

Comments on Oman's diversification efforts in Times of Oman, 10 Dec 2016

The original article titled "[Oman should diversify even if oil price goes sky high](#)" was published on 10th December 2016 in Times of Oman; comments highlighted below.

Oman should diversify even if oil price goes sky high

Oman must not become complacent in times of recovering oil prices and instead actively pursue its diversification process, says an advisor at the International Monetary Fund (IMF).

Nasser Saidi, a member of the IMF regional advisory group in MENA, said that any delay in diversification would be a mistake.

A planned OPEC choke back on production globally has seen oil prices rally in recent days. The minister of oil and gas said Oman would stand by OPEC and make cuts in production to meet an agreed 1.2 million barrels a day drop.

That pushed the price of oil over the \$50 a barrel mark for the first time this year and it has continued to rise as confidence grows that OPEC and non-OPEC members will abide by the production cut. Oman has recognised the need to diversify away from dependence on oil and gas for future prosperity.

It launched a programme called Tanfeedh to target specific sectors like tourism and finance to build a roadmap to a future not dependent on crude.

A series of labs delivered 121 proposals last month designed to ease doing business in Oman, kick-start national industries and invest in tourism.

But there are fears that the rising oil price may lead to complacency in driving forward the non-oil agenda.

Nasser Saidi, Member of IMF regional advisory group and OECD MENA, cautioned against complacency.

"I expect the oil price rebound to be temporary. The OPEC decision requires discipline and commitment by all members which will be difficult to achieve in a time-consistent manner: as prices rise, members of OPEC as well as non-OPEC members will have an incentive to increase production in order to benefit from the higher prices.

"This will then lead to additional supplies which will depress prices. In addition, there is no reason why non-OPEC members such as Russia or Mexico should abide by the OPEC decision to cut output. More important is that shale oil producers in North America and elsewhere will come back into the market at higher prices: they will act as the marginal producers. OPEC can no longer control oil price dynamics and the oil market as it did in earlier decades. In addition, renewable energy, such as wind and solar, is increasingly competitive and a direct alternative source of energy, reducing demand for fossil fuels.

"The decision to diversify economic activity should be pursued even if there is a part recovery of oil prices.

"Clearly there will be some voices arguing to delay diversification efforts and the pain of economic transition and adjustment. This would be a policy mistake. It is preferable to continue diversification, sell oil at the temporarily higher prices and use the proceeds for investment in new, job-creating, productivity growth increasing, activities.

"Over the medium term businesses and people will benefit from increased diversification as there will be new opportunities for trade in goods and services, demand for new skills, growth of more knowledge-based activities and greater macroeconomic stability rather than the stop-go economic cycle resulting from volatile oil prices."