

# Economic diversification in GCC countries: past record and future trends

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## Abstract

Employing an empirical and comparative approach, this research paper analyses the past record and future trends of economic diversification efforts in the six Gulf Cooperation Council (GCC) countries. Applying the methodology of content analysis, possible future diversification trends are studied from current development plans and national visions published by the GCC governments. The past record of diversification has yielded only meagre results. Current development plans point unanimously to diversification as the means to secure the stability and the sustainability of income levels in the future. Even though the states continue to lead the economies, diversification entails a reinvigoration of the private sector and as such necessitates the implementation of broader reforms. The paper, however, questions the likelihood of diversification plans being translated into action. There are a number of structural barriers to diversification, which relate to the growth scenarios for the world economy, the duplication of economic activities among the GCC states, and, not least, the sizable barriers to interregional trade. Furthermore, the policy response to pre-empt the Arab Spring uprising indicates that these regimes easily give up their well-argued and planned policies when under pressure and fall back on established ways of doing business, namely through patronage and the predominant role of the public sector. Hence, the prospect of diversifying economies through politically difficult economic reforms has suffered a significant setback. This conclusion, however, does not rule out a piecemeal and ad hoc implementation of the diversification strategies in the future.

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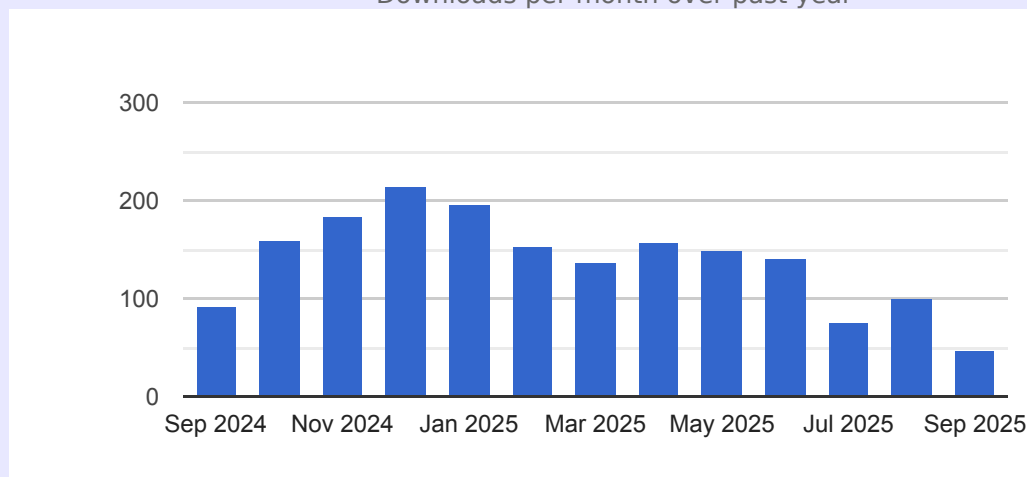


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