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**Economic Diversification: “Oman's Vision 2040” as a Model**  
**Kepelbagaian Ekonomi: “Oman’s Vision 2040” Sebagai Model**

Abdulhamid Al-Kharousi\*, Asmuliadi Lubis\*\* , Fadillah Bt Mansor\*\*\*

**Abstract**

The oil-producing Gulf states, including the Sultanate of Oman, suffer from the issue of oil price volatility, which directly impacts all facets of life in these countries, starting from deficits in the public budget, contraction of financial and monetary resources, to the minimal investment in infrastructure projects and services, etc. Economic diversification represents one of the solutions to this problem and constitutes one of the foundations upon which the evolution of the economy globally, and specifically in the Sultanate of Oman, relies. The Gulf Cooperation Council (GCC) countries have endeavoured to diversify their income sources through a number of mechanisms and policies that support the contribution of the private sector and increase the contributions of non-oil sectors to the Gross Domestic Product (GDP). In the Sultanate of Oman, since His Majesty Sultan Haitham bin Tariq bin Said - may God protect him - assumed the leadership of the country, he ordered the preparation and issuance of Oman Vision 2040 to become the national reference for economic and social planning in the Sultanate for the period between 2021 and 2040. The economy and its development, particularly its sustainability, constituted one of the most critical axes of this vision. In the current study, the researcher will present a descriptive analysis of economic diversification in the Sultanate of Oman according to Oman Vision 2040, hoping to provide benefits to professionals in the fields of management and economics. This will be achieved by offering detailed information on this topic, after thorough analysis and interpretation.

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**Key words:** diversification, economic diversification, Oman Vision 2040.

### **Abstrak**

Negara-negara Teluk yang menghasilkan minyak, termasuk Kesultanan Oman, menghadapi masalah turun naik harga minyak yang secara langsung memberi kesan kepada semua aspek kehidupan di negara-negara ini — bermula daripada defisit dalam bajet awam, penyusutan sumber kewangan dan monetari, hinggalah kepada pelaburan yang minimum dalam projek infrastruktur dan perkhidmatan, dan sebagainya. Kepelbagaian ekonomi merupakan salah satu penyelesaian kepada masalah ini dan menjadi asas kepada perkembangan ekonomi di peringkat global, khususnya di Kesultanan Oman. Negara-negara Majlis Kerjasama Teluk (GCC) telah berusaha untuk mempelbagaikan sumber pendapatan mereka melalui pelbagai mekanisme dan dasar yang menyokong sumbangan sektor swasta serta meningkatkan sumbangan sektor bukan minyak kepada Keluaran Dalam Negara Kasar (KDNK). Di Kesultanan Oman, sejak Kebawah Duli Yang Maha Mulia Sultan Haitham bin Tariq bin Said — semoga Baginda dilindungi Allah — menaiki takhta pemerintahan negara, Baginda telah menitahkan penyediaan dan pengeluaran *Oman Vision 2040* bagi menjadi rujukan nasional untuk perancangan ekonomi dan sosial di Kesultanan bagi tempoh antara 2021 hingga 2040. Ekonomi dan pembangunannya, terutamanya kelestariannya, merupakan antara paksi terpenting dalam visi tersebut. Dalam kajian ini, penyelidik akan membentangkan analisis deskriptif mengenai kepelbagaian ekonomi di Kesultanan Oman berdasarkan *Oman Vision 2040*, dengan harapan dapat memberikan manfaat kepada para profesional dalam bidang pengurusan dan ekonomi. Ini akan dicapai dengan menyediakan maklumat terperinci tentang topik ini selepas analisis dan tafsiran yang mendalam dilakukan.

**Kata kunci:** Kepelbagaian, kepelbagaian ekonomi, Oman Vision 2040.

## Introduction

The topic of economic diversification occupies a significant position in rentier economies that rely heavily on a single product for export processes and budget financing, including the Sultanate of Oman. The dependence of these countries on a single resource was not a choice they made, but rather a consequence of the abundance of this resource within their territories. Most of these nations possess a comparative advantage in producing this resource, especially concerning subterranean wealth.

Relying on a single resource as an engine for economic growth can impede or halt the development process if the prices of this product decrease in global markets. It is observed here that the wealth of these countries in subterranean resources is a blessing when the prices of these resources rise in global markets, but it can become a curse when prices decline due to the lack of alternatives in this case. Therefore, it is necessary to consider diversifying the economic structure of these countries to prevent their economies from remaining tied to fluctuations in the prices of these rentier products in global markets.<sup>1</sup>

The world has witnessed significant and rapid transformations during the current century, coinciding with the shift from centrally planned economic systems to those driven by labour markets. In oil-rich countries, including the Sultanate of Oman, these nations have attempted to utilize their oil revenues to support development and elevate the level of economic growth by focusing on promising economic sectors.

Economic diversification is considered one of the primary objectives pursued by many countries, especially rentier ones, which rely on oil resources as the basis for financing their economies. Diversification constitutes an economic issue as it mobilizes prevailing economic, social, and political forces within a country. It plays a significant role in the economic growth of any nation, contributing to increased productivity of factors, enhancement of investment, and stabilization of export revenues, particularly in resource-rich countries that still rely on oil and

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<sup>1</sup> Dayf, Aḥmad; 'Azūz, Aḥmad (2018): Waqi' al-Tanwī' al-Iqtisādī fi al-Jazā'ir wa Āliyyat Taf'īlih li Taḥqīq Tanmiyah Iqtisādīyah Mustadīmah, Majallat Iqtisādiyyāt Shamāl Ifrīqiya, Volume 14, Issue 2, 21-36.

mineral revenues. Diversification is linked to income sources and the structure of commodity exports.<sup>2</sup>

The concept of economic diversification has been widely discussed among policymakers following the emergence of several economic crises experienced globally in recent times, affecting all countries. The term diversification is used to avoid reliance on a single economic resource (especially oil) to mitigate shocks, evaluate the economic situation, and analyse the non-oil economic reality of a country. Additionally, diversification helps ensure optimal utilization of all societal material, human, and local resources, as well as avoiding various crises, and sudden and severe shocks usually resulting from abrupt fluctuations in the prices of these primary materials.

The Sultanate of Oman is one of these oil-dependent countries, relying on oil and gas as essential sources of income. The Sultanate has sought economic diversification, with one form of this endeavour being the issuance of Oman Vision 2040. This vision serves as the national reference for economic and social planning in Oman from 2021 to 2040, from which national sectoral strategies and five-year development plans will emerge. This vision was prepared with broad popular participation and was put into effect during the reign of His Majesty Sultan Haitham bin Tariq bin Said - may God protect him. However, the initiation of its preparation was during the reign of the late Sultan Qaboos bin Said - may his soul rest in peace. The economy and its development, particularly sustainability, constitute one of the main pillars of this vision.

The researcher in the current study will present Oman's experience in economic diversification under Oman Vision 2040, dividing the study into two sections: the first section pertains to economic diversification in general (its concept, importance, levels, etc.), and the second section relates to economic diversification in Oman according to Oman Vision 2040.

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<sup>2</sup> Ḥāj Mūsā, Mansūrī; ‘Abd al-Ghanī, Bushrā (2018): *Al-Tanwī’ al-Iqtisādī ka-Khayār Istrāṭijī li-l-Numuw al-Iqtisādī: Tajribat Kūrā al-Janūbiyyah Namūdhajan*, *Majallat al-Iqtisād wa-Idārat al-I’ māl*, Volume 02, Issue 07, 243-256.

## I- The concept of economic diversification and its significance

Economic diversification plays a crucial role in economic growth, contributing to increased labour productivity and investment promotion, especially in countries rich in natural resources that heavily rely on revenues from mining and oil production.

There are varying perspectives on economic diversification. Some link it to production and income sources, while others associate it with the structure of commodity exports. Berthéleny (year) defines a diversified economy as one where the productive economic structure is distributed across a wide range of diverse economic activities in terms of the nature of produced goods and services. Additionally, the Arab Institute for Planning summarizes economic diversification as the desire to achieve a greater number of income sources, thereby enhancing a country's capabilities within the global competitive landscape, through attempts to increase productivity in various sectors.<sup>3</sup>

Politically, diversification refers to exports, especially concerning policies aimed at reducing reliance on a limited number of export products that may be susceptible to price fluctuations, volume, or sudden demand declines.

Economic diversification has multiple definitions that vary based on the perspective through which it is viewed. It is defined as "the economic process aimed at diversifying income by expanding the production base to increase its contribution to the gross domestic product, thereby eliminating the burden of dependence on a single commodity or product for state financial income, or in other words, economic diversification is the process of utilizing all the potentials and resources of an economy in a manner that generates new revenues and financial resources, relying significantly on local competencies and capacities."<sup>4</sup>

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<sup>3</sup> Ḥajīrah, 'Abd al-Mun'im; Mazyān, Sa'īd (2019): *Al-Tanwī' al-Iqtisādī fī al-Jazā'ir: Al-Wāqī', al-Āfāq wa-l-Muḥaddidāt*, Majallat al-Ḥadth lil-Dirāsāt al-Mālīyah wa-l-Iqtisādīyah, Issue 3, 43-69.

Ḥāj Mūsā, Mansūrī; 'Abd al-Ghanī, Bushrā (2018): *Al-Tanwī' al-Iqtisādī ka-Khayār Istrāṭijī li-l-Numuw al-Iqtisādī: Tajribat Kūrā al-Janūbiyyah Namūdhajan*, Majallat al-Iqtisād wa-Idārat al-I'māl, Volume 02, Issue 07, 243-256.

<sup>4</sup> Mas'ūdī, Muḥammad (2018): *Istrāṭijiyāt al-Tanwī' al-Iqtisādī 'alā al-Ṣa'īd al - Duwwalī, Tajārib wa Namāḍij Rā'idah*, Majallat al-Iqtisād wa Idārat al-A'māl, Issue 7. p. 226.

Moreover, economic diversification is defined as "the desire to achieve a greater number of main income sources in the country, which would enhance its real capabilities within the framework of global competition, through attempts to increase productivity in various sectors. In other words, elevating the reality of several sectors gradually to serve as alternatives to replace the sole resource."<sup>5</sup>

Ben Allal et al. (2021) define economic diversification as "developing non-oil sectors and reducing reliance on oil, namely diversifying exports —thus government revenues—expanding the scope of economic activities in both production and distribution of goods and services, and creating opportunities for various economic activities on a broad scale to provide employment opportunities and economic stability."

Additionally, Leyin Zhang defines economic diversification as "reducing dependence on a single resource and transitioning to a stage of expanding the economic, industrial, and agricultural base, constituting a healthy national economy".<sup>6</sup>

In the current study, the researcher adopts the comprehensive definition of economic diversification as presented by Ahmed, who defined it as a process of expanding the production structure and creating new income-generating sectors, thereby reducing the overall reliance on revenues from the primary sector of the economy. This process is expected to open up new areas with higher added value and capable of providing more productive employment opportunities, leading to increased growth rates in the long term.<sup>7</sup>

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<sup>5</sup> Al-Nārūz, Dhiyā (2019): *Ahamm Qaḍāyā al-Mawārid al-Iqtisādīyah wa al-Tanwī' al-Iqtisādī*, Dār al-Ta'lim al-Jāmi'ī, Alexandria.

<sup>6</sup> Ṭayyib, Sa'īdah; Qaddārī, Aḥmad (2021): *Al-Ṣukūk al-Islāmiyyah ka Āliyyah li Taḥqīq al-Tanwī' al-Iqtisādī fi al-Jazā'ir*, Kitāb al-Mu'tamar al-Dawī al-Maghribī al-Awwal li Mustajaddāt al-Tanmīyah al-Mustadāmah, Algeria, 151-162.

<sup>7</sup> Al-Ṭawīl, Āsiyā; Qandūz, Fatimah al-Zahrā'; Marrābat, Āsiyā (2021): *Tadā'iyāt al-Iqtisād al-Jazā'iri wa Ḥatmiyyat Istrāṭījiyat al-Tanwī' al-Iqtisādī mā Ba'd Azmat Jā'ihah (COVID-19)- Dirāsah Taḥlīliyyah wa Qiyāsiyyah li Ḥalat al-Qiṭa' al-Filāḥī*, Les cahiers du cread, Volume 37, Issue 3, Algeria, 219-249.

Economic diversification takes various forms, intersecting across multiple theoretical references, the researcher outlines it as mentioned in Hajj Moussa and Abdul Ghani (2018, p. 245) as follows:

1. Diversification of productive activity: This refers to expanding the range of goods and services produced.
2. Asset diversification: This includes both natural assets (land resources) and human assets (productive capital).
3. Diversification of competitive sectors: This relates to products that are less produced on a global level and achieving competitive gains from them.
4. Moreover, Swaih Jamal and Ben Tirsh Atallah added other determinants of economic diversification, as cited in,<sup>8</sup> which are:
5. Diversifying the economy through diversification of domestic products.
6. Diversification of exports and imports.
7. Diversification of government measures and the role of oil revenues in financing government spending.
8. Spatial diversification of economic activities.
9. The role of oil and non-oil exports in covering imports.

Through the foregoing, the researcher finds that economic diversification refers to the desire to achieve a larger number of primary income sources in the country. Many researchers have mentioned that diversification involves the multiplicity of production branches or the contribution of various sectors to production formation. Hence, the researcher finds it essential to distinguish between economic diversification and productive diversification, which is associated with the organizations and production institutions that adopt models allowing for multiple types of productive goods. From the researcher's perspective, economic diversification is an expansion of

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<sup>8</sup> Ṭayyib, Sa'īdah; Qaddārī, Aḥmad (2021): *Al-Ṣukūk al-Islāmiyyah ka Āliyyah li Taḥqīq al-Tanwī' al-Iqtisādī fi al-Jazā'ir*, Kitāb al-Mu'tamar al-Dawī al-Maghribī al-Awwal li Mustajaddāt al-Tanmīyah al-Mustadāmah, Algeria, 151-162. p. 155.

the economic base at the country level in a way that contributes to creating multiple sources of income sustainably and continuously.

In recent years, countries worldwide, particularly those with mono-economies like the Sultanate of Oman, have realized the significance of economic diversification. Several studies have investigated this phenomenon with the aim of assisting countries in adopting it as a fundamental solution to the economic problems and crises that they occasionally face. The proponents of the necessity of economic diversification rely on the following reasons, as outlined:<sup>9</sup>

1. **Reducing investment risks:** Economic diversification contributes to increasing economic growth rates by expanding investment opportunities and reducing investment risks. Diversifying investments across a wide range of economic activities reduces the investment risks associated with concentrating investments in a few activities.
2. **Mitigating risks leading to export revenue declines:** Some countries with weakly diversified economies rely on exporting a single product or a limited number of products. When the prices of exported products decrease, the returns from exports in foreign currency decline, reducing the state's ability to finance imports or economic development processes.
3. **Increasing human capital productivity:** Economic diversification contributes to increasing labour productivity and human capital, thus leading to higher economic growth rates.
4. **Strengthening intersectoral linkages:** Increasing the number of productive economic sectors strengthens intersectoral linkages, resulting in numerous externalities in production that positively impact economic growth.
5. **Reducing fluctuations in Gross Domestic Product (GDP) levels:** Concentration of production in a limited number of products leads to significant fluctuations in GDP levels.
6. **Generating employment opportunities:** Diversification stimulates economic growth, achieves sustainable development, etc., all of which lead to increased demand for labour, creation of job opportunities, and reduction of unemployment rates.

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<sup>9</sup> Dayf, Aḥmad; 'Azūz, Aḥmad (2018): Waqi' al-Tanwī' al-Iqtisādī fi al-Jazā'ir wa Āliyyat Taf'īlīh li Taḥqīq Tanmiyah Iqtisādīyah Mustadīmah, Majallat Iqtisādiyyāt Shamāl Ifrīqiyyā, Volume 14, Issue 2, 21-36. p. 22.

7. **Increasing value-added:** Vertical diversification enhances forward and backward linkages in the economy because the outputs of one sector become inputs for another sector. Moreover, diversification contributes to job creation and subsequently leads to increased income from production factors and their stability, resulting in the growth of locally and sectorally generated value-added.

Many theoretical and empirical studies have shown that economic diversification and increasing the number of products lead to high growth rates. Countries such as Malaysia, India, Chile, among others, have succeeded in breaking away from under development by making their economies more diversified.<sup>10</sup>

A large number of economists link economic diversification with economic growth, and two intellectual trends explain the relationship between them. The first trend is David Ricardo's theory of comparative advantage, which sees specialization (reduced economic diversification) as a stimulus and source of economic growth. The second trend, supported by various studies, shows that low levels of economic diversification and concentration of production and exports have negative effects on economic growth. Thus, it advocates for increasing economic diversification and avoiding concentration of production and exports in a few products, sectors, and activities.<sup>11</sup>

The second trend is more widely adopted in modern times, as most studies confirm that economic diversification leads to economic growth. Economic diversification increases the productivity of human capital and financial output, leading to higher economic growth rates. It also reduces investment risks by distributing economic activities across several sectors, reducing the risk associated with concentrating investments in a few areas. Furthermore, it lowers unemployment rates by employing human resources in various fields according to their

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<sup>10</sup> Ḥajīrah, 'Abd al-Mun'īm; Mazyān, Sa'īd (2019): *Al-Tanwī' al-Iqtisādī fī al-Jazā'ir: Al-Wāqī', al-Āfāq wa-l-Muḥaddidāt*, Majallat al-Ḥadth lil-Dirāsāt al-Mālīyah wa-l-Iqtisādīyah, Issue 3, 43-69. p. 44.

<sup>11</sup> Ḍayf, Aḥmad; 'Azūz, Aḥmad (2018): *Waqi' al-Tanwī' al-Iqtisādī fī al-Jazā'ir wa Āliyyat Taf'īlih li Taḥqīq Tanmiyah Iqtisādīyah Mustadīmah*, Majallat Iqtisādīyyāt Shamāl Ifrīqiyyā, Volume 14, Issue 2, 21-36. p. 22.

specialties and capabilities, achieving self-sufficiency in goods and services, increasing exports, and improving the pace of development periodically.<sup>12</sup>

In oil-dependent countries like Oman, the importance of economic diversification stems from the necessity of reducing almost total reliance on oil revenues, which are subject to fluctuations in the international economy, making the economy vulnerable to economic fluctuations. Additionally, oil, as a non-renewable resource, necessitates finding new alternative sources of revenue. Diversification leads to the emergence of new products, machinery, and final goods, as well as the introduction of new patterns suitable for environmental conditions, resulting from the adaptation and development of technology, i.e., expanding the technological base and intensifying production networks by opening up new channels (vertical expansion within the same industry) or merging with new activities within the same entity, thus demonstrating horizontal expansion. All of this will undoubtedly support the emergence and growth of new productive institutions, contributing to cost reduction and production quality improvement. Furthermore, diversification creates flexibility in the production system to adapt to economic developments.<sup>13</sup>

From the above, it is evident that economic diversification is a necessary goal pursued by most countries because it gives the economy the flexibility to adapt to conditions. Moreover, it creates various employment opportunities to absorb the workforce and reduce unemployment. Additionally, diversification increases local value-added and gross domestic product through the establishment of new projects that drive economic development in the country.

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<sup>12</sup> Ḥāj Mūsā, Mansūrī; ‘Abd al-Ghanī, Bushrā (2018): *Al-Tanwī‘ al-Iqtisādī ka-Khayār Istrātījī li-l-Numuw al-Iqtisādī: Tajribat Kūrā al-Janūbiyyah Namūdhajan*, Majallat al-Iqtisād wa-Idārat al-I‘māl, Volume 02, Issue 07, 243-256, p. 247.

<sup>13</sup> Jāsim, ‘Abīr Muḥammad; Al-Zahrāh, Suhaylah ‘Abd (2019): *Al-Tanwī‘ al-Iqtisādī fī al-‘Irāq wa-l-Tahaddiyāt al-Rāhinah*, Majallah Kulliyat Baghdād lil-‘Ulūm al-Iqtisādiyah al-Jāmi‘ah, Issue 57, 230-242. pp. 233-234.

## II- The Objectives of Economic Diversification and Its Mechanisms

The primary objective of economic diversification, especially in oil-rich countries, is to create new income-generating sectors that contribute to reducing the total reliance on the oil sector. This is achieved through the implementation of intensive investment programs that leverage available advantages to diversify the production structure, ensuring sustainable development over the long term and mitigating the risks associated with near-total dependence on oil.<sup>14</sup> Nations have pursued economic diversification with the aim of achieving several objectives, as outlined,<sup>15</sup> which include:

1. Reducing economic risk and enhancing the ability to cope with crises and external shocks, such as fluctuations in the prices of raw petroleum materials.
2. Ensuring the continuity of development momentum through the development of diverse and multiple sectors as sources of income.
3. Achieving self-sufficiency in goods and services, increasing exports, reducing imports of consumer goods, providing employment opportunities, and thereby improving the living standards of individuals.
4. Enabling the private sector to play a more significant and crucial role in the economic process and reducing the role of the state and public authorities.<sup>16</sup> adds the following objectives:

III- Building a sustainable economy for current and future generations, moving away from oil while encouraging private sector and foreign investment.

1. Achieving regionally and socially balanced economic development.

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<sup>14</sup> Ḥamīdātū, Naṣr (2019): *Athar al-Istithmār al-'Ajnabī al-Mubāšir 'alā Da'm al-Tanwī' al-Iqtisādī fī al-Duwal al-Naftiyyah Dirāsah Qiyāsiyah li-l-Fatrah 200-2016*, a published PhD thesis, Abdulhamid Ibn Badis University - Mostaganem, Algeria, 331, p. 145.

<sup>15</sup> Al-Ṭawīl, Āsiyā; Qandūz, Fatimah al-Zahrā'; Marrābat, Āsiyā (2021): *Tadā'iyāt al-Iqtisād al-Jazā'iri wa Ḥatmiyyat Istrātijiyat al-Tanwī' al-Iqtisādī mā Ba'd Azmat Jā'iḥah (COVID-19)- Dirāsah Tahliyyah wa Qiyāsiyyah li Ḥalat al-Qiṭa' al-Filāḥī*, Les cahiers du cread, Volume 37, Issue 3, Algeria, 219-249. p. 224.

<sup>16</sup> Ḥamān, ibn 'Abd al-Fattāḥ (2018). *Istrātijiyat al-Tanwī' al-Iqtisādī fī al-Jazā'ir 'alā Daw' Ba'ḍ al-Tajārib al-Dawliyah*, Majallat al-Ijtihād lil-Dirāsāt al-Qānūniyyah wa-l-Iqtisādīyah, Volume 7, Issue 1, p. 332.

2. Stabilizing the public budget by activating other productive sectors.
3. Facilitating the implementation of future plans by providing the necessary funds, local and foreign expertise, administrative institutions, and a supportive social environment.

The objectives of economic diversification vary according to the development levels of different countries. However, the imperative for diversification in countries with mono-economies aims to achieve a set of objectives, as mentioned<sup>17</sup>, which are:

1. Making the country more capable of dealing with global changes in different economic sectors.
2. Developing and enhancing sectors based on their economic returns (cost, yield, and profitability).
3. Assisting the country in achieving economic stability.
4. Contributing to job creation.
5. Diversifying sources of income and production and diversifying sources of foreign currency.

In order to achieve economic diversification, several factors need to be in place, as outlined:<sup>18</sup>

1. **Natural Resources:** These are an important factor in increasing the scope of exports and productive goods by the state.
2. **Government Intervention:** The extent of government intervention in economic activity is an important and preliminary factor in building a favourable environment. The level of government intervention reflects the nature and quality of the activities funded by government spending programs.

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<sup>17</sup> Al-Jariw, Najlāe (2022). Mutatalabāt wa-Istrāṭijīyāt al-Tanwī' al-Iqtisādī fī al-Iqtisād al-Lībī khilāl al-Fatrah (1970-2010), Master thesis, Kulliyat al-Iqtisād, University of Zawia, Libya, p. 72.

<sup>18</sup> Al-Ṭawīl, Āsiyā; Qandūz, Fatimah al-Zahrā'; Marrābat, Āsiyā (2021): Tadā'iyāt al-Iqtisād al-Jazā'iri wa Ḥatmiyyat Istrāṭijiyat al-Tanwī' al-Iqtisādī mā Ba'd Azmat Jā'iḥah (COVID-19)- Dirāsah Tahliliyyah wa Qiyāsiyyah li Ḥalat al-Qiṭa' al-Filāḥī, Les cahiers du cread, Volume 37, Issue 3, Algeria, 219-249. p. 224.

3. **Institutional Capacity and Human Resources:** These elements are of great importance as they play a supportive role in facilitating the supply chain and opening up possibilities for diversification across various basic resources and sectors.
4. **Private Sector:** It plays a crucial role in diversification through the development of innovation and continuous economic activities investment in research and development in new activities. It is always concerned with what is happening in new sectors and brings innovation to the economy.

Additionally,<sup>19</sup> added other determinants and factors for diversification, such as financial factors and overall economic policies (financial and monetary policies, etc.), sectoral policies (agricultural and industrial policies, etc.), overall economic variables (exchange rate, inflation, etc.), institutional factors (governance and security situation, etc.), and the degree of access to global markets. Moreover, the implementation of economic diversification is influenced by other factors such as income and investment levels, new technologies and industrial policies, productivity factors, as well as exports to global markets.<sup>20</sup>

The mechanisms of economic diversification take various forms, as outlined by the researcher, as cited in multiple references related to the subject, particularly by Al-Jariou (2022, pp. 88-89):

1. **Economic Planning for Medium and Long Terms:** Planning involves not only setting goals but also determining the means to achieve these goals. Therefore, policymakers pay greater attention to economic planning as a fundamental mechanism to achieve the goal of economic diversification.
2. **Support for Small and Medium Enterprises:** This is an important avenue for economic growth and a real mechanism of economic diversification, as supported by historical data

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<sup>19</sup> Da'mi, Mohammed (2022): Waqi' Musahamah al-Qatā'at al-Intajiyah fi Tahqīq al-Tanwī' al-Iqtisādī wa Dawruhā fi al-Khurūj min Sifat al-Iqtisād al-Uḥādī fi al-Jazā'ir- Dirāsah Tahlīliyyah li al-Fatrah 2000-2020, Majallat Iqtisādiyyāt Shamāl Ifrīqiyā, Volume 18, Issue 29, 15-42. pp. 18-19.

<sup>20</sup> Qamāt, Kāhinah; Rajrāj, Aḥmad (2020): Athar al-Istithmār al-Siyāhī 'alā al-Tanwī' al-Iqtisādī fi al-Jazā'ir, Majallat al-'Ulūm al-Iqtisādiyyah wa al-Tasyīr wa al-'Ulūm al-Tijāriyyah, Volume 13, Issue 01, 745-759. p. 753.

dating back to the Industrial Revolution in Europe during the twelfth century, where its beginnings relied on small and medium-sized industries.

3. **Shifting the Production Structure towards Exports:** This involves measures and tools of trade policy such as increasing foreign currency reserves, rationalizing the tariff sector, liberalizing trade and removing restrictions, reducing the value of the currency, and facilitating the inflow of foreign capital, primarily aimed at enhancing and diversifying the export structure and thus diversifying the national economy.
4. **Foreign Direct Investment:** Foreign direct investments are among the important mechanisms of economic diversification that require adherence to a long-term plan to improve the investment climate, especially in light of global economic developments and trends such as globalization, the World Trade Organization, and financial services liberalization. Investments are considered essential dynamic elements in economic development.
5. **Emphasis on Scientific Research for the Benefit of Productive Sectors:** Many international experiences that have reached a high level of progress have demonstrated the value of relying on science and its applications in various fields. Hence, many countries around the world are earnestly pursuing the scientific research approach as the safest way to achieve their goals of increasing economic and social growth rates.

Moshrif<sup>21</sup> adds the following to these mechanisms:

1. Transitioning from traditional sectors to promising sectors.
2. Linking public revenues to the production structure and level of foreign trade, such that productive institutions are the primary source of state revenues.
3. Diversifying exports by diversifying the produced and exported goods.

By highlighting the importance and presenting the main objectives of economic diversification, the researcher finds that the significance of economic diversification in the Sultanate of Oman stems from the necessity of reducing reliance on oil and gas revenues due to

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<sup>21</sup> Mushrif, Ashraf (2019): Tajrubah Salṭānah ‘Umān fi Tanwī’ Maṣādir al-Dakhl: al-Durūs al-Mustafādah, Majallat Dirāsāt, Markaz al-Baḥrayn lil-Dirāsāt al-Istirāṭijīyah wa al-Dawlīyah wa al-Ṭāqah, Volume 6, Issue 2, 35-55. , pp. 42-43.

their connection to the external world, making the national economy vulnerable to international economic fluctuations. Moreover, economic diversification will contribute to the emergence of new products, new productive developmental institutions, and the establishment of new projects. All of this helps in expanding the economic base of the country and creating diverse employment opportunities to accommodate the workforce, thereby reducing the unemployment rate.

#### **IV- Justifications for Economic Diversification and Its Forms**

Oil-producing countries face economic challenges represented by a sharp decline in oil prices. Addressing this issue requires serious consideration of this critical situation, which significantly affects the economic situation of countries that excessively rely on oil to finance their expenses, as is the case with Gulf Arab countries. This has provided justifications and motivations for adopting economic diversification according to several theoretical literature. The researcher can highlight the most prominent of these motivations and justifications as presented<sup>22</sup> as follows:

1. Economic diversification leads to mitigating the risks faced by the production structure relying on a single commodity by reducing dependence on this resource.
2. Diversification in economic sectors leads to diversifying sources of income, thereby eliminating the phenomenon of the "Dutch disease" suffered by most oil-producing countries due to increased oil exports.
3. Economic diversification reduces the risk of export decline for countries that rely on a single resource and have a weak level of economic diversification.
4. Sectoral economic diversification contributes to reducing the economic vulnerability caused by reliance on a single export commodity, as opposed to relying on a diverse export base that plays a significant role in generating multiple revenues.

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<sup>22</sup> Al-Shammari, Māyih (2016). Al-Tanwī' al-Iqtisādī fi al-'Irāq, Majallah al-Kuwayt lil-'Ulūm al-Iqtisādiyyah wa al-Idāriyah, University of Wasit, Issue 24. pp. 16-1.

5. Economic diversification creates a more stable external trade sector concerning imports, as oil-producing countries import everything except oil, exposing them to various risks, primarily the cancellation of necessary imports in case of political disputes with countries exporting goods and services.
6. Economic diversification significantly contributes to accommodating and increasing the productivity of human capital (labour).

Furthermore, Bahi and Rouainia<sup>23</sup> added some necessities of economic diversification, including trends in the trade exchange rate, price instability in commodity markets, and depletion of mineral resources.

Moreover, Salima and Al-Hadi<sup>24</sup> contribute a set of characteristics that distinguish economic diversification and make it a necessity for every country: it frees countries from reliance on a single primary commodity, which poses a threat to their economy, especially if this material is a raw material, often having alternatives or a deadline for depletion, or its price and returns are constantly subject to sharp fluctuations. Economic diversification is also a cumulative process that increases the contribution of various economic sectors to output and productivity, ensuring an increase in both quantity and type of production, ultimately leading to self-sufficiency.

The forms of economic diversification vary according to their respective directions, and have been closely defined in several educational literatures, such as the study<sup>25</sup> and the study by Sharaf. The following is an analytical presentation of these forms:

1. Vertical Diversification: This form has two sub-types: Upward Vertical Diversification, which involves the manufacturing of products that serve as semi-finished materials or raw

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<sup>23</sup> Bahi, Moussa; Ruwayniyya, Kamal (2016). Al-Tanwī' al-Iqtisādī ka-Khayār Istrātījī li-Taḥqīq al-Tanmīyah al-Mustadāmah fī al-Bilād al-Naftīyah: Ḥālat al-Bilād al-'Arabiyyah al-Muṣdirrah li-l-Naft, Al-Majallat al-Jazā'iriyyah li-l-Tanmīyah al-Iqtisādīyah, Volume 5. p. 138.

<sup>24</sup> Salima, Tabaibiya; al-Hādī, Larbā (2008). Al-Tanwī' al-Iqtisādī Khiyar Istratiji li Istadamat al-Tanmīyah, Mu'tamar Dawlī Ḥawla: al-Tanmīyah al-Mustadāmah wa al-Kafā'ah al-Istikhdamīyah li al-Mawārid al-Mutāhāh, Kulliyat al-'Ulūm al-Iqtisādīyah wa al-Tijāriyyah wa 'Ulūm al-Tasyīr, Ferhat Abbas University Setif 1, Algeria. (2008, pp. 5-6).

<sup>25</sup> Sharaf, Nūr al-Dīn (2016). Istrātījiyat al-Taṣnī' li Iḥlāl al-Wāridāt ka Madkhal lil-Tanwī' al-Iqtisādī fī al-Jazā'ir, al-Multaqā al-Dawlī: Mutatalabāt Taḥqīq al-Iqlā' al-Iqtisādī fī al-Duwal al-Naftīyah fī Dhil Inhiyār As'ār al-Maḥrūqāt, Jāmi'at Akli Mḥand, al-Būrah, Faculty of Economic, Commercial, and Management Sciences, Algeria. (2016, p. 7).

materials for the production of current goods; and Downward Vertical Diversification, which involves moving towards the production of new products for which the currently manufactured products serve as raw materials.

2. Horizontal Diversification: This form entails creating new opportunities for new products in fields such as mining, energy, and agriculture.
3. Lateral Diversification: It represents entering a new field of activity through the production of new products that are unrelated to current products and target new markets.
4. Comprehensive diversification: Through this form, productive institutions aim to expand their current product range while simultaneously acquiring and penetrating new markets.
5. Geographic Diversification: This involves entering new geographic areas (exporting products) and adapting to the changes in the new production environment.
6. Financial Diversification: This form aims to reduce investment risk by distributing capital across a variety of investment activities, which are unlikely to incur losses simultaneously. Financial diversification may also extend to investing in different regions to avoid the impacts of economic downturns.

Despite the diversity of economic activities and their varying aspects and forms, the levels of economic diversification also vary, as presented by Al-Bakr:<sup>26</sup>

1. Diversification of Production: This relates to increasing productive gains, where institutions may engage in a new activity while continuing the production of their other products to mitigate and spread risk, utilize surpluses in their equipment and overall production capacity, or in pursuit of achieving a higher growth rate.
2. Diversification of Foreign Trade: This process involves the exchange of goods and services between countries, regulated through a set of policies, laws, and regulations concerning two main aspects: exports and imports.

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<sup>26</sup> Al-Bakr, Ahmad (2015). *Taḥādiyāt Tanwī' al-Qā'idah al-Intijājiyyah fī al-Mamlakah al-'Arabiyyah al-Sa'ūdiyyah, Idārat al-Abḥāth al-Iqtisādiyyah, Mu'assasat al-Naqd al-'Arabī al-Sa'ūdī*. (2015, pp. 6-7).

3. Diversification of Competitive Sectors: More diversified economies control products that are less produced on the international level, which enhances and improves the chances of achieving competitive gains.
4. Diversification of Assets: The World Bank's 2011 report introduced a new method for measuring diversification, suggesting dividing a country's assets into three types: natural assets (including land resources like forests and lands), produced assets (encompassing productive capital investments, human capital, and social capital), and intangible assets (referring to national institutions and the rule of law).
5. Market Diversification: Dependence on a single market exposes the economy to risks in case of a demand decrease for its products. To mitigate this risk, markets should be diversified so that if demand decreases in one market, the situation in other markets may be more stable.

The researcher believes that price fluctuations of products are among the most significant risks faced by countries with a single income source. Consequently, economic diversification emerges as a crucial option for organizations, companies, and investors to protect themselves against economic decline resulting from price manipulations. There are various forms of economic diversification available for economic policymakers to choose from, and in most cases, a more diversified production structure is preferable to one reliant on a few primary commodities. The same principle applies to exports; the greater the number of products prepared for export and the more diverse the export destinations, the better the reflection on the country's economy.

## V- Factors of Economic Diversification Success and Hindrances

Empirical studies analysing the drivers of economic diversification have identified the following elements, as mentioned:<sup>27</sup>

1. Economic Reforms: These include trade liberalization and access to finance.

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<sup>27</sup> Ḥamīdātū, Naṣr (2019): *Athar al-Istithmār al-'Ajnabī al-Mubāšīr 'alā Da'm al-Tanwī' al-Iqtīṣādī fī al-Duwal al-Naḥīyah Dirāsah Qiyāsiyah li-l-Fatrah 200-2016*, a published PhD thesis, Abdulhamid Ibn Badis University - Mostaganem, Algeria, 331, p. 145.

2. **Macroeconomic Variables:** Private sector and foreign direct investment play significant roles in diversification.
3. **Structural Factors:** Population size, human capital, institutional quality, etc., where diversity increases with larger and more skilled populations.
4. **Natural Resources:** Particularly, a country's richness in natural resources stimulates diversification.

For economic diversification to be successful and effective, certain factors are pivotal, as articulated by L'aqiqi and Toufik:<sup>28</sup>

1. **Restoring the status of the developmental state:** The role of the developmental state extends beyond achieving high GDP growth rates to fundamentally restructuring the local production structure and its relationship with the global economy. The development process entails qualitative changes in various aspects: changes in production structures, the structure of contributions from different inputs in the production process, and how available resources are allocated and distributed among different sectors.
2. **Activating the Role of the Private Sector:** The private sector, driven primarily by profit and continuity, continuously seeks ways to expand production efficiently and with high quality to meet both domestic and international market demands.
3. **Economic Reform Programs:** These serve as a key driver for diversification, encompassing financial, monetary, and trade aspects that all propel economic diversification.
4. **Small and Medium Enterprises (SMEs):** They constitute an important avenue for economic growth and diversification by offering products to both domestic and foreign markets, reducing reliance on imports and boosting exports.

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<sup>28</sup> Drājī, La'qīqī; Tawfīq, Bin al-Shaykh (2017). *Tatwīr al-Qiṭā' al-Khāṣ bi-Ta'zīz al-Tanwī' al-Iqtisādī fī al-Jazā'ir*, A research paper presented within the framework of the National Forum on Algerian Institutions and Economic Diversification Strategies in the Face of Oil Price Collapse, *Majallat al-Dirāsāt al-Mālīyah wa-l-Muḥāṣabah wa-l-Idāriyah*, Volume 4, Issue 1, pages 585-600.

5. **Effective Utilization of Renewable Energy Sources:** The new economy relies on renewable energy sources such as solar energy and hydroelectric power, among others, which necessitate technological advancements and adaptation.
6. **Foreign Direct Investment (FDI):** With increasing interdependence in the global economic structure, a purely domestic industry is practically difficult to sustain. Hence, expanding foreign direct investments is vital for creating integrated production systems in recipient countries, expanding markets, diversifying products, and restructuring economies to enhance performance.

Given the importance of economic diversification, it has become a significant research focus, as well as the primary economic goal pursued by many countries worldwide. However, there are obstacles hindering progress towards economic diversification, particularly for mono-economies such as oil-producing nations. A mono-economy model hampers the pace of economic diversification, necessitating more substantial efforts to overcome challenges. The most significant obstacles include:<sup>29</sup>

1. Political instability in some countries, diverting substantial financial resources towards maintaining security rather than funding diversification and economic growth projects.
2. Lack of a local technological base and challenges in technology transfer and localization.
3. Scarcity of agricultural resources and natural water resources in some countries, limiting opportunities to enhance the role of the agricultural sector in economic diversification.
4. Inadequate availability of trained and qualified local human resources, coupled with excessive reliance on foreign labour, especially given the high costs of skilled labour.
5. Decline in capital markets in many countries, limiting their role and potential in financing diversification projects in both the public and private sectors.
6. Restrictions imposed on foreign investment and the absence of a conducive climate and legal guarantees for such investment.

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<sup>29</sup> Marzūqī, Rīm (2017). *Al-Tanwī' al-Iqtisādī ka Khiyar Istratiji li Tahqīq al-Tanmiyah al-Mustadāmah, Dirāsah Ḥālat al-Tajārib al-Dawlīyah Khilāl al-Fatrah (1998-2015)*, Master thesis, Ma'had al-'Ulūm al-Iqtisādiyyah al-Tijāriyyah wa 'Ulūm al-Tasyīr, Abdulhafid Boussouf University Center, Mila, Algeria 2017, p. 24.

7. Lack of significant alignment between the quality of education outputs and the national economy's labour needs (a challenge faced by mono-economies).
8. Failure of economic diversification schemes - declared as a strategic goal in oil-producing countries since the 1970s - due to weak structural transformations in these countries.

The researcher views the absence of political stability and its resultant security concerns as among the most critical factors affecting economic diversification. This situation diverts significant financial resources away from productive and developmental projects.

## **VI- Economic Diversification in the Sultanate of Oman**

The Omani economy is classified as rentier, relying primarily on a single source of national income, which is the oil and natural gas sector. This sector, being a natural resource, often produces and sells in its crude form, without the need for complex production mechanisms or advanced transformative processes. This resource is classified as an external rent due to the significant difference between its production cost and selling price in global markets. Before the discovery of oil, the Omani economy relied on natural resources such as agriculture and fishing. Since 1967, oil and gas have been discovered in the Sultanate, becoming the main sources of income.<sup>30</sup>

The Sultanate of Oman is among the first Gulf countries to diligently seek to diversify its national income sources, understanding that oil is depletable, which could expose its economy to the risks of unsustainability. One of the forms of these efforts undertaken by Oman is the launch of the Ministry of Economy in collaboration with the Implementation Monitoring Unit of Oman Vision 2040, the National Economic Diversification Program "Tanwee" as one of the components of the Tenth Five-Year Plan (2021/2025). Its aim is to accelerate the achievement of the specified targets for economic diversification in the plan. The "Tanwee" program includes a number of proposed policies and measures to accelerate the pace of economic diversification in Oman,

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<sup>30</sup> Mushrif, Ashraf (2019): Tajribah Saṭānah 'Umān fī Tanwī' Maṣādir al-Dakhl: al-Durūs al-Mustafādah, Majallat Dirāsāt, Markaz al-Baḥrayn lil-Dirāsāt al-Istirāṭijyah wa al-Dawliyah wa al-Ṭāqah, Volume 6, Issue 2, 35-55, pp. 42-43.

focusing on strengthening forward and backward linkages between economic sectors to expand the productive and export base and enable economic sectors to contribute to non-oil revenues.

The program operates on two fronts: a planning front focusing on framing initiatives, studies, integration research with other national programs, conducting financial and economic analyses, and developing a risk management system. The other front is executive, working with institutions related to the main economic diversification sectors identified, namely mining, transportation, logistics, food security, and tourism. The program has developed a set of key initiatives within its framework, including benchmarking global models in economic diversification, analysing urban strategy from an economic perspective, developing an economic modelling framework, analysing supply chains based on natural resources, value-added, and geographical dimension. The program is expected to produce general policies for economic diversification, targeted incentive packages, and the development of detailed national indicators through a dashboard for planning indicators. It is noted that the current tools being developed by the program will enable a transformation in monitoring efforts of economic diversification to be connected with stimulus packages and sectoral reform and regulatory policies.

This program aligns with the Tenth Five-Year Plan to prioritize achieving the targeted proportions in sectors such as mining, tourism, manufacturing, transportation, logistics, and food security. It is noted that the program is currently working on aligning all strategies, including sectoral and urban, and national goals in the Tenth Five-Year Plan and "Oman Vision 2040" to end with the conclusion of the plan by the end of 2025. It is concerned with addressing the economic challenges facing economic diversification sectors and finding solutions and mechanisms for their implementation to accelerate the achievement of the orientations and objectives of the Tenth Five-Year Plan (Athir Newspaper, 2023).

This project was launched in 2016, and the areas aimed at supporting oil production are: industry, tourism, logistics, mining, agriculture, and fishing, in addition to other auxiliary sectors. It is worth mentioning here that Oman benefited from Malaysia's experience in this field by

building a sophisticated governance system to manage it, and identifying new projects that can contribute to increasing national income sources.<sup>31</sup>

Through the foregoing, the researcher finds that the National Economic Diversification Program is an extension of economic diversification initiatives over the previous five-year plans. The program aims to address the economic challenges facing economic diversification sectors to accelerate the achievement of the orientations and objectives of the Tenth Five-Year Plan in line with achieving Oman Vision 2040.

The Omani experience in diversifying income sources has been highly institutionalized, following a long-term strategy. The state can play a leading role in designing a political and strategic framework that can reduce reliance on oil and gas in financing the public budget. This allows the state to play a supervisory and executive role in partnership with the private sector to bring about a structural transformation in the economy leading to more sustainable economic development beyond achieving short-term profits.<sup>32</sup>

## VII- Economic Diversification in Oman Vision 2040<sup>33</sup>

Countries aspire to achieve the best global rankings according to sustainable development indicators, which is a process of developing land, cities, and communities, as well as businesses, provided that they meet present needs without compromising the ability of future generations to meet their needs. Oman Vision 2040 is considered the gateway for the Sultanate of Oman to overcome challenges, keep pace with regional and global changes, harness available opportunities, and generate new ones to enhance economic competitiveness, social well-being, and stimulate confidence in economic, social, and developmental relations in all governorates of the Sultanate.

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<sup>31</sup> Mushrif, Ashraf (2019): *Tajrubah Salṭānah ‘Umān fī Tanwī’ Maṣādir al-Dakhl: al-Durūs al-Mustafādah*, Majallat Dirāsāt, Markaz al-Baḥrayn lil-Dirāsāt al-Istirāṭijyah wa al-Dawliyah wa al-Ṭāqah, Volume 6, Issue 2, 35-55, pp. 42-43 p. 46.

<sup>32</sup> Mushrif, Ashraf (2019): *Tajrubah Salṭānah ‘Umān fī Tanwī’ Maṣādir al-Dakhl: al-Durūs al-Mustafādah*, Majallat Dirāsāt, Markaz al-Baḥrayn lil-Dirāsāt al-Istirāṭijyah wa al-Dawliyah wa al-Ṭāqah, Volume 6, Issue 2, 35-55, pp. 42-43 p. 46.

<sup>33</sup> All the information in the paragraph is from the main reference, which is Oman Vision 2040.

Oman Vision 2040 aims to increase the percentage of Omani citizens employed in the private sector to 42% by 2040 and increase foreign investment to 10% of the gross domestic product. The vision has set three main axes, including the economy and development. Also, it prioritizes establishing a dynamic economic leadership and management with renewable competencies operating within an integrated institutional framework, serving as an enabling reference for economic affairs. It aims to achieve economic development goals, social justice, and environmental protection. The economic leadership will be effective with binding authorities, clear tasks, and rapid response to developmental needs according to specific performance indicators.

Based on the above, we note that Oman Vision 2040 aims to establish a diverse and sustainable economy based on development, knowledge, and innovation, with integrated and competitive frameworks, accommodating industrial revolutions and achieving financial sustainability. It aims for a competitive, diverse, and integrated economy based on future foresight, innovation, and entrepreneurship, with enlightened, integrated, and sustainable financial, monetary, and economic policies and budgets effectively utilizing public revenues.

Also, among the priorities of Oman Vision 2040 is to create an attractive job market for competencies, responsive and in line with demographic, economic, knowledge, and technological changes. The labour market should be distinguished by skilled and highly productive human resources, a positive work culture, capable of attracting skilled labour within clear recruitment policies and criteria, and a system of employment, qualification, promotions, and incentives based on efficiency and productivity, nurturing initiative and innovation. Oman Vision 2040 aims to create a capable private sector leading a competitive and integrated economy with the global economy, providing a competitive and attractive business environment for investment, where the government exercises regulatory roles associated with efficiency and successful administrative smoothness, and establishes an effective partnership between the public and private sectors to improve productivity and establish a governance framework regulating privatization of projects and public services (Oman Vision, 2040).

Thus, we find that Oman Vision 2040 is a national project aimed at preparing a promising future vision that anticipates the future and seeks further development and achievements through

an ambitious working system involving all segments and spectra of society to define future goals for the Sultanate and outline the roadmap for action, implementation mechanisms, and thinking until the year 2040.

### **VIII- The National Program for Enhancing Economic Diversification (Tanfid) in the Sultanate of Oman**

Given the accelerating pace of economic, financial, and social challenges facing the Sultanate of Oman in diversifying national income sources and achieving the goals of the Ninth Five-Year Development Plan (2016-2020), the Sultanate has developed a qualitative initiative to address these changes. Hence emerged the National Program for Enhancing Economic Diversification "Tanfid," where the program identified the challenges and difficulties faced by government, private, and civil entities in achieving the goals of the Ninth Five-Year Development Plan. It developed a detailed roadmap with the participation of various segments of society to implement solutions and monitor their progress.

The National Program for Enhancing Economic Diversification " Tanfid " came as a national initiative executed within the framework of the Ninth Five-Year Plan (2016-2020) in collaboration with Malaysia's Performance and Execution Management Unit (PEMANDU), maximizing the benefit from the infrastructure built during the previous successive five-year plans. The focus was on the targeted key sectors within the current economic diversification program as defined by the Royal Decree No. 1/2016, which includes manufacturing industries, tourism, transportation, logistics services, mining, and fisheries.

" Tanfid " focused on increasing the contribution of these sectors to the Sultanate's gross domestic product (GDP) and boosting investments in promising sectors and job opportunities. Considering the importance of identifying priorities for the next phase while completing the efforts made by various relevant authorities, the National Program for Enhancing Economic Diversification " Tanfid " played a pivotal role in bridging different strategies for the targeted sectors, in addition to providing a platform for sustainable partnership between the government and private sectors to serve the community.

The next phase, known as the laboratories, followed the phase of identifying the orientations that began at the beginning of the year. The program is executed in several stages, benefiting from the results of each stage in the subsequent one. It starts with the sectors of manufacturing industries, tourism, logistics, finance, innovative finance, employment, and labour market as possible sectors. The subsequent phase includes mining, fisheries, and linking the five main sectors outlined in the plan.

The objectives of " Tanfid " are to accelerate the implementation pace in the field of economic diversification, assist the government in benefiting from the best successful practices in social and economic planning, utilize its budgets in projects with economic returns and added value, providing permanent opportunities for citizens, achieving the specified goals, programs, and policies for economic diversification in the Ninth Five-Year Plan, in addition to developing a clear and rigorous plan to increase foreign and domestic investments in the Sultanate, enabling it to enhance competitiveness in various social and economic indicators. Moreover, it aims to assist relevant entities in implementing their projects and plans according to the best practices, improving efficiency, bridging cooperation and participation among all relevant parties, setting specific measurement indicators and goals, precise monitoring and implementation mechanism, and determining a percentage of non-governmental capital investments of not less than 80% to finance initiatives of the main sectors of the program and increase the Sultanate's gross domestic product.

### **Conclusions and Recommendations**

Through the preceding analysis, it is evident that the process of economic diversification is one of the principal domestic sources capable of bolstering a nation's competitiveness on a global scale. It entails the development of productive and service sectors such as agriculture, industry, and tourism, thereby creating a diversified and balanced gross domestic product and reducing dependence on a single sector. Economic diversification is a strategic goal for most countries, providing internal economic stability and shielding the economy from external shocks amid global crises.

In the Sultanate of Oman, economic diversification has been a fundamental issue in the path of development pursued by the Sultanate, charting its course within the Oman Vision 2040. The primary goal was to reduce dependence on the oil and gas sector, create other supportive core sectors for the Omani economy, expand investment opportunities, and strengthen reliance on the private sector, thereby contributing to balanced development.

Based on the analysis and findings of this study, the researcher proposes the following:

- Accelerate the process of economic diversification during periods of economic prosperity in the Sultanate and invest the abundant oil revenues in developing other sectors.
- The necessity for the Sultanate of Oman to benefit from the experiences of other countries regarding economic diversification policies, especially those countries that share similar characteristics, such as Malaysia and Indonesia, etc.
- Encourage the private sector to participate in diversifying investments.
- Periodically re-evaluate diversification policies and their development to address any shortcomings.
- Provide the necessary infrastructure to facilitate the acceleration of the economic diversification process.
- Build a strong industrial base and productive sectors that are efficient, competitive, and serve as a primary source of national income.
- Focus on developing promising economic sectors.

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