

Speech of the Omani Economic Association

For the inauguration ceremony of the Association's Sixth Conference

Sustainable Development and Equity; Between Planning and Reality

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Delivered by

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In the Name of God the Merciful

Praise be to Allah and peace and blessings be upon His Prophet Muhammad and upon his family and all companions.

Honoured Excellencies, Chairmen and members of the Gulf Economic Associations and representatives of professional associations in Oman, the media and representatives from our sponsors.

Brothers and Sisters, guests, Ladies and Gentlemen

Peace be upon you and God's mercy and blessings

We are pleased to welcome you to the Sixth Conference of the Omani Economic Association held under the title Sustainable Development between Planning and Reality. I would like to state that this vision had become clear since the beginning of Oman's First Five Year Plan, with the challenges facing the Sultanate's Economy coming from relying on oil resources and which could be bypassed by diversification of sources of income, encouraging investment in projects, manufacturing and mining, agriculture and fisheries, and export projects as well as other development goals including maintaining achievements reached, human resource development, private sector development, and the achievement of sustainable development. These could all be directly linked to the diversification of sources of income, with the government seeking to reduce dependence on oil resources and to diversify sources of income as these resources are not renewable and depend on the price of oil and the volume of production. Also, if oil prices were to fall or production reduce, it would directly affect economic growth, so adversely affecting the economy. Diversification of the production base has become the primary objective in all previous five year plans, from the first to the current 8th plan, as well as the future vision of the Omani economy by 2020.

There is no doubt that the concept of diversification of the economic base, according to the perspective of planners, was clear and representative of objectives within the development of the industrial sector and other non-oil productive activities, including technical sectors, a knowledge-based economy and entrepreneurship and innovation. However, according to available data, these plans did not recognise the necessary mechanisms that would bridge the long term strategic development objectives with each five year plan and respective annual budget plans, all characterised by weakness of measuring tools. They have been unable to determine which sectors are leading the economy including size and extent of structure interdependence with the economy, as well as determine the roles necessary for integration of the public sector with the private sector, nor put in place modeling and policies required to achieve diversification while identifying the scope of elements and indicators needed to implement mechanisms and a workable timeframe for those implementations.

When the first five-year plan was prepared and adopted in 1976, the percentage contribution of oil revenues was approximately 80% of the Sultanate's budget. In the eighth five-year plan adopted in 2011, the contribution of oil and gas revenues remained as it was in the First Five Year Plan despite the increase in the value of revenue of over 1340% during that same period. There is no doubt that a lot has been done in the development field during the last period, such as doubling the expected life span of individuals, the significant improvement in the standard of living of citizens, as well as the achievements of urban roads that pervade our cities. What can be seen of progress could only have contributed to the investments made in the development of our human resources and of educational and cognitive accumulations throughout the past years.

To achieve developmental sustainability, we must realise the reasons for our failures in economic diversification, and analyse things according to economic theories that can then help distinguish between increasing society's capacity to produce more wealth and natural resource extraction and consumption. Economies that depend on natural resources in the absence of domestic value cannot achieve development. We must closely follow the changes expected in the coming years, whether it be at the level of our oil production and reserves or the vast changes expected to global markets at both economic and political levels and see how they affect us. Where data has indicated that U.S. production of oil at the end of last year reached about 7 million barrels per day, the highest production since 1992, this production will cover 83% of its needs. The International Energy Agency expects U.S. production to exceed Saudi production in 2020 due to technological advances that have made it possible to extract oil from incubated rocks at an economical cost, ranging between 44 to 68 dollars per barrel. There are also reserves similar to those incubated rocks for oil production in South Africa, China and Argentina, and while the Canadian government is making great efforts to develop the technology to be able to exploit oily sand, which it has in large quantities, other efforts are being made to develop a process to extract heavy oil from the deep waters of Brazil and Venezuela. In addition, the world is witnessing other developments in oil production from traditional sources and it is expected that certain countries, including Iraq, Libya, Nigeria, Iran and Kuwait, will significantly increase their production rates and all these will contribute, without taking into account scientific development in the production of alternative resources of energy, to adding more than 49 million barrels per day by 2020 to the current production capacity , or more than half the current production.

Analyses indicate that political factors in the region, especially those seen from political movements, and production reduction of Canada, the North Sea and Brazil, in addition to political and security problems in the region, all contributed to the stability of current prices. Unfortunately these will not last and might be reduced, representing a major challenge for countries of the region were some will not be able to bridge the gap between income and expenditure. At the same time, if the United States reduces its dependency on the region's oil, avoiding the economic problems of the area would lead to a re-evaluation of its position in the region and whether it could still be considered a strategic partner, the consequences of which would lead us to a subject worth studying.

Today, at a time when biological transformations, genetic engineering, and the revolution in information and media represent the most important elements of progress and competition, those who govern these would be able to outperform other nations and sit high on the competition ladder. We find that our countries still occupy lower degrees on the Human Development Index, and still suffer from weak social, economic and educational structures - with consequences such as poverty, unemployment and low level of education. We are still looking for effective state management systems that our countries should follow where previously we did not establish a basis of good governance to build economic systems that allow society to launch individual creativity and competitive initiatives, noting that we have not been able to improve our level in International Development Indicators and are falling back in other indicators, not because of the deteriorating levels of our performance, but because of standing still while others have improved. Sadly, at the same time, categorisation, according to a report issued by Transparency International recently ranked countries whose governments had failed in the fight against corruption in armaments and defense deals among countries ranked at the degree of "defensive corruption level six". This report arranged the degree of corruption in this field at seven levels, ranging from "low risk" to "extreme high defensive corruption" which is "defensive corruption level seven". The Sultanate came in at the level of "very high risk", next to its sister countries in the region; Bahrain, Iraq, Morocco, Tunisia, Qatar and Saudi Arabia.

Ladies and Gentlemen

Economic theories have evolved since the beginning of the industrial revolution in Europe in the mid-eighteenth century, when Adam Smith wrote "The Wealth of Nations" in which he saw life based on self-interests with a mysterious hand driving markets to balance between supply and demand. Establishing his classical theory and strongly defending the absolute freedom of markets, as well as opposing any form of government intervention, he considered that the benefit of the nation is based on the total sum of individual freedom and unrestrained benefits. This classical theory has resulted in the control of capitalists on work elements while maximising profits and exploiting workers. In the nineteenth century a new school emerged leaning towards maintaining work elements apart from capital accounts. These writings of Karl Marx: "The Communist Manifesto", then his book "Das Kapital", published after his death at the end of the nineteenth century, contained his school of thought whereby belief was on central and detailed planning and predicting the fall of capitalism. This had already happened by 1929 after the Great Recession had been witnessed in Europe, resulting in the appearance of a new school, known as "Keynesian" that sought to develop a capitalist system and emphasised the importance of freedom in economic activity with the need for state intervention through fiscal policy by spending and taxes during crisis, and to reduce its role during periods of recovery. The Keynesian policies played a major role in reducing damage caused by the global financial crisis in 2008.

It is almost a century since the publication "The Great Transformation" was released by U.S. political economist Karl Polanyi, and then several decades later, Paul Baran, in his book "The Political Economy of Growth", found that the economic transformation of society is only one facet of the many facets of social and political development. After years of both unsuccessful and successful experiments, the World Bank and several other UN Agencies had been influenced by ideas embraced by the U.S. economic professor Douglas North, who won a Nobel Prize after writing "Institutions, institutional change and economic performance", coming to the conclusion that success of development plans and economic growth depends on political, social and administrative reforms, known simply as "good governance" or "governance".

New economic literature stresses inevitable systems success when able to provide an environment of basic political, intellectual and economic freedoms, characterised by decentralisation and contribution of society at district level and civil society institutions, and believes that good governance is the guarantor to convert economic growth to sustainable human development. Success and failure can be measured by goals achieved through the understanding of the level of real growth in GDP, the private sector contribution of that growth, the real number of jobs provided to citizens, the contributions of private sector exports of goods and services in excess of the balance of payments, and the percentage decline in oil revenues in the funding of public finance.

The ultimate objectives of sustainable development can only come from fulfilling certain conditions such as poverty eradication, changing unsustainable consumption and production patterns to those that are sustainable as well as protection of the natural resource base for economic development and social management. It would be impossible to talk about development without specifying how it would deal with the problem of poverty, unemployment, and achieve equality and social justice, as justice and participation are some of the main elements of sustainable development and economic growth requiring political stability and which are not achieved in a society that lacks justice and equity with large variations between classes. The production base cannot be improved and an increase in the aggregate demand would not take place in an economy were the majority of families have weak purchasing power, so clear goals need to be set to improve its people's income in order to achieve

growth and stability. This should continuously be measured via statistical tools, and participation must flow side by side with fairness because the goal is not to redistribute wealth from one group to another without increasing production, but rather to increase National wealth by enabling participation in growth to obtain a fair share of wealth.

Development responsibility is much larger than can be accepted by one party and requires separation between overlapping and duplication of functions, an understanding of the relationship between state and government as the government is not the state and the state is not the government. Indeed, the government, in all of its units, is only one of the components of the state, as is the case with other components such as the legislative, judiciary, private, academic, media and civil sectors, with each sector taking responsibility for the implementation of his duties in accordance with the general policy of the state and responsible for successes and failures.

Internationally, with the deadline of millennium development targets approaching, the United Nations has begun to develop new targets for the years following 2015. Local and regional situations have changed radically from what they were when preparing the future vision for Oman 2020. If we want to spare ourselves more problems we must honour Future Vision Oman 2020 and put it to an early retirement because it will not be able to maintain the restructuring of the Omani economy and will not withstand the challenges ahead and provide the 470 thousand jobs for its citizens looking for work - that being the number who will enter the labour market for the first time during the period from now until 2020. For us not to be left behind, we must immediately start drawing a new agenda for the development with set tracks that we have to go through, starting with the next five-year plan, with a central core being "The Oman that we want". By efficiently evaluating our practices, determining our future choices, and discovering where our competitiveness lies, we can rethink how to manage our national economy and correct some of the basic concepts and practices currently prevailing, such as: -

First - economic diversification

Some believe it is impossible to diversify economies of the Gulf States and reduce dependence on the oil and gas sector as a dominant productive sector for economic reasons related to the nature of respective economic structures characterised by high production efficiency. This vision is based on the belief that the Gulf States do not suffer from an economic problem, as the term stands, with long duration economic growth, but face development problems by a broader definition of development with the most important aspects including the management process of equitable distribution of petroleum wealth and distribution of income generated by that wealth. If we accept the validity of this theory, then it is time to face the truth, rework our development goals and make substantial amendments to the general framework of the five-year plans to be established for the post-oil era.

Second: - Arabic

In economy, language is not considered a cultural heritage that should be maintained as it has two important roles in economy. It is regarded as a tool in the process of economic and social development and at the same time it should be considered as an industry and commodity which can be perfectly utilised to contribute towards the development process. Our language can be considered as one of the most important sources of economic diversification that we have and one of the leading sectors in the Sultanate, providing a plethora of jobs where initiatives are made available to support such industry backed by legislations governing it. It is regrettable that we find we do not have a strategy nor policies for utilising the Arabic language, knowing that creative and cultural industries (based on local language) enabled diversification of many economies for a number of countries, increased their

proportion of exports and provided millions of jobs, where an increase in the contribution of cultural industries in the GDP in the Netherlands, Sweden Britain, Poland, Finland, Denmark, Latvia and Lithuania exceeded the contribution of other industrial sectors including food industries, construction and IT sectors.

Third: - nationalisation policies

Unfortunately, we, in all GCC countries, use policies such as Omanisation, Saudisation, Kuwaitisation, Bahrainisation, Qatarisation and Emiratisation, giving the feeling like we are a minority in our own country or "Red Indian" asking for quotas that are generously provided from the labour market. Reform of this labour market must begin by finding an appropriate environment that ensures provision of work opportunities for its citizens and the deletion of those terms were work is to be originally provided to citizens allowing the possibility of a share in every sector for foreign workers that does not exceed specified percentages for the expatriate workforce but not for the citizens.

Fourth: Specialisation

In all successful economic sectors, we find that the responsibility for these sectors is reliant on specialised qualifications in respective fields of work. If we want to establish new laws we seek law experts, if we want to conduct heart surgeries we seek physicians, if we want to create bridges we seek engineers, and so on. However, when developing economic plans we do not find economists in the Supreme Council for Development and by that we measure the consequences of their decisions as would result from bringing an unqualified person to perform medical surgeries. This is why I have emphasised, in my speech on the development of economic theories, to confirm that economics are a standalone science and decisions must be driven by specialists in the field of economics.

As a final word, we would like to extend our welcome and thanks to our guests who may have taken great efforts to travel here to participate in this conference. We would also like to thank our partners; the Gulf Economic Association, our directors and members of the Emirati Trade and Economic Association, the Bahraini Economic Association, the Saudi Economic Association and the Kuwait Economic Association that all participated with us at this conference.

Thanks also go out to the brothers and sisters who will present important papers that are linked to the conference agenda: -

Dr. Ali Abdulkadir Ali: Director of Research of the Arab Centre for Research and Policy Studies - Qatar

Dr. Roula Majdalani representing HE Dr. Rima Khalaf, Under-Secretary-General of the United Nations and Executive Secretary of the United Nations Economic and Social Commission for Western Asia, ESCWA.

Dr. Hussein Talafhaa: Arab Planning Institute - Kuwait

Dr. Antwan Mansour: Economic Consultant for International Agencies (UNDP - ILO - EC- ESWA)

Dr. Mohammed Mrayati: Senior Advisor for Science and Technology - the United Nations - GTZ

Dr. Abdullah Sadiq: Head of Business Unit and Finance Studies within Deanship of Scientific Research - University of Bahrain

Dr. Carl Opset: Editor of the UN System of International Environmental and Economic Accounts - Australia

Dr. Musa Shteivi: Director of the Center for Strategic Studies - University of Jordan

Dr. Walid Al Dgaily: Head of Energy Department in the Sustainable Development and Productivity Management (ESCWA)

Dr. Hatem Ben Bakhit Al Shanfari: Vice President of the Omani Economic Association

Dr. Maryam bint Belarb Al Nabhani: expert in UNESCO and ALECSO

Dr. Mehdi Jaffer: Vice President of Omani Environmental Society

Dr. Abdullah Al-Badi: Faculty of Engineering - Sultan Qaboos University

We also wish to thank the sponsors of this conference, our media sponsors and our media correspondence colleagues.

I would like to reiterate that the Omani Economic Association does not involve any employee nor pays any wages or salaries. All its functions are performed freely by the Board of Directors and members, serving on a voluntary basis without any financial return, but seeking to exercise their activities in a professional and methodological way as part of the association framework by being active partners in the overall development of the country. I would like to extend my sincere thanks and appreciation to my colleagues from the Omani Economic Association and volunteers for their efforts to ensure the success of this conference.

We wish to also thank all the participants in this conference.

Distinguished Guests, we are happy to note your presence among us in our beautiful and peaceful country, Oman, and look forward to benefiting from your experience and vision on the challenges of development planning. We hope to contribute to this conference with ideas to determine root causes of the problems highlighted, and to consider alternatives that would provide sustained economic growth, hoping that our efforts gain success.

Peace be upon you and God's mercy and blessings.