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Research Article

Enhancing Economic Competitiveness in Oman: Path for Sustainable Growth

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ABSTRACT

Oman has achieved remarkable economic growth since the beginning of the new reissuance. In 1970, Oman moved to modernisation with the periodic five-year economic plan, which started in 1976. Currently, Oman is at the eleventh five-year plan. In addition, Oman Vision 2020 contributed to bringing Oman to its current state despite the deficiencies facing all plans and visions. This situation again triggered aspiring goals in Oman's 2040 vision that aims to move Oman to a non-oil-dependent economy and sustain a good level of economic growth. The over-reliance of Oman on its oil sector resulted in vulnerabilities, limiting its long-term competitiveness and economic diversification. This article summarises the various concepts of economic competitiveness, provides a wide overview of Oman's economic situation, explores the economic plans and visions used in Oman's economy, and tries to build a conceptual framework by studying journal articles about Oman's economic competitiveness, growth, and sustainability. The findings reveal that governance reforms, diversification into non-oil sectors, and improvements in human capital heavily influence Oman's economic competitiveness. However, challenges such as regulatory inefficiencies and reliance on oil revenue persist as major barriers. It recommends strategic approaches to improve governance, innovation, and workforce capabilities to enhance the country's global economic competitiveness. The implications of this study for different stakeholders are to focus on policy development, expansion by diversifying FDIs, human capital development, quality strategic planning, and execution. Recommendations for future studies to explore sector-specific competitiveness, comparing Oman to other oil-rich economies, such as Norway pursuing diversification policies may provide insights into best practices.

Keywords: Economic Competitiveness, Sustainability, Economic Growth, Five-year economic plan.

INTRODUCTION

Economic competitiveness is one of the most integral aspects for countries as it can decide a country's superiority over another. The connection between the economic growth of a nation and its competitiveness is intricate and intertwined. Economic competitiveness (EC) is the capacity of a country to draw and hold on to investments, generate employment, and maintain greater living standards for its people (Syromyatnikov et al., 2021; Bruneckienė et al., 2023). As for economic growth, it is the gradual rise in GDP that translates into the development of its economy. A competitive economy has better economic growth and, hence, a greater GDP per capita, which brings better welfare and well-being for its citizens (Alsaleh et al., 2020). Porter (2008) defined a nation's competitive advantage as its capacity to entice firms (both local and foreign) to use the country as a platform to conduct business. The competitiveness of a nation depends on the capacity of its industry to innovate and upgrade. Countries gain an advantage against the world's best competitors based on how they respond to pressure and challenges. The differences in national values, culture, economic structures, institutions, and histories can contribute to competitive success (Porter, 1990; Syromyatnikov et al., 2021).

Oman is a developing country that experienced significant change after discovering oil and gas and started its new reissuance in 1970. However, Oman is facing severe economic issues as oil prices have fluctuated since 2014, even reaching the worst price per barrel in this decade. Moreover, Oman's oil-based economy faced huge economic difficulties that amounted to a historical national debt (Katzman, 2019). Thus, the government of Oman strived to diversify the economy, but their efforts were still not paying off, as illustrated by the explanation later in this article. The Global Competitiveness Report (2019) ranked Oman 53rd out of 141 countries compared to 25th for its neighbour UAE in the same year. In addition, Oman scored extremely low in some critical indicators, such as conflict of interest regulation at 8th position and debt dynamics at 139th position. For the Corruption Perceptions Index, Oman scored 54 in the 28th position and the 13th out of 180 countries in 2020. This ranking indicates that Oman has a long way to go to eliminate corruption in the public sector. Moreover, a huge increase has been observed in foreign direct investment (FDI) going to GCC countries. However, 80% of inflows go to UAE and Saudi Arabia, which mostly cover natural resources and construction sectors (UNCTAD, 2010, 2022; EIU, 2007).

While Saudi Arabia and the UAE are performing strong economic reforming programs, Oman has fallen in the ranking due to the lack of urgency in implementing its reformation programs (Hvidt, 2011; Alshubiri, 2021). Other studies stressed that Oman must accelerate its policy reformation to the non-oil sector for greater trade integration with Asian countries specifically, as these nations share numerous similarities in trade requirements (Gani and Nasser, 2013; Alkhanjari and Matriano, 2021). Oman's government's capacity to support economic growth will be limited if no action is taken to develop non-oil standalone sectors and attractive investment environment proposals since Oman has a lower oil reserve compared to neighbouring countries (Al-Abri et al., 2019).

Oman started planning for its economy in 1976, and since then, numerous policies and visions have taken place. This study aims to highlight the evolution of economic competitiveness terminology. Also, past and current economic plans and visions were reviewed to see how these plans and visions enhance economic competitiveness and sustainable growth in Oman. This study explores and conceptualises strategies for enhancing economic competitiveness in Oman as a foundation for long-term sustainable growth. The structure of this study is as follows: evolution of economic competitiveness, Oman economy review, literature review of economic competitiveness in Oman, and conclusions and recommendations.

THE EVOLUTION OF ECONOMIC COMPETITIVENESS

Competitiveness is a debatable terminology among economists, and its components have been changing since the 16th century although some agreements still stand on what factors determine national Competitiveness (Berger, 2008). Even among policymakers and academics, little agreement has been achieved on what constitutes competitiveness and its evaluation methodology, resulting in no agreeable accredited theory. The concept of competitiveness was difficult to define for researchers. Furthermore, because national competitiveness cannot be quantified directly, developing a single definition has become a difficult endeavour (Postula and Raczkowski, 2020). In the 16th century, competitiveness was defined as the balance of trade. When nations grew their gold and silver reserves, they were more likely to be competitive. Moreover, the export of goods was encouraged, and import was discouraged to keep gold reserves growing. In the 18th century, the classical economy philosophy was dominated, stressing that which free market could regulate itself and, economic competitiveness depended on low production costs. Thus, during this time, any nation that produces products at a lower cost with equivalent quality will have a competitive advantage over other nations (Nurmukhanova, 2008).

At the beginning of the 20th Century, new factors appeared to determine economic competitiveness, which is the innovation that can improve the production cycle and production costing (Dabic, 2011). The competitive economy at that time was driven by knowledge, and innovation was significant as it brought new knowledge that boosted competitiveness (Staskeviciute and Tamosiuniene, 2010). In actuality, Britain, like many other nations, adopted an OECD approach in the mid-1990s (UK Government White Paper, 1994), where competitiveness was defined as an economy's ability to produce and sell in 'open' international markets and simultaneously increase people's real income over time. In the late 1990s, the attention shifted to the 'knowledge economy,' prompting a reconsideration of performance standards and resulting in a new perspective on competitiveness. The focus remained on market success but shifted to productivity, innovation, and high-value products (UK Government White Paper, 1998). Such approaches, however, have been criticised, revealing yet other choices. Pitelis et al. (1996) proposed a refinement and generalisation, drawing on Pitelis (1994), by proposing, "A country's international competitiveness is better defined as the degree to which it can improve upon an index of national welfare sustainably, comparable to other countries nations". At the end of the 20th Century, the quality of life of the citizens became the main new factor, and the economy should be capable of providing a broad choice of job opportunities, quality education, social security, and freedom of choice (Balkyte and Tvaronaviciene, 2010).

Subarna and Rajib (2010) stated, “Competitiveness of nations may be defined as the facts and policies that shape the ability of a nation to create and maintain an environment that sustains more value for its enterprises and more prosperity for its people”. Another meaning was provided by Kitson et al. (2004) who defined competitiveness as competitive country companies and people are keen to invest. Competitiveness is a combination of policies, institutions, and other elements that can be planned and implemented to boost economic competitiveness by boosting business activity productivity (Danilevičienė and Gruževskis, 2016). Correspondingly, the International Institute for Management Development (IMD) offered the following brief definition of national competitiveness by stating that competitiveness is how a country "manages the entirety of its resources and capabilities to enhance the prosperity of its people" (IMD, 2008). IMD measures economic competitiveness on four main factors: economic performance, infrastructure, business efficiency, and government efficiency. These variables also include 322 indicators and 20 sub-factors. Another report, the Global Competitiveness Reports (2019), defined economic competitiveness as the combination of institutions, policies, and circumstances that determine the degree of productivity.

Porter (2008) explained that a country's competitiveness is determined by how productively it uses its resources. These resources include labour, money, and natural resources, and a nation must be able to make the most of these resources to increase its ability to compete. When a nation becomes more productive, it will encourage a higher level of living, and prosperity will rise through jobs that offer better salaries. Porter (2008) offered various perspectives on competitiveness, and most theorists and organisations, like the World Economic Forum (WEF) and IMD, based their definitional frameworks for economic competitiveness on Porter’s theories. He disagreed with the conventional economics concept of what constitutes success since he felt that the country's resources, labour force, interest rate, monetary value, or other factors do not directly cause national success. For instance, Italy and South Korea enjoyed high standards of living despite high interest rates, while Japan and South Korea prospered despite government deficits. Switzerland is another example of a country with a high standard of living despite its currency appreciation. Sweden and Germany maintained competitiveness despite high wages. Germany, Switzerland, Singapore, and Japan are excellent examples of competitive nations without having abundant natural resources.

Prosperity is created, not inherited, and the industry's capacity for innovation is powered by pressure and challenge, both of which are brought about by regional characteristics, including competitors within the country, domestic suppliers, and demanding consumers. Along with innovation, other elements, including national values, culture, and economy, also affect national competitiveness, history, institutions, and structure. In addition, a nation cannot be competitive in all businesses because, on average, each business has various requirements to grow into the most competitive atmosphere (Porter, 2008). Staskeviciute and Tamosiuniene (2010) discussed nine dimensions of national competitiveness that have been discussed in the scientific literature: High living standards, high employment, productivity, trade balance, and the attractiveness of the country, as well as the ability to accomplish goals, policy, flexibility, and the ability to sustain development, are factors that need to be considered in determining competitiveness. These characteristics define the most essential components of national competitiveness and are commonly used to estimate competitiveness.

Figure 1 below summarises the concept of economic competitiveness throughout the centuries. Figure 1 shows that Porter’s definition has been the most comprehensive in describing competitiveness. Most theorists and organisations, like the WEF and IMD, based their frameworks for defining national competitiveness on Porter’s definition. Therefore, this research refers to the definition introduced by WEF (2009), which defines economic competitiveness as the combination of institutions, policies, and circumstances that determine the degree of productivity. Thus, this study adopts economic competitiveness as the capacity of a country to draw and hold on to investments, generate employment, and maintain greater living standards for its people (Syromyatnikov et al., 2021; Bruneckienė et al., 2023).

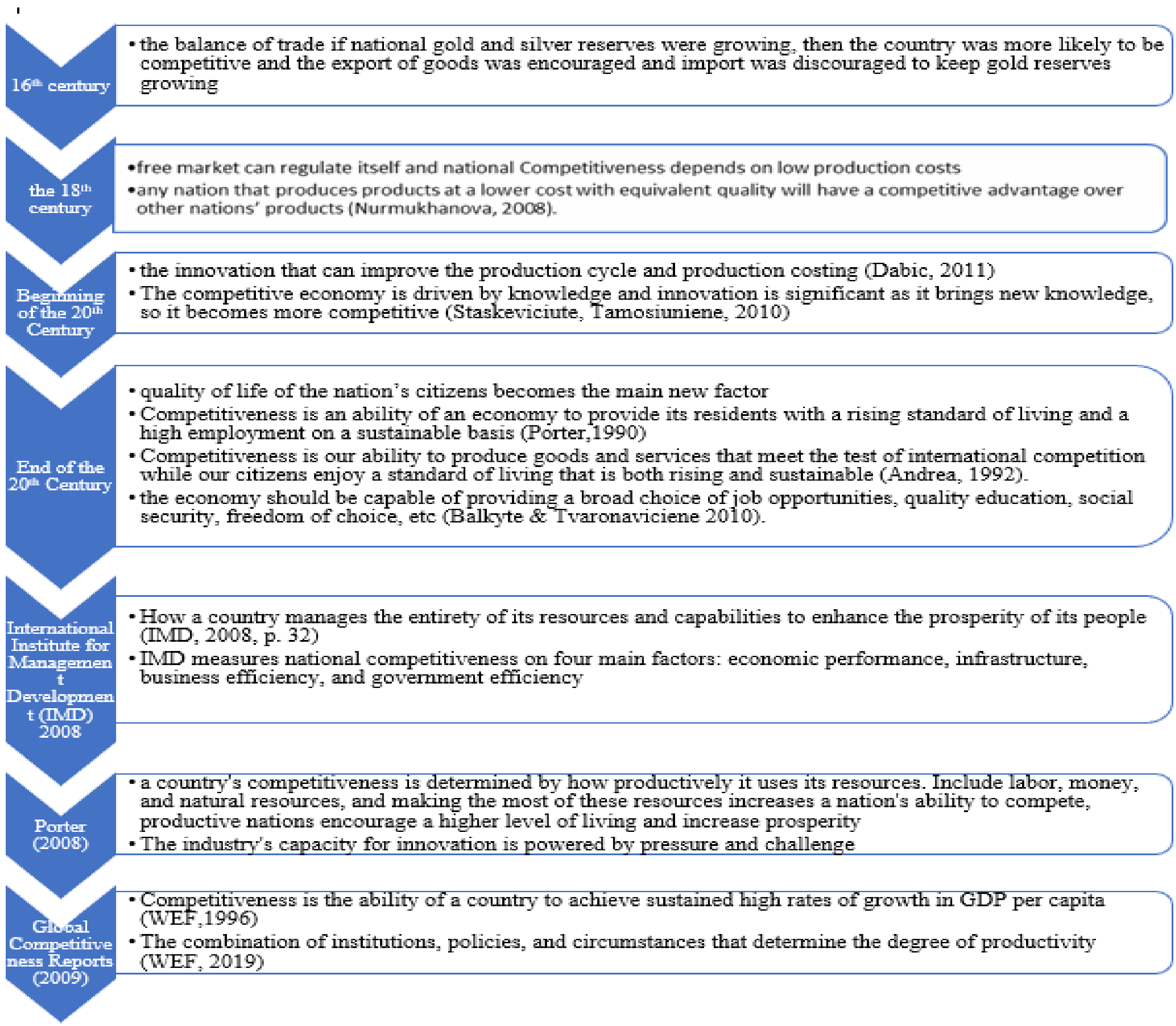

Figure 1: Evolution of Economic Competitiveness (Source: Author Compilation)

A REVIEW OF OMAN'S ECONOMY

Oman has a stable political, economic, and social framework bolstered by the Sultanate's outstanding connections with neighbouring countries. The former and current policies promote market-oriented policies and private sector development as a tool for prosperity and growth. Oman is a high-income country with lower oil and gas resources than other GCC countries. Oman's GDP per capita used to be low-income countries at 100 USD in 1965, and it increased gradually and became a high-income country after discovering oil and gas. It reached 19,000 USD in 2023, which was justified by GDP growth in the country, driven by oil and gas income, as illustrated in Figure 2. The scarcity of resources and a limited reserve of oil and gas keep Oman under pressure to diversify its economy and become more competitive (World Bank, 2023).

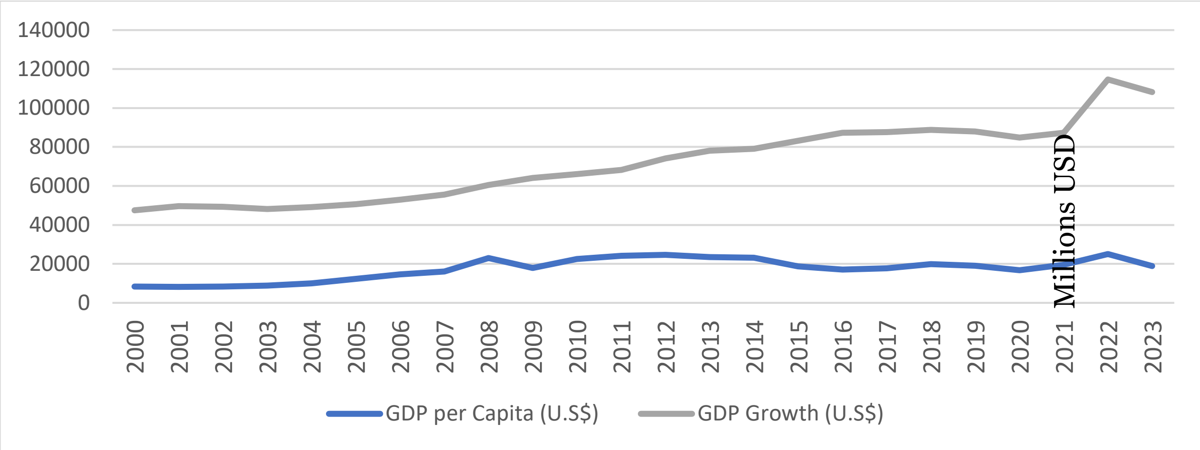

Figure 2: GDP Per Capita and GDP for Oman (Source: World Bank)

As Oman's economy is heavily dependent on the oil and gas industry, changes in oil revenue have historically significantly impacted the country's GDP growth. As a result, Oman's GDP has grown strongly during times of high global oil prices, whereas slower or even slower economic progress when oil prices decline. This dependence causes Oman's economy to be vulnerable to outside shocks, especially changes in the price of oil on international markets. Oman's GDP per capita tends to increase during years of high oil revenue, reflecting the total wealth created by the nation's principal export. However, in situations where population growth exceeds economic gains or where income distribution is still unequal, GDP per capita may deviate from overall GDP growth. In certain situations, individual economic success, as shown by GDP per capita, may stagnate or even drop despite a growing GDP.

For instance, the oil price jump between 2009 and 2014 led to GDP growth which led to a jump of GDP per capita up to 23,000 USD. Between 2014 and 2016, Oman saw slower GDP growth and a decline in oil revenue. Thus, when economic output decreased, and population growth persisted, the GDP per capita experienced downward pressure. This trend emphasises the importance of diversifying the economy to lessen the reliance on oil income and guarantee more steady, sustainable growth in GDP and GDP per capita over time (World Bank, 2023).

Oman started economic development planning as early as 1976, as other countries had not started any planning. It began with the five-year development plan, a plan with specific objectives for each year. In 1996, Oman launched the 2020 Vision, a 25-year plan from 1996-2020 that aims to diversify Oman's economy away from oil and gas. In 2020, Oman unveiled its long-term development strategy, Vision 2040, to transform the nation into a more sustainable and knowledge-based economy. The goal prioritises the development of human capital, private sector expansion, and economic diversification. Both Oman's 2020 and 2040 visions were divided into five-year development plans to accommodate and achieve the long-term objectives of the visions. Table 1 compiles the five-year development plans from 1976 till date.

Table 1: Oman Five-Year Development Plans (Source: Author's compilation based on www.economy.gov.om and www.unescwa.org)

Development Plan	Period	Objectives
The First Five-Year Development Plan	1976-1980	1. To achieve 19.7% growth for the non-oil sector 2. To build infrastructure projects (schools, hospitals, roads, government institutions 3. To start the exploration of natural gas for the first time 4. To achieve balance in government finance: target revenue 3126 OR
The Second Five-Year Development Plan	1981-1985	1. To achieve 13% GDP growth, 65% investment by the government and 35% growth by the private sector. 2. To increase oil production to 330,000 barrels per day throughout the five years.

Development Plan	Period	Objectives
		3. To give top priority to what resources projects for irrigation and agricultural purposes (falaj system maintenance, construct dams).
The Third Five-Year Development Plan	1986-1990	1. To achieve 4% GDP growth 2. To achieve 575 thousand barrels per day of oil production 3. To set 299 OR million as a ceiling for borrowing 4. Support the private sector with an amount allocated 121 OR million to create a suitable atmosphere for the development of economic activities, diversify national income
The Fourth Five-Year Development Plan	1991-1995	1. To accomplish GDP growth by 5% to increase people's standard of living (to increase GDP per capita by 2.8% in line with an annual population growth of 3.5%) 2. To support a free market economy based on competition and equal opportunities 3. To push development projects and investment outside Muscat (total targeted capital investment 85% increase in the years of plan) 4. 61% targeted increase in non-oil export products
The Fifth Five-Year Development Plan	1996-2000	1. Promote economic diversification 2. Enhance competitiveness by enhancing the business environment, promoting entrepreneurship, and increasing private sector participation. 3. Develop human resources: The plan aimed to improve the quality of education and training
The Sixth Five-Year Development Plan	2001-2005	1. To ensure the stability of the real average per capita income at its current level and achieve not less than 3% GDP growth 2. Increase the ratio in higher education institutions and the upgrading and spreading of basic education. 3. Development of non-oil goods and services exports
The Seventh Five-Year Development Plan	2006-2010	1. Oil Sector: To reach (964.5) thousand barrels by 2010, the depletion rate for the reserve does not exceed (6.5%) of the remaining reserve of oil 2. Manufacturing sector: Achieve 14.3% annual growth and 18.2% growth in exports, achieving regional balance 3. Tourism sector: 7% annual growth, Omanisations (a job for locals): 85% for existing hotels, 30% for new hotels, 90% for airlines, and 95% for travel and tourism agencies. 4. Agriculture and livestock sector: 2.6% annual growth& 3.5% Omanisation 5. Fisheries sector: 3% annual growth and 5% growth in exports. 6. Minerals sector: 8.4% annual growth and 10% Omaisation 7. Trade sector: 9% annual growth in value add and 18% annual growth in non-oil export
The Eighth Five-Year Development Plan	2011-2015	1. Maintain per capita income at its 1995 level as a minimum and aim to double it in real terms by 2020 in order to improve citizens' living standards. 2. Decrease oil share of total GDP from 44% to 30% 3. Growth of the private sector so that it is distinguished by effectiveness, competitiveness, and a greater contribution to the national economy.

Development Plan	Period	Objectives
The Ninth Five-Year Development Plan	2016-2020	1. To achieve macroeconomic stability in the Sultanate to boost investor confidence, an inflation rate of 2.9%, GDP per capita OR 7472 2. 2. Maintain economic growth at 3% GDP growth and RO 40.8 billion total investment, Oil production 990 Barrel/day 3. To achieve the following growth rate in main sectors: Manufacturing at 6%, fisheries at 6.5%, mining at 6%, and tourism at 5.3%.
The Tenth Five-Year Development Plan	2021-2025	1. Development of the system of legislation and laws in a manner supportive of the achievement of future vision objectives and operational plans 2. Dealing with the repercussions of the current social and economic crisis resulting from the (COVID-19) pandemic, the economic depression 3. Expand the use of the applications of the Fourth Industrial Revolution and Artificial Intelligence\ 4. To achieve 3.5% GDP and above, to achieve 27% investment of GDP, increase FDI to 10% (oil and non-oil) and a 60% investment increase by the private sector.

By reviewing the objectives set under these development plans above, it can be seen that over the past 50 years, Oman has consistently focused on economic diversification, infrastructure development, human capital development, and fiscal sustainability. These plans show Oman's economic transformation that aims to share prosperity across society and the whole country. However also it shows that many of the planned objectives were repetitive in several five year development plans and showed slow progress.

A) The overview of Oman 2020 Vision

Oman 2020 is a 25-year development strategy (1996-2020) that aspires to achieve economic balance and sustainable growth. In other words, Oman 2020 is the national competitiveness goal, and in this plan, economic balance refers to the requirement for diverse income sources rather than reliance on one source of income. Oman aimed to lessen their reliance on decreasing and uncertain sources of income, such as oil and gas. According to the Central Bank of Oman's annual report for 2018, petroleum operations contribute 58% of exports, 78% of government revenue, and 35.5% of GDP, as the 2020 objective was aimed at 19% of GDP. According to Oman 2020, FDI is the tool for economic diversification and sustaining the economy's sustainable growth. The Omani government depends on FDI to boost local investment and productivity and address the unemployment issue (AlKarusi, 2020). The primary pillars supported the future vision of Oman 2020, as stated by Royal Decree 1/96, the development of the private sector, the improvement of human capital, and economic diversification. These three pillars gave rise to seven dimensions: macroeconomic stability, government role development, human resource development, economic diversification, private sector development, improvement of living conditions for Omani citizens, and a greater degree of economic integration with the rest of the world (AlRahbi, 2021). Table 2 compiles Oman's 2020 vision, starting from objectives, achievements, deficiencies, and justifications.

Table 2: Oman 2020 Vision (Source: Author Compilation)

Objective	Achievement	Deficiency	Justification
Economic Diversifications: Non-oil sectors to over 81% of the GDP	Non-oil sectors contributed 68% to GDP	Fell short of the 81% target for non-oil sector GDP contribution	Low government effectiveness, low regulatory environment, corruption
Employment and Omanisation at 75%	Omanisation in the private sector reached 60%.	Did not meet the 75% Omanisation target with 70,000 job seekers at 3%	Lower FDI and private sector investment, slow FDI attraction

Objective	Achievement	Deficiency	Justification
Annual GDP Growth Rate: 3% to 4%	Achieved an average annual growth rate of around 3%.	Growth was inconsistent due to fluctuations in oil prices, impacting stability.	Oil prices jumped between 2009-2014 and then dropped
Export Diversification: Above 15% of non-oil exports	Non-oil exports increased to 12% of total exports.	Fell short of the 15% target for non-oil export contribution.	Failed to expand other industries such as manufacturing, mining and agriculture
Infrastructure Expansion	Completed major projects such as Sohar and Salalah ports and Muscat and Duqm airports.	Some remote regions still lacked access to adequate infrastructure and economic opportunities.	Mega projects took full government financial resources and focus; the high cost of big projects was caused by corruption in the tending process.
Public Debt Management	Huge spending on grand infrastructure projects	Public debt rose to over 60% of GDP by 2020 at 40 B USD, up from <5% at the Vision's start.	Drop in Oil prices from 2014 to 2020, high government spending on infrastructure projects, COVID-19,
Global Competitiveness: - Top 40 globally - Ease of Doing Business: Top 20	Slight improvement in some indicators	- Ranked 84th in Global Competitiveness (GCI) - Ranked 68th in the World Bank's Ease of Doing Business	Regulatory labour market structure, public debt and fiscal pressures, limited innovation, slow diversification

In the 20 years of Oman's 2020 future vision, Oman has accomplished many achievements, as stated by AlRahbi (2021). Oman joined the World Trade Organization (WTO) in 2000, and in terms of bilateral agreements, a Free Trade Agreement (FTA) was signed with the United States. Furthermore, Oman established economic free zones, as seen in the Sohar Free Zone, Duqum Free Zone, Salalah Free Zone, Mazyuna, and Madaen industrial estates. Also, grand infrastructure projects were accomplished, such as Muscat International Airport, Salalah Airport, Duqum Airport, Sohar Industrial Port, Duqum Port Batina, and Sharqiya expressways.

However, Oman's future 2020 vision has numerous deficiencies, as the economy kept relying on oil and gas income. Despite the grand projects launched in the country, it ended up with a national debt of around 40 billion USD. The unemployment rate remained at 3%, with around 70,000 job seekers, as illustrated in Figure . Oman failed to meet domestic demand for goods and services where exports were 33 billion USD and imports at 28 billion USD in 2020, as well as reliance on imported and expatriate labour, which was 40% of the population. The private sector continues to rely on government programs significantly. The expansion of small and medium-sized businesses has been constrained due to the absence of a vibrant private sector. Additionally, initiatives for diversification have not been actively supported by the business sector (NCSI, 2020).

The absence of meaningful reforms eventually caught up with Oman. According to the World Bank's Worldwide Governance Indicators, Oman dropped from the 60th percentile in 1996 (the first year for which data was available and the first year of Vision 2020 to the 57th percentile in 2018 for overall governance, from the 68th to the 63rd percentile for the management of corruption, and from the 66th to the 60th percentile for government effectiveness. Oman also dropped from the top to the bottom of the "moderately free" category on Heritage House's Index of Economic Freedom between 1996 and 2019. According to IMF data (1980-2020), after growing at an average rate of 8.5 percent in the 1980s, growth slowed to 5.0 percent in the 1990s, 3.5 percent in the 2000s, and 3.2 percent from 2010 to 2019. Since the 2014 oil price crash, government debt reached 64% of GDP in 2020, up from 4% in 2014. However, it started going down after the new government took over in 2021, as shown in Figure 3.

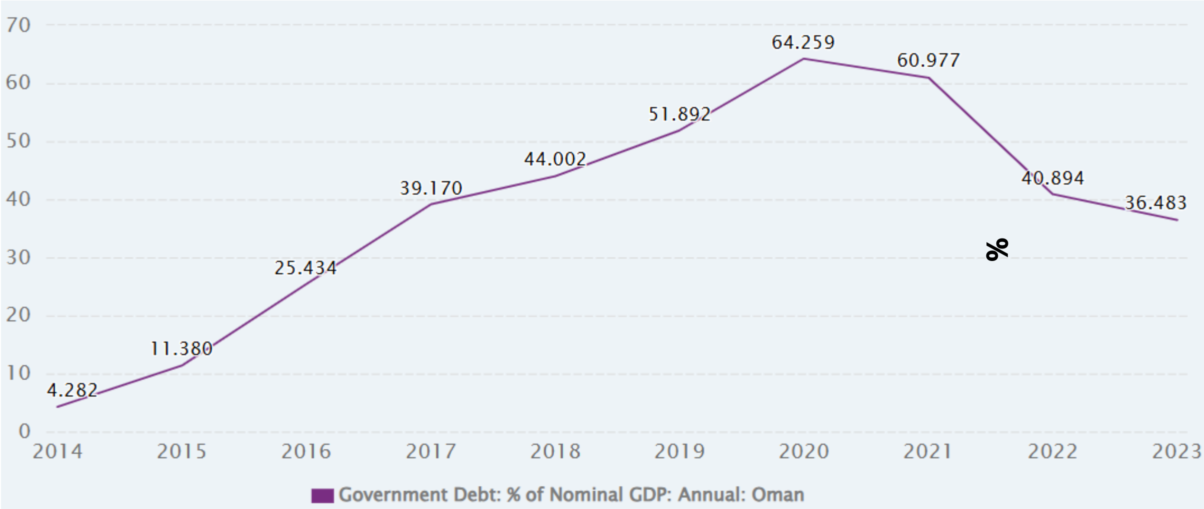

Figure 3: National Debt % to GDP (Source: www.ceicdata.com)

B) The review of Oman 2040 Vision

Oman's Vision 2040 is a thorough long-term development strategy announced in December 2020 to direct the nation's economic and social transformation over the following 20 years. The objectives are to (i) establish an innovative, integrated, and diverse economy based on equal opportunity, creativity, and role-playing and (ii) use Oman's competitive advantages through private sector-driven integration into the global economy. Furthermore, numeric targets have been identified for the main vision indicators as seen in Figure 4: foreign investment to contribute to 10% of GDP, 42% of Omani citizens working in the private sector, the non-oil share of GDP to be at 90%, and real GDP growth to be at 5%.

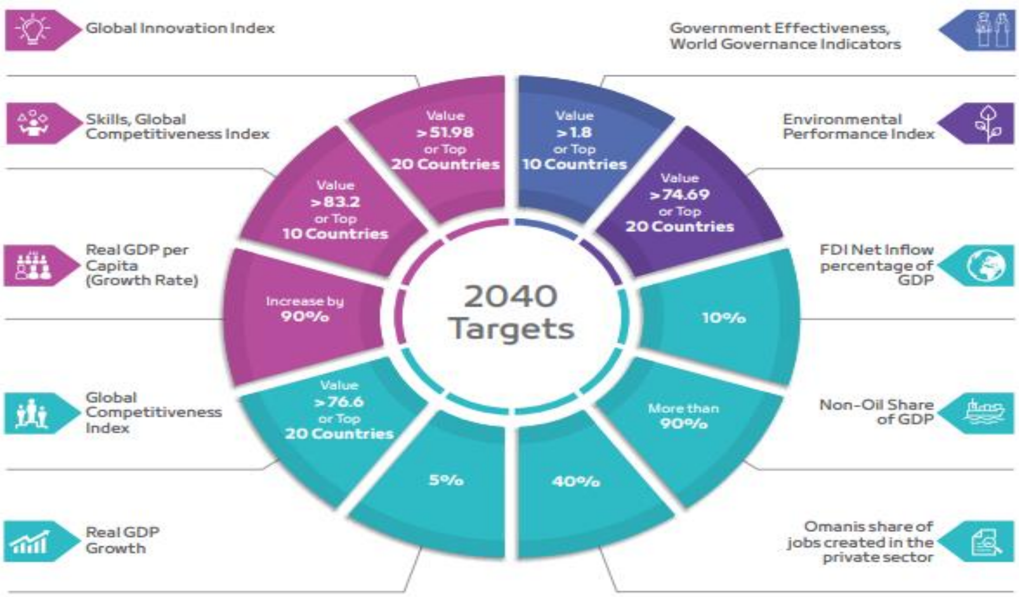

Figure 4: Main Oman 2040 Vision Indicators (Source: www.oman2040.om)

The National Competitiveness Office (NCO) in Oman is a key institution that commits to improving the nation's economic status internationally and coordinates domestic projects with long-term objectives specified in Oman Vision 2040. An NCO is essential to Oman's competitiveness goals, which are focused on sustainable growth, regulatory changes, and economic diversification. In addition to encouraging economic diversification and drawing in investments, the NCO can assist in building a robust economy that will be ready to face new challenges. The role of the NOC is to monitor and enhance competitiveness indicators by coordinating local organisations, private and government, and global organisations. Thus, regular analysis will aid in identifying obstacles and areas for development, bringing Oman's policies into line to raise rankings and boost competitiveness internationally (National Competitiveness Office, 2023).

C) Oman Vision 2040 Implementation Follow-up Unit

Oman Vision 2040 Implementation Follow-up Unit was created by Royal Decree 100/2020 and issued on August 18th, 2020. This unit reports to the Council of Ministers and it monitors the activity of public and semi-government organisations, tracks the roles of various sectors to the programs of the vision, and follows their particular mandates and capacities. Along with offering the required assistance and suggesting suitable answers to current problems, the unit ensures that all stakeholders' efforts are coordinated to realise Oman Vision 2040. The unit is in charge of several nationwide initiatives, all of which are meant to accomplish particular Vision 2040 objectives. These include: 1) the Government Digital Transformation Program, which aims to enhance digital services and technological infrastructure; 2) the National Program for Economic Diversification, which aims to strengthen non-oil sectors; and 3) the National Program for Investment and Exports Development, which focuses on increasing Oman's appeal as an investment hub. Other noteworthy initiatives focus on carbon neutrality, employment, and fiscal sustainability to promote economic resilience and sustainable development (Oman Vision 2040, 2024).

D) Oman in Light of Economic Competitiveness Reports

Oman joined the Global Competitiveness Index (GCI), which is managed by the World Economic Forum (WEF), in 2007. Before dropping as of today (2019), Oman's national competitiveness increased throughout the years 2008 to 2014. Oman's national competitiveness ranking rose from 42nd in the 2007/2008 GCR index to 33rd in the 2013/2014 GCI. However, based on the 2019 report, it dropped again to 53rd. On the other hand, it is worth mentioning the ranking of nearby GCC countries as oil-dependent economies to reflect a logical benchmark. The ranking in 2007/2008 for UAE, Saudi Arabia, Qatar, Kuwait, and Bahrain was ranked 37, 35, 31, 30, and 43, respectively. However, a different methodology and more parameters have been added, and since then, the ranking dropped for all GCC countries in 2019 as follows: Oman was placed 53rd, Kuwait at 46th, Bahrain 45th, Saudi Arabia 36th, Qatar 29th, and UAE fared better than others at 25th (GCI, 2019).

According to the GCI, Switzerland, Sweden, Singapore, Finland, Netherlands, Germany, the USA, the UK, Hong Kong, and Japan are among the most competitive nations. WEF reports show they have consistently been in the top ten nations. For example, Switzerland was placed fourth in the 2006/2007 WEF report and has held the top spot on the list for the majority of the years following. GCI by WEF was issued last time in 2019, and since the COVID-19 pandemic significantly changed the global economy, it was stopped and has not been issued until now (GCI, 2019).

Nations are categorised into different economic development stages, based on WEF competitiveness reports: factor-driven economy, efficient-driven economy, innovation-driven economy, or transitional stage in between them. As a result, different weights are ascribed to the underlying competitiveness criteria depending on the stage of growth. Weak evidence was found to corroborate WEF national competitiveness reports that stated that Oman's economy is shifting from being efficient-driven to being innovation-driven. Economies are grouped in WEF competitiveness assessments based on their GDP per capita and the percentage of total exports attributable to natural resources. Economies with a GDP per capita greater than $17,000 are referred to as innovation-driven economies. Oman's GDP per capita is over $17,000, but as oil and gas exports account for a large portion of all exports, Oman was positioned one stage behind the final stage (innovation-driven economy stage). Thus, this research has reservations about accrediting this finding (GCI, 2019).

Oman is ranked 78th on the Ease of Doing Business Index, while the UAE was ranked 11th, much higher than other GCC nations, including Saudi Arabia, Kuwait, and Qatar, which were ranked below Oman. The same survey gave Oman dismal marks for obtaining financing and safeguarding minority interests, as well as for upholding agreements and dealing with insolvency. In general, another study, like the Global Competitiveness Index, reaffirmed issues that caused difficulties in conducting business in Oman, notably the country's harsh labour laws, poorly educated workforce, lack of access to capital, limited ability for innovation, and poor work ethics among the worker forces (World Bank, 2019).

The Economic Freedom Index 2019 ranks Oman 88th in terms of the business environment, whereas adjacent nations like Qatar and the UAE are ranked far higher, at 28th and 9th, respectively. The report also highlighted issues with government spending and fiscal stability brought on by the government's runaway budget deficit since 2014, which caused a sharp increase in the debt-to-GDP ratio for an average of 5% from 2000-2016 to 88% in 2021. According to the research, other obstacles to greater economic freedom include bureaucracy, a routine environment, a weak legal system, and favouritism of state-owned businesses (Heritage Foundation, 2019).

LITERATURE REVIEW OF ECONOMIC COMPETITIVENESS IN OMAN

Numerous scholarly publications, policy papers, and research on Oman's economic strategies, competitiveness issues, and development initiatives are extremely pertinent to a thorough literature review centred on boosting economic competitiveness in Oman to achieve sustainable growth. This section summarises journal papers and publications that address these subjects, arranged according to major themes of infrastructure, FDI, governance, economic diversification, fiscal policy, innovation, and human capital.

For instance, Al-Saadi and Khudari (2024) found that effective fiscal policy and good governance are essential for economic expansion. This study showed a reciprocal relationship between GDP and governance indices, highlighting the necessity of better government efficiency and regulatory quality. In addition, digital financial inclusion has been highlighted as a crucial component that could enhance the impact of fiscal and governance policies on economic performance. Fadi et al. (2024) confirmed that green product innovation and artificial intelligence (AI) must be combined to increase competitiveness. They indicated that innovations and corporate performance are positively correlated, with R&D investments and government backing as key facilitators. Oman's economic position in the global market can be strengthened by prioritising technology improvements in conjunction with intellectual capital. Sarfaraz and Husain (2024) emphasised that oil income is one of the main drivers of Oman's economic expansion. Effectively utilising these resources while controlling government spending can boost economic competitiveness and encourage sustainable growth, requiring a well-rounded diversification and resource management strategy.

Muhammad and Ismail (2024) explained that the main elements of EC are product market reforms, institutional improvements, structural changes, and a smaller state footprint. By utilising these elements, productivity can be increased, especially when paired with labour market and financial sector changes, to promote Oman's sustainable economic growth. UzmaRasool et al. (2022) emphasised that exports, gross fixed capital creation, and final consumer spending are the main drivers of Oman's economic competitiveness. In the long run, stabilising the economy and promoting sustainable growth can be achieved by utilising these factors through wise investments and policies. Furthermore, Bait and Abdullah (2022) provided a comprehensive framework for understanding the role of investments in Oman, emphasising that Oman's economic competitiveness can be used to achieve sustained growth through ongoing strategic investments, with significant investment programs and efficient transfer of oil income into developed economic and social infrastructure being significant contributors. Another study emphasises GDP per capita and trade openness as important determinants of Oman's economic competitiveness, and utilising these elements necessitates incorporating environmental concerns into trade regulations to guarantee sustainable growth and efficiently control CO_2 emissions (Zamil et al., 2019). Anitha et al. (2020) illustrated the importance of the manufacturing sector in diversifying Oman's economy, lowering reliance on oil, and creating jobs are emphasised in this study. To achieve the objectives outlined in Oman Vision 2040, inclusive manufacturing development methods can boost economic competitiveness and promote sustainable growth. Ibrahim et al. (2020) felt that it is important to foster an environment that encourages foreign direct investment (FDI) in industries other than oil and gas to boost economic growth and competitiveness. Additional legislative changes and focused incentives are required to draw foreign direct investment into high-value industries.

For Oman to become economically competitive, grow sustainably, and diversify its economy away from its dependency on oil. Hussein and Ahmed (2019) highlighted the significance of improving technological infrastructure, implementing efficient government policies, and attracting foreign direct investment. Another study stressed that competitiveness depends on transparency and good governance, and Oman's reforms are intended to boost economic growth by bringing policy into line with best practices in transparency and creating a more competitive economy (Khalid et al., 2019). The relationship between oil dependency and the difficulties it poses for economic competitiveness and the necessity for diversification to promote steady and sustainable growth is highlighted by economic growth in Oman is susceptible to exogenous shocks in the world's oil prices (Al-Abri et al., 2019).

Zarinah and Ruzita (2017) discussed Oman's economic competitiveness, which depends on several industries, including manufacturing, transportation and logistics, tourism, fishing, and mining. In line with Oman's National Programme for Enhancing Economic Diversification "Tanfeedh" agenda, utilising these industries through strategic policies can improve economic diversification and foster sustainable growth. MahmoodSakhi et al. (2016) identified critical success factors for Oman's economic competitiveness, including effective marketing strategies, innovation, skilled workforce development, and strong government support. Leveraging these factors can enhance sustainable growth by fostering a dynamic business environment and attracting foreign investment. Table 3 below compiles the literature on economic competitiveness in Oman.

Table 3: Economic Competitiveness Literature Review for Oman (Source: Author Compilation)

	Independent Variables														
Author	Good Gover-nance	AI	income	Produ-ctivity	Expor-ts	Gross Fixed Capital Creation	Final Consum-er Spending	Strategic Investm-ents	GDP per capita	Trade open-ess	Manufa-cturing	Diver-sified FDI	Tec-hnol-ogy	Inno-vation	Human Capital Enhanc-ement
Al-Saadi & Khudari (2024)															
Abdel Fattah et al. (2024)															
Javed and Husain (2024)															
Muhammad & Ismail (2024)															
Khan & Siddiqi (2022)															
Bait & Abdullah (2022)															
Ravikumar, Soundararajan & Madbouly (2020)															
Ibrahim et al. (2020)															
Zamil, Furqan & Mahmood (2019)															
Hussein and Ahmed (2019)															
Khalid, Ibrahim & Atiya (2019)															
Mahmood Sakhi et al. (2016)															

The literature emphasises that the efforts taken by Oman to attract foreign direct investment, diversify its economy, reform its government, technology and innovation-based economy, and enhance its human capital are all closely related to its economic competitiveness, as illustrated in Table 3. These studies showed Oman's oil-based economy offers a foundation for expansion, but diversification into industries like manufacturing, tourism, logistics, and renewable energy is necessary for long-term competitiveness. These studies noted some difficulties including reliance on oil earnings, skill shortages, and regulatory restrictions, and they restrict the possibility of becoming more competitive. Strengthening governance, increasing labour market flexibility, and encouraging innovation are frequently suggested strategies for sustainable growth. This analysis summarises the seminal publications on sustainable growth strategies and economic competitiveness in Oman. These articles illuminate Oman's continuous initiatives and lingering difficulties in securing a competitive place in the global economy.

CONCLUSION AND RECOMMENDATIONS

This study only focused on past and current studies and policies related to Oman's economy regarding creating a competitive and sustainable economy. Oman can become more economically competitive by diversifying its economy, drawing in foreign direct investment, bolstering governance, and making investments in human capital. Although it may be advantageous in the short run, reliance on oil limits sustainable growth. It emphasises the need to diversify into non-oil industries, including manufacturing, tourism, logistics, and renewable energy. While initiatives to match education and skill development with labour market demands will create a workforce that is robust and adaptive, effective governance reforms, such as regulatory simplicity and openness, can greatly enhance the investment climate. Coordinated policy initiatives and creative solutions that support Oman's competitive posture globally are necessary to overcome obstacles such as labour market rigidity, limited diversity, and skills shortages. Therefore, future studies and policy initiatives should concentrate on developing a flexible, varied economy that, in the face of changing economic conditions, not only maintains growth but also cultivates resilience and long-term competitiveness.

As an outcome of this research, future studies should explore sector-specific competitiveness strategies such as manufacturing, tourism, logistics, and renewable energy to determine specific tactics for improving competitiveness in these sectors. Such studies can offer focused insights into each sector's advantages and possible disadvantages. Furthermore, studies comparing Oman to other oil-dependent economies, such as Norway, which is currently pursuing diversification policies, may provide insights into best practices and potential pitfalls in moving towards a more competitive and diversified economy. Future research should concentrate on how innovation and digital transformation can improve competitiveness, and look at how Oman can use cutting-edge technologies to increase productivity and draw in creative industries. The effect of governance reforms on Oman's competitiveness should be examined in more details, with an emphasis on how regulatory enhancements, anti-corruption initiatives, and policy transparency support investment and long-term growth.

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