Economic Diversification in the Gulf States – Causes and Effects: A view on the Gulf States with a focus on Oman and Qatar

Economic Diversification in the Gulf States: Reality and Perspective

Conference Session 1: Future Visions of the Gulf States and Economic Diversification Efforts

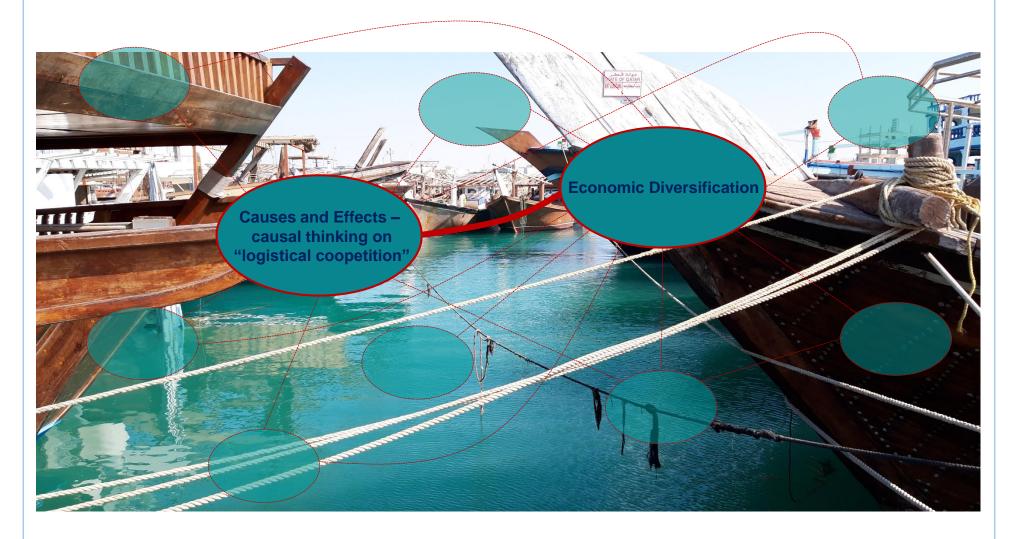
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Professor Dr. Frank Himpel

1 Overview of the main argumentation line

Economic Diversification spans a variety of topics. View presented herein is focused on "logistical coopetition" aspects.



Causes ...

A view on the future For example, "Qatar Vision 2030", "Oman Vision 2040", etc.

A view on flexibility and risk-allocation

Overall GDP volume is composed of contributions from more than one leading industry in a country.

A modified view on the term "strategic"

Classical assumptions: "strategic" = long-term vs. "operational" = short term; <u>here</u>: "strategic" = (almost) irreversible vs. "operational" = reversible

A modified view on relative significance of home markets

Classical views: strengthen home markets; <u>here</u>: "connect" economic zones, industries (and products) to the growth potential of global markets

A view on resilience

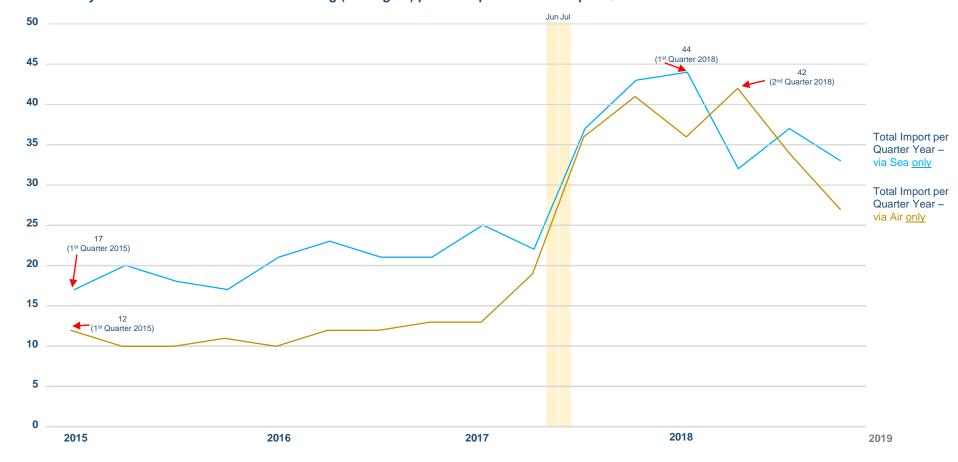
For example, between 2017 and 2021, Qatar diversified its supplier base and introduced make-or-buy scenarios, rather than relying on single sourcing of certain products only.

... and effects, ...

Example Qatar: Import of milk (and milk products) between 2015 and 2018 – view from a logistics perspective "Risk Diversity" in Amount of Countries for Sourcing (as Origins) per Transportation Mode per Quarter Year Logistical infrastructures

Abu Samra (Border post Qatar to KSA

Doha Sea Port (until Dec 2017) Hamad Port (as of Jan 2018) Hamad International Airport



Assumption: Overall time-span 16 quarter-years. Data points for each quarter are represented in aggregate numbers as follows: 1st quarter (Feb), 2nd quarter (May), 3rd quarter (Aug), 4th quarter (Nov). Definition: Own Analysis covering the months from January 2015 to December 2018. Each data point represents the accumulated amount of imported milk (products) per quarter of a year. Source: Raw Data from the Planning and Statistics Authority of the State of Qatar, Foreign Trade Advanced Search, www.psa.gov.qa (accessed in January 2020).

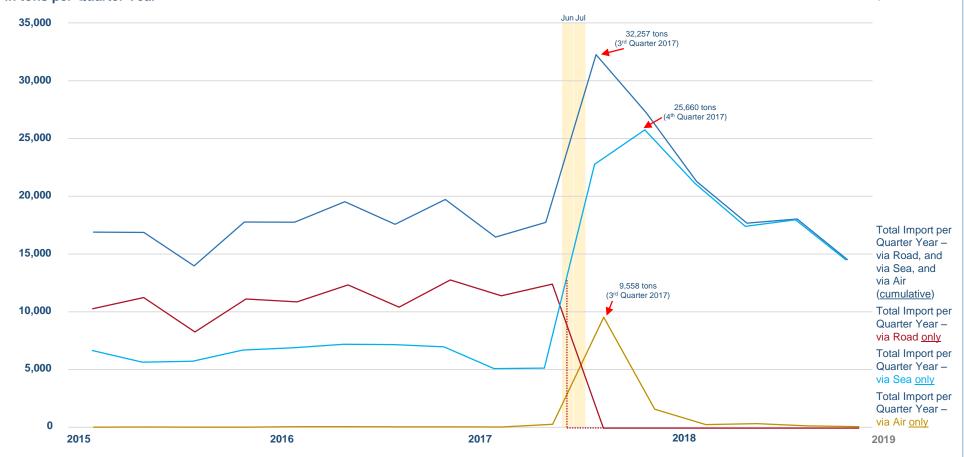
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... enabled by Qatar's superior air and sea logistics capabilities.

Example Qatar: Import of milk (and milk products) between 2015 and 2018 – view from a logistics perspective in tons per Quarter Year

Logistical infrastructures

Abu Samra (Border post Qatar to KSA) Doha Sea Port (until Dec 2017) Hamad Port (as of Jan 2018) Hamad International Airport



Assumption: Overall time-span 16 quarter-years. Data points for each quarter are represented in aggregate numbers as follows: 1st quarter (Feb), 2nd quarter (May), 3rd quarter (Aug), 4th quarter (Nov). Definition: Own Analysis covering the months from January 2015 to December 2018. Each data point represents the accumulated amount of imported milk (products) per quarter of a year. Source: Raw Data from the Planning and Statistics Authority of the State of Qatar, Foreign Trade Advanced Search, www.psa.gov.qa (accessed in January 2020).

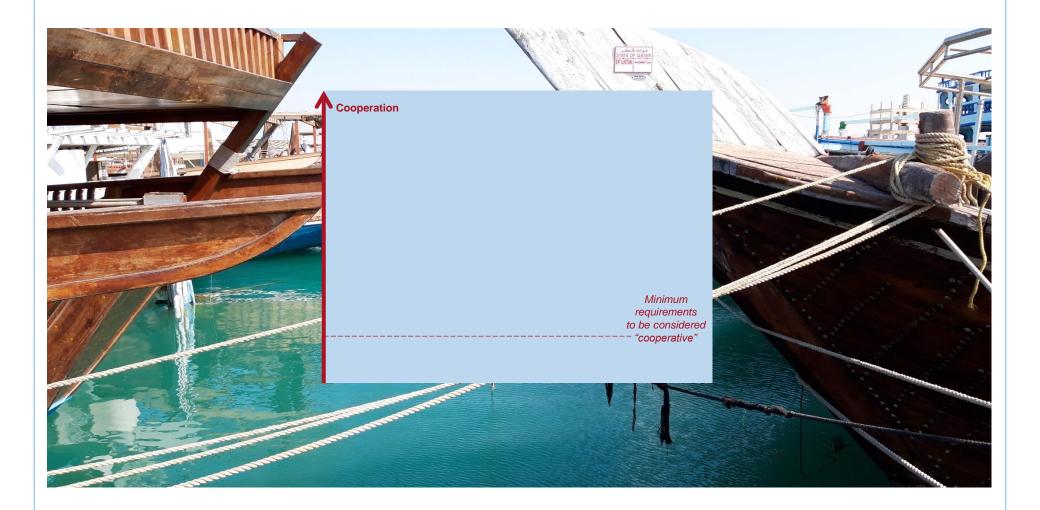
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Case of Qatar in a nutshell.

	Business June	2017 March	n 2020 Januar	y 2021
	pre diplomatic rift	Diplomatic rift recovery	COVID-19 recovery	ongoing build-up and further diversification
Supply Chain Management Strategy	largely so-called Single Sourcing	Emergence of so-called Mulitple Sourcing; Buildup of new industries (e.g. milk and milk products) ("make"); Diversification of supply base (countries of origin).		
Consumption of private households and of State		private consumption relatively stable; private sector contributes; stationary retail to transform also into online retail; innovative business models; as per Keynesian models: State increased consumption demands; <u>targeted sectors</u> : construction, minerals, chemicals, rubber, electrical equip- ment, machines, transportation equipment.	less State demand due to decreases in oil prices (despite long-term LNG contracts)	e.g. National Products Competitiveness Support Department e.g. "Qatar Quality Mark" (in the context of Make-or-Import)
Capabilities of logistical nfrastructures	HIA (2014) and Hamad Port (2017)	 Increased requirements put on "air wing" and "sea wing" due to multiple sourcing supply strategies, diversification of countries of origin; Qatar Airways, Qatar Airways Cargo as a major player worldwide; establishment of strategic storage infrastructures. 	other logistical infra- structures (global) clogged, mainly due to safety concerns	e.g. foster local manu facturers to match the needs of Qatar's flag carrier
Challenges and Opportunites boking ahead		Erosion of the "classical" manufacturing scheme of the GCC, whereby domestic production was scaled up by one partner with comparative advantages for the benefit of (supplying to) all, leading to further fragmen- tation of the overall manufacturing landscape.	e.g. foster growth of local industries (over 900 factories in 2020)	e.g. foster establish- ment of SMEs

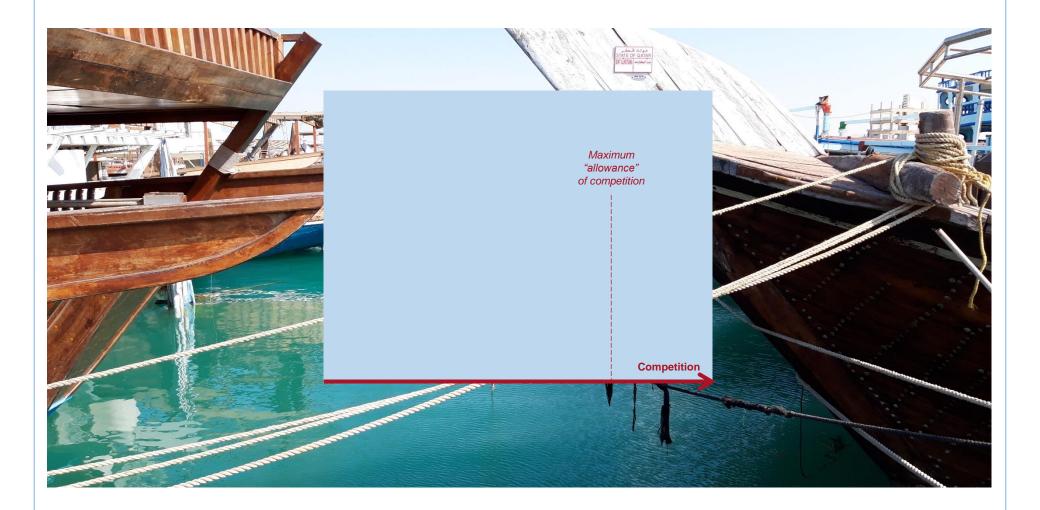
3 Coopetition

A conceptual view on the dualism of cooperation and competition.



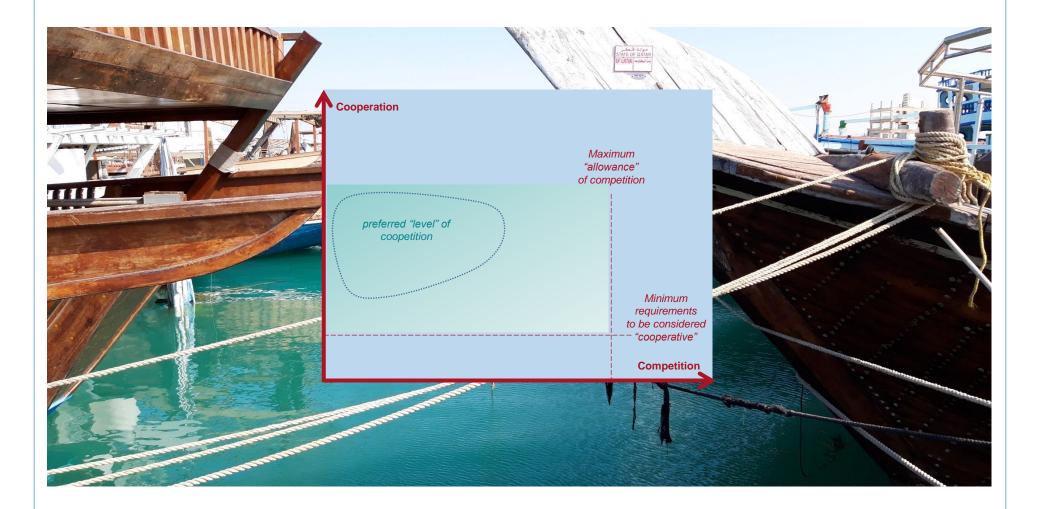
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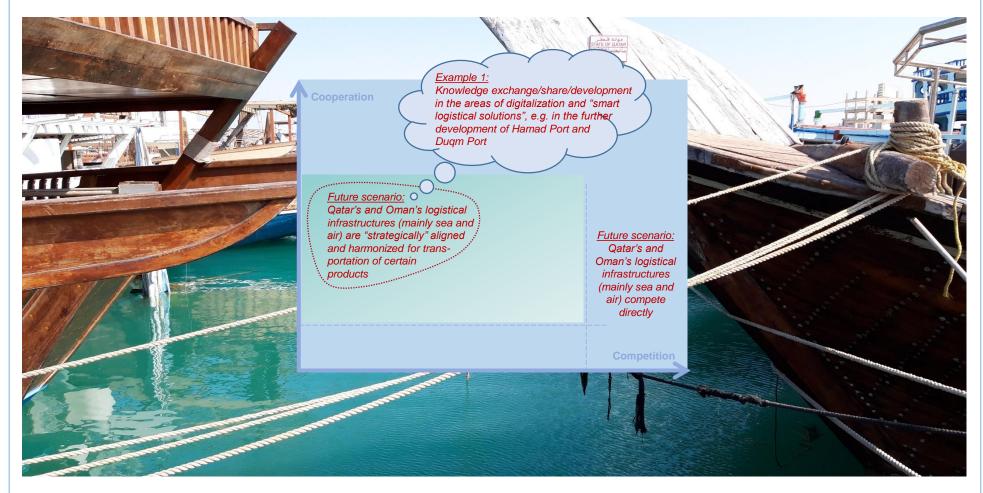


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A conceptual view on the dualism of cooperation and competition.











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