

The Impact of Industrialization on Export Diversification in Qatar

Shams Osama Haikal¹, Zera Zuryana Idris² and Mohd Nizam Barom³

ABSTRACT

Export diversification is a central objective of Qatar's development agenda, as outlined in the Qatar National Vision (QNV) 2030, in response to the country's small market and its heavy dependence on hydrocarbons. Industrialization is viewed as a strategic tool to achieve this goal by fostering structural transformation, increasing value-added production, and broadening the export base. Drawing on economic theory and existing literature, the manufacturing sector is seen as central to both trade diversification and long-term economic growth. This study investigates the impact of industrialization on export diversification in Qatar from 1991 to 2022, using an ARDL-ECM approach and the Herfindahl-Hirschman index (HHI) as a measure of export concentration and the Competitive Industrial Performance index (CIP) as a composite measure for industrialization. The results reveal an interesting pattern in the relationship: while industrialization reduces export concentration in the short run, it increases it in the long run, suggesting a tendency toward sectoral consolidation, primarily around hydrocarbons. Robustness checks using the Theil entropy index confirm the consistency of these results. In addition, reverse causality analysis suggests an asymmetric relationship between industrialization and export diversification, where industrialization has a stronger effect on export diversification than the feedback effect from diversification to industrialization. These findings underscore the need for more targeted industrial policies to achieve genuine and long-term export diversification.

Keywords: Industrialization, Export Diversification, Economic Growth, Hydrocarbon Dependency, Autoregressive Distributed Lags (ARDL)

¹ Kulliyyah of Economics and Management Sciences, International Islamic University Malaysia, Selangor, Malaysia . E-mail: shamsphd92@gmail.com

² Kulliyyah of Economics and Management Sciences, International Islamic University Malaysia, Selangor, Malaysia. E-mail: zerazuryana@iium.edu.my

³ Kulliyyah of Economics and Management Sciences, International Islamic University Malaysia, Selangor, Malaysia. E-mail.: mohdnizam@iium.edu.my