that increasing FDI, along with high government expenditure or consumption, facilitated a higher level of economic diversification. He stated also that while GDP size is significantly related to economic diversification, GDP growth is not.

Al-Kawaz (2008) stated that economic diversification in Kuwait is one of the central issues in the process of development. His findings show that GDP, investment, population, institutions, openness to trade, and inflation are the main determinants of diversification in Kuwait. Mishrif (2018) argued that unemployment is one of the difficulties for GCC nations. Even with a high percentage of education participation and despite higher qualifications, nationals struggle to secure jobs in the private and public sector in the GCC governments, affecting the entire labor market. The goal of labor market policy now is to reach full employment by labor market nationalization, and this has succeeded in the GCC region. IMF (2016) highlighted that the level of development, institutional quality, and robust infrastructure are related to economic diversification. In addition, it confirms that a well-educated and well-trained workforce is substantial for diversification and export quality.

Many studies and scholars show the gaps in the GCC countries diversification strategies (Callen et al., 2014 and Hvidt, 2013). They argue that the industrialization and manufacturing are limited to the hydrocarbon sector and the expanding is mainly in oil-related industries. Though the growth in non-oil industries such as services, banking, and tourism contributes largely to diversification, but the role of these industries in the government revenues is considered insignificant. Finally, Looney (1994) attributed the absence of strong industrialization strategies in some GCC countries due to problems to the bureaucratic and administrative system and the nature of the labor forces participation in the industrial sector.
Overview

GCC countries face challenges of creating secure jobs, protecting the economy from oil price fluctuations, and achieving the long-term goal of sustainable growth and development, despite the oil resources depletion. The sustained decline in oil prices highlights the danger of oil dependency and raises policymakers’ concerns about the effective diversification measures to be adopted to transform the economy. There was a gradual expansion in industrial facilities. After experiencing deficits, the fiscal situation forced Gulf countries to consider imposing serious economic reforms to attract investments and drive diversification through corporate tax cuts, reduced restrictions on foreign investment and privatization of state enterprises.

Before implementing those new reforms, the second oil boom started in the mid-2000s. This boom lessened the urgency to attract investments through reforms. However, improving some aspects of the business environment was still in the plan. Since the drop-in oil prices in mid-2014, greater diversification in the long run is considered the new vision. Diversification is the key strategy to improve GCC countries competitiveness and regional integration. Therefore, having a diverse economy supported by a wide range of sectors is the strategic tool to make economies more resilient and less vulnerable to external sources of volatility.

Economic diversification is defined as the process in which the economy becomes more diverse in terms of goods and services. Diversification is attained by introducing products to new markets, manufacturing new products, and/or improving the quality of domestic products. GCC countries have the highest concentration in terms of sector contribution to GDP, which indicates a low diversification score. The high reliance of economic activity on the oil and gas sector does not prevent GCC from effective economic diversification. Various economic sectors contribute to GDP but with low shares. The trend toward concentration in non-oil sectors is still not fully matured and still has structural gaps, such as inefficiencies in labor, capital, and knowledge and technology.

Diversification trends are a way to understand the diversification progress in the GCC countries. Oil is the main export commodity; the share of resource rents to GDP in the GCC has ranged between 70% to approximately 100% between 1976 to 2012. Some variation in diversification patterns was illustrated by UAE’s successful diversification policies. The resources rent to GDP share changed from 66% in 1979 to 31% by 2007. In Dubai, the main reason that the resources rent to GDP share changed was that the economy shifted to depend more on non-oil services, such as tourism, finance, and transport.

These successes are considered as two of a few examples of developing countries diversification. The GCC countries have some way to go before becoming really diversified. Gulf countries scored 38% in 2012, which is below all other regions and well below the world in terms of diversification. UAE leads with a score of 57%, which is close to the global average. However, the GCC countries overall are considerably less diversified than most other economies (Mishrif, 2018).

Gulf countries recognize that education and innovation system improvement are vital issues. The GCC governments started encouraging technical research and entrepreneurship. Moreover, they are encouraging investment in human capital diversification. Diversification requires increasing the private sector’s employment of nationals to contribute to economic prosperity. The high level of investment could really accelerate diversification. GCC countries identified objectives for diversifying economies through programs based on the development of social and human capital and designed to attract potential investors and business partners. Oman and Bahrain possess the smallest oil reserves among the Gulf countries, and thus they have a higher need to diversify their economies. Decision-makers in the UAE and Qatar launched their own strategic visions to support the growth of Dubai, Abu Dhabi, and Doha. For Kuwait, a local group of policymakers put together a ‘new’ Vision 2035 (Mishrif, 2018).
Methodology

This analysis is conducted to investigate main determinants of economic diversification across the GCC economies. In this study, an econometric model uses panel data of the GCC countries between 1995 to 2016. The estimated model is used to examine the relationship between several independent variables and economic diversification, using pooled Ordinary Least Square (OLS) procedure and panel data.

According to the United Nation (2016), in its statistical report, the macroeconomic variables that are key drivers of economic diversification are variables like real exchange rate, inflation, FDI, terms of trade, and investment as a share of GDP. One of the key drivers of diversification stated by Esanov (2012) is industrialization and manufacturing. According to Abd moulah (2011), FDI, along with a high government expenditure, contributes to a higher level of economic diversification.

Despite the many empirical works that address the issue of economic diversification across different countries using different methods, very few researchers capture diversification for the GCC countries. This paper follows the work of Al-Kawaz (2008) by deriving the same hypothesis and expanding on it. This framework contributed to a better understanding of which factors could significantly affect economic diversification in the GCC region. The variables in the estimated model are used to find the impact on economic diversification. The equation is structured as:

\[ DIV_{it} = \beta_0 + \beta_1 \text{TRA}_{it} + \beta_2 \text{GDPC}_{it} + \beta_3 \text{FDI}_{it} + \beta_4 \text{TOR}_{it} + \beta_5 \text{IND}_{it} + \beta_6 \text{LABOR}_{it} + \beta_7 \text{OILP}_{it} + u_{it} \]

The dependent variable (DIV) stands for diversification and is represented by UNICTAD’s diversification index. This index measures the concentration and diversification of exports and imports by product group. It shows to which degree exports and imports of individual economies (or groups of economies) are concentrated on a few products rather than being distributed in a more homogeneous manner among several products. The index ranges from 0 to 1, and values closer to 1 indicate less concentration.

Trade as a percentage of GDP (TRA) is measured as the sum of exports and imports of goods and services measured as a share of GDP. It indicates how comparative advantages enable the economy to use its endowment efficiently. A strong foundation in export enhances the competitiveness of the domestic economy and protects it from volatility of oil and gas prices. Therefore, we expect a positive sign for the parameter \((\beta_1)\).

GDP per capita (GDPC) represents the effect of growth on diversification. It is expected to have a significant positive correlation between economic diversification index and economic growth (presented by GDP per capita) (Shediac et al., 2008). FDI represents the foreign direct investment inflows and measures the level of investment in real estate and infrastructure. Increasing FDI, along with a high government expenditure, contributes to a higher level of economic diversification.

International tourism (TOR), measured as expenditures (current US$) of international outbound visitors in other countries, including payments to foreign carriers for international transport or by residents traveling abroad as same-day visitors. Industry development as a percent of GDP (IND) includes manufacturing and comprises value added in mining, manufacturing construction, electricity, water, and gas. Positive significant relationships are expected among diversifying income source (rather than oil and non-oil sectors) with tourism and industrialization.

Oil price (OILP) variable was embodied in the model to show how its volatility will affect diversification and it is measured as the average annual OPEC crude oil price (US$/barrel). It is evident that when oil prices drop, the related decline in government revenue causes cuts in public spending, which slows down growth in the non-oil sector, and; consequently, affects diversification.
Skilled and well-trained labor force and human capital accumulation contribute to economic diversification and promote development through technology and industries. So, when total labor force (LABOR) rises, then we expect a negative impact on diversification.

The model above is examined using the pooled OLS among all sectors across the GCC countries. The model is examined then using fixed effect and random effect approach. In order to decide the more proper approach, the Hausman test is conducted, and according to results, the fixed effect model is used. This model examines the relationship between the predictor and outcome variables within the entity. It controls time invariant variables (unobserved heterogeneity).

**Data Description**

The data included in this paper cover the six GCC countries and are derived from different sources. The diversification index data are selected for the period from 1995 to 2016 from the United Nations Conference of Trade and Development (UNCTAD), which provides diversification index data for 162 countries. It is constructed based on data from commodity exports. The index data range from 0 to 1. The oil prices data is derived from STATISTA, the statistics portal. The other data are derived from the World Bank through World Development Indicators (WDI) which are a collection of indicators, compiled from officially recognized international sources. It presents the most current and accurate global development data available, and includes national, regional and global estimates. Data for GDP per capita, FDI and tourism are measured in current US dollars.

**Empirical Results**

The results of the empirical model used are shown in the Appendix. The first and the basic model uses the pooled OLS method (Table 1). Coefficients varied in significance levels, magnitudes, and signs. The trade variable (TRA) is statistically significant at the 1% level, indicating that there is a correlation between trade and diversification. The negative sign on the trade coefficient indicates an inverse relationship with diversification. That coefficient suggests that a 1% increase in trade will lead to a decrease of 0.00153 units of the diversification index, indicating a more diversified economy.

The estimated coefficient for GDP per capita is statistically significant at the 1% level and has a negative sign. The GDP coefficient suggests that for a 1% increase in GDP per capita, the diversification index will decrease by 0.414 units, meaning a more diversified economy. These results are consistent with (Alameen, 2016) and (Al-Kawaz, 2008) findings. They concluded that GDP, investment, population, institutions, and openness to trade are the key drivers for diversification in Kuwait and the GCC countries.

The estimated coefficient for FDI is statistically significant at the 10% level. This relationship indicates that for a 1% increase in FDI, the diversification index will decrease by 0.0194 units, meaning a more diversified economy. The result is consistent with the expectation that increasing FDI, along with a high government expenditure, contributes to a higher level of economic diversification.

The estimated coefficient for tourism is statistically significant at the 1% level with a positive sign. The relationship indicates that for a 1% increase in tourism, the diversification index will increase by 0.2502 units, or a less diversified economy. The result is inconsistent with theory according to Gelb (2010). He found that non-oil sectors, like tourism and real estate are the key drivers of diversification in the UAE.

Industry’s coefficient is statistically significant at the 1% level and has a positive sign. This coefficient suggests that a 1% increase in industry will lead to an increase 0.2098 units of the diversification index, or a less diversified economy. The result is inconsistent with theory according to Esanov (2012). He found that one of the key drivers of diversification is industrialization. One way to interpret this result by recognizing that big part of our resources is going to fields related to oil and gas industries which means less diversification of the economy.
The coefficient on the price of oil ($OILP$) is statistically significant at the 1%. The positive sign on $OILP$ indicates a direct relationship between oil price and diversification. The relationship suggests that for a 1% increase in oil price, the diversification index will increase by 0.1398 units, meaning a less diversified economy. This relationship emphasizes that as oil price increases, GCC governments rely more on oil as the main commodity in their economies.

Labor force ($L$) is statistically significant at the 1% level with a negative sign. For a 1% increase in labor force, the diversification index will decrease by 0.5399 units, meaning a more diversified economy. The result is consistent with the findings of Al-Kawaz (2008) and Alameen (2016), which state that GDP, investment, low level of unemployment with higher level of labor force, institutions, openness to trade are the key drivers for diversification in Kuwait and the GCC countries.

Now, for the second model, the Hausman test is conducted to select the appropriate model for this study. The results show that the P-value is statistically significant (0.000). Therefore, the null hypothesis of random effects can be rejected, and the fixed effect model is determined to be more appropriate for estimations. The results of the fixed effect model displayed in Table (2) of the Appendix.

According to the fixed effect model, trade is statistically significant at 1% level across the GCC countries, and it has a negative sign. This inverse relationship indicates that higher GCC countries’ trade leads to more diversified economies. GDP per capita and FDI are also statistically significant with inverse relationships to diversification. Thus, with higher income and more investment by foreigners, then the economy will be more diversified or less concentrated.

The price of oil is found (as in the first model) to be statistically significant at 5% level with positive relationship with the diversification index; meaning a less diversified economy. This relationship highlights that as oil prices increase, GCC countries rely more on oil as the main source of income in their economies.

Tourism is found to have a positive sign suggesting that with the less tourism in the GCC, the more the diversification is, which is inconsistent with previous literature. However, that result was insignificant. The fact that GCC countries are classified as the newcomers to the world tourism scheme, and tourism sector infrastructure is still developing. Therefore, the impact of tourism on the whole economy is considered minor.

Manufacturing or industry’s coefficient is statistically significant at the 5% level and has a positive sign. This coefficient suggests again that an increase in industry will lead to a less diversified economy. The huge investments in oil and gas related industries could be one way to interpret this result which leads to a less diversification of the economy. Finally, labor force is significant with negative expected sign indicating that the higher labor force participating in the economy, the lower the diversification index which means the more diversified is the economy.

**Conclusion and Policy Implications**

In this study, the panel model analysis with fixed effect approach are used to examine the main determinants of economic diversification in the GCC countries. This research uses annual data from 1995 to 2016. The dependent variable in the model is the economic diversification index with seven independent variables: trade, FDI, GDP per capita, oil prices, tourism, labor force, and industry.

Findings show that the main determinants that can drive economic diversification in the GCC region are: trade, GDP per capita, industry, and labor force. It is obvious that boosting trade through removing trade barriers and enhancing non-oil exports will encourage more diversification. According to IMF (2016), increasing non-oil exports is expected to add between 0.2 to 0.5% points to GCC’s GDP. Gulf countries need to improve their business environment and move toward fewer restrictions on foreigner investment. Reducing restrictions will open more trade with other countries and boost investments, the IMF said.
Labor force in Gulf countries is a crucial issue to be considered. The diversification of the GCC economies away from the oil sector and establishing new sectors will help create more job opportunities for the national labor force. Gulf countries are implementing numerous reforms and programs to support nationals’ employment in all sectors. These new reforms and strategies should help in creating new job opportunities in both the private and public sectors. New employment strategies should equip workers with the new skills to meet market requirements.

Policymakers in GCC governments should support polices to promote sectors that are expected to influence the whole economy efficiently. In addition, they need to determine which sectors would provide more job opportunities for young nationals and create policies to encouraging the employment of those nationals.

Moreover, the development of SMEs and business climate is essential through facilitating the access to finance high-value-added industries. Furthermore, trade and foreign investment through further free trade agreements and more coordinated policies would help strengthen trade and encourage manufacturing which will contribute more in diversifying the economy.

References


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Appendix

Table (1): Pooled OLS regression model

<table>
<thead>
<tr>
<th>Variables</th>
<th>Coefficients</th>
<th>Standard Error</th>
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Table (2): The Results of the Fixed Effect Model

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