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REPORT

# Global Economic Diversification Index 2026

## Economic Diversification in Times of Global Disruption

in collaboration with

كلية محمد بن راشد للإدارة الحكومية
MOHAMMED BIN RASHID SCHOOL OF GOVERNMENT

Global Economic Diversification Index

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To contact the Global Economic Diversification Index team, email: **EDI@mbrsg.ac.ae**

**Authors**

**Aathira Prasad,** Director of Macroeconomics at Nasser Saidi & Associates
**Keertana Subramani,** Research Principal at Mohammed Bin Rashid School of Government
**Zeid Qiblawi,** Associate Researcher at Mohammed Bin Rashid School of Government
**Dr. Nasser Saidi,** Founder and President of Nasser Saidi & Associates
**Dr. Fadi Salem,** Director of Policy Research at the Mohammed Bin Rashid School of Government
**Dr. Ben Shepherd,** Principal of Developing Trade Consultants

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**Dr. Reda Cherif**
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**Peer-Reviewers:**
**Dr. Ehtisham Ahmed,** University of Bonn and London School of Economics (LSE)
**Dr. Reda Cherif,** International Monetary Fund
**Dr. Nicolas Depetris-Chauvin,** Haute École de Gestion de Genève and MBRSG
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# Executive Summary

The 2026 edition of the Global Economic Diversification Index (EDI) arrives at a transformational juncture in the global economy - a global landscape defined by geo-economic fragmentation, trade protectionism, accelerating digitalization, the rise of AI and disruptive decarbonization transitions.

## Economic and trade policy uncertainty has been rising since the end of 2024, touching historic highs in 2025 with the emergence of a wide tariff regime, following the announcement of US tariffs in April 2025.

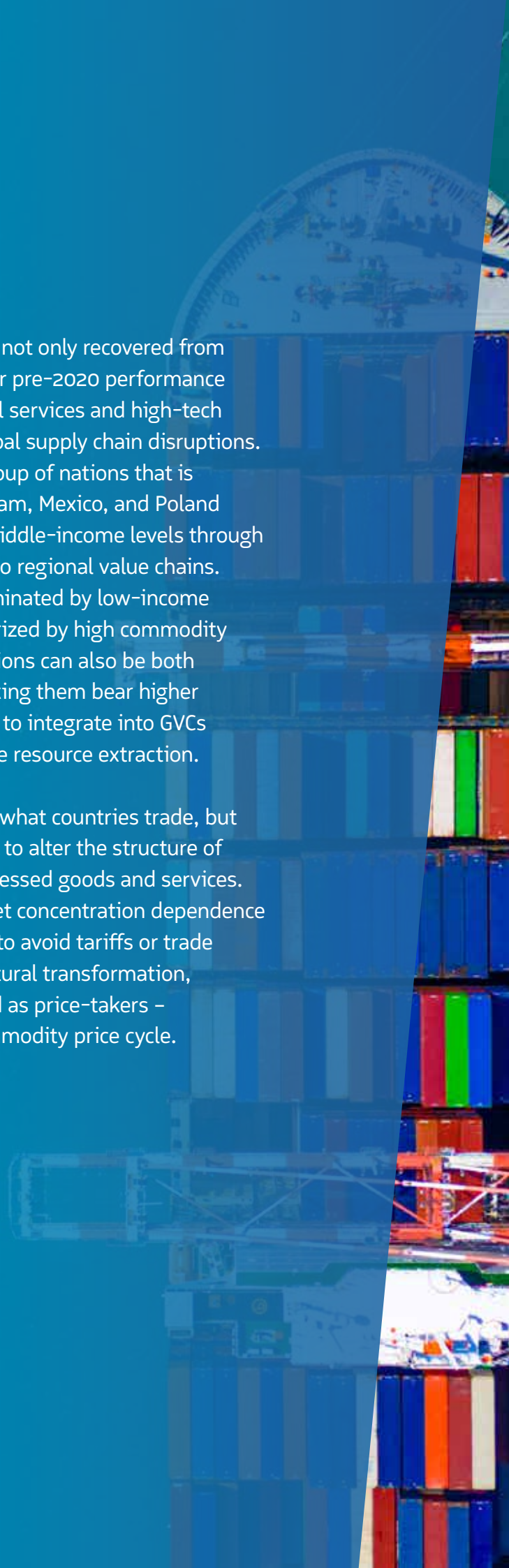

Trade policy uncertainty at the end of 2025, according to one metric, is estimated to be six times that of the average in 2023 and more than double the average in 2024.

The Global Economic Diversification Index provides a comprehensive measure of economic diversification across countries. It provides an assessment of three foundational pillars of diversification - Output, Trade, and Government Revenue – across 117 nations spanning the 2000–2024 period. The Index, first published in 2022, continues to provide valuable longitudinal datasets to inform policy, research and economic development efforts across the globe.

Since the inaugural edition of the Global EDI, the upper quartile of the index presents a remarkably stable hierarchy over time: the United States, China, and Germany anchor the rankings, followed closely by a group of high-income, advanced economies. The top three nations have maintained their rankings since 2012, although China's ascent to the second position is a more recent structural shift (solidified post-2020), reflecting its rapid industrial integration into high-value-added global value chains (GVCs).

Today, high-income diversified nations have not only recovered from the pandemic shock but have surpassed their pre-2020 performance benchmarks. Their ability to pivot into digital services and high-tech manufacturing acted as a buffer against global supply chain disruptions. The mid-diversifiers represent a dynamic group of nations that is successfully rising in the EDI rankings. Vietnam, Mexico, and Poland illustrate that diversification is possible at middle-income levels through strategic industrial policy and integration into regional value chains. Conversely, the bottom rankings remain dominated by low-income developing nations, predominantly characterized by high commodity dependence. Many of the lowest-ranked nations can also be both commodity-dependent and landlocked, making them bear higher trade costs and severely limiting their ability to integrate into GVCs thereby trapping them in a cycle of low-value resource extraction.

The 2024-25 period has not just been about what countries trade, but who they trade with. It is not only necessary to alter the structure of exports i.e. move from raw materials to processed goods and services. States must also transition away from market concentration dependence to a diversified portfolio of trading partners to avoid tariffs or trade and investment sanctions. Absent this structural transformation, commodity exporters risk remaining trapped as price-takers – exposed to volatility at every turn of the commodity price cycle.



A central focus of the 2026 report is the performance of the 40+ commodity-dependent countries (CDCs) in the index. Data reveals a sharp divergence in trajectories with the GCC countries emerging as a distinct cluster of successful diversifiers within the commodity cohort, while for mineral exporters (e.g. Chile, DRC, Mongolia), the global energy transition presents a paradox. As the demand for critical minerals (lithium, copper, cobalt) has surged, it risks deepening, rather than alleviating, commodity dependence. Without active policies to encourage domestic value addition (processing and refining), the green transition and accelerating investment in AI-related chips and infrastructure could threaten economic diversification. Numerous policy datasets and reports underscore the urgent need to address these environmental concerns — for example, the Sustainable Development Index reports[1]. Climate change is forcing nations to accelerate low-carbon energy transition plans and policies to gradually shift away from fossil fuel dependencies. The GCC meanwhile is uniquely positioned to capitalize on a dual comparative advantage: remaining the central hub of "old energy" (hydrocarbons) while emerging as a global hub for "new energy" (renewables and hydrogen). Digitalisation and new tech sectors are a key component of GCC's diversification effort, supported by low-cost sustainable power.

[1] The Arab region SDG Index and Dashboard is produced by the MBRSG and the SDSN annually and available here: https://arabsdgindex.com/
The global Sustainable Development report is available here: https://dashboards.sdgindex.org/

The report also captures the transformative role of the digital economy with regards to economic diversification, via an augmented metric EDI-plus (EDI+). The EDI+ continued to show that, in post-pandemic years, digitalisation sustained its key role in increasing economic diversification while also enabling emerging and developing nations to catch up on several fronts. The digital trade indicators included in the 'EDI+' scores, show that many developing nations are diversifying into digital sectors and catching up with more advanced economies. The findings reveal a widening diversification gap between advanced economies that have successfully leveraged technology to deepen their resilience to economic and trade shocks and many commodity-dependent nations that remain trapped in cycles of volatility. When digital indicators are included, the dispersion between high-performing and low-performing regions narrows.

## This narrowing suggests that the barriers to entry for digital trade are lower than for physical manufacturing.

For many lower-middle-income countries, exporting digital services enables them to bypass traditional infrastructure bottlenecks (ports, roads) to diversify their export baskets. It also offers a lifeline to landlocked countries, allowing them to overcome a geographic disadvantage. Though digitalisation provides the opportunity for commodity dependent countries to leapfrog, the persistent digital divide threatens to exclude the most vulnerable economies. While digital trade is growing, digital production remains concentrated: high-income nations dominate the export of ICT goods and high-value IP. Without investment in Digital Public Infrastructure, developing nations run the risk of being consumers of technology platforms (owned by developed nations) and being "left behind".

Countries need to work on a non-digital multi-dimensional path forward. First and foremost, the shift towards Net Zero offers an opportunity for commodity producers: instead of worrying about climate change and stranded assets, CDCs should aim to become the drivers of green transition. Secondly, at times when friend-shoring and trade wars are fracturing global supply chains into blocs (The US versus China), greater regional integration and participation in the regional value chain is part of the solution. Also, the diversification of partners should be as embedded in policy as the diversification of products. Another aspect is that governments must stabilize both the fiscal and financial sectors. There are many other factors that can also affect diversification, including investment in human capital (technical and vocational education, creating long-term value by creating an innovation ecosystem), infrastructure connectivity (not just digital, but also physical such as rail, power, water ports and airports), institutional quality, soft infrastructure (predictable regulation, property rights, and contract enforcement are attractive to non-resource investors and companies), and political will to undertake reform alongside high quality of transparency and governance. The aim must be to build multiple growth engines for such commodity-dependent countries.

The bottom line is that the 2026 EDI confirms that economic diversification is a marathon, requiring structural change and reforms, not a sprint. The winners are nations that have succeeded in pivoting to digital services and high-tech manufacturing, building diversified tax bases, investing in digital connectivity and leveraging their resources to fund the transition to a knowledge economy. The cost of inaction in a digital, decarbonizing world is the risk of remaining trapped in cycles of volatility and stagnation.

On the policy level, pursuing economic diversification continues to be a catalyst for sustained development and growth, and a pillar for achieving global recovery and stability. The Global Economic Diversification Index (EDI) will continue to provide a timely and universal quantitative measure of economic diversification trajectories since the year 2000. The 2026 edition of the Global EDI has expanded its coverage to a total of 117 countries while continuing to provide novel analytical lenses (e.g. EDI+) to align with global economic shifts in the digital era. The value of the EDI for policymakers, international stakeholders and researchers continues to expand. Based on the Global EDI, numerous policy, research and programmatic activities have been developed globally. The recent publication of the EDI-based book is a case-in-point (Subramani, et al. 2026). The edited volume publishes key research papers from the periodical Global Conference on Economic Diversification (GCED 2024)[2], where leading policy practitioners and scholars from around the world utilized the EDI dataset to develop conceptual, comparative and analytical thought leadership, while addressing future directions to expand the impact of economic diversification measurement. The EDI project will continue to be a knowledge-to-policy platform that expands the thought leadership efforts and convene a global network of economic diversification practitioners to better inform developmental efforts and policy directions globally.

[2] Proceedings of the annual GCED conferences are available here: https://link.springer.com/book/10.1007/978-981-95-2022-0 (Subramani, K, Saeed H., and Salem F, Proceedings of the Global Conference on Economic Diversification. Springer, 2026.) – Information on future editions of the GCED Conference will be provided here: https://economicdiversification.com/conference/

Section 1

# Introduction

For decades, commodity-exporting nations have been pursuing economic diversification objectives. Being subject to commodity price cycles, the windfall from oil, gas, or mineral wealth presents a profound paradox: it provides the capital to fund a nation's development, yet it simultaneously creates the very economic conditions that can stifle it. Burdened by the "resource curse", such countries' resource wealth has been associated with higher macroeconomic volatility, procyclical fiscal dynamics, lower fiscal multipliers, external vulnerability due to narrow export bases, weak institutional growth, a crowding-out of other productive sectors, and slower structural transformation (UNCTAD (2025b), Venables (2016), Jiménez-Rodríguez & Sánchez (2005), Blanchard & Gali (2007), Arezki & Nabli (2012), Berument et. al. (2010), Sachs & Warner (2001), Acemoglu et.al. (2004), Marioli & Vasishtha (2025)). Lashitew, Ross and Werker (2020) find that resource abundance is positively correlated with public and human capital accumulation, i.e., it provides the fiscal space to invest in factors that can support diversification (e.g., infrastructure, logistics, education, etc), provided that governance is adequate. Extractive industries are relatively capital-intensive but labour-light. Diversification into industry, manufacturing, services, and agriculture is the only viable path to create the volume of jobs needed for growing populations, particularly in Africa, the Middle East, and South Asia.

The global energy transition, coupled with the price volatility and geopolitical shocks of the early 2020s, has transformed diversification from a long-term ambition into an economic imperative. For oil-exporting nations in particular, the challenge is no longer just about managing volatility - it is about potential stranded assets as well as building a sustainable post-oil economy. Research has also shown that while sovereign wealth funds (SWFs) and fiscal rules can moderate procyclicality, deeper structural reforms are required to generate alternative development paths (Sadiq & Guttierez (2023), World Bank (2024), Jiang & Cheng (2025)). For example, studies of the Gulf Cooperation Council (GCC) economies show that SWFs reduce volatility but do not automatically generate non-oil growth unless accompanied by institutional reforms and targeted strategies (IMF (2025b, 2024a), Alhajraf (2025)). The literature also highlights the role and importance of macro-fiscal frameworks in shaping diversification incentives, including exchange rate regimes, subsidy reforms, and the structure of public investment.

## Classical theories argue that diversification accompanies shifts from primary sectors toward manufacturing and high-productivity services.

However, many commodity-dependent economies experience premature deindustrialization or "stalled industrialization", characterized by inadequate technological upgrading and limited tradable-sector expansion. Studies using firm-level data (e.g., McMillan & Rodrik, 2017; Hidalgo 2021) show that diversification is strongly associated with the accumulation of productive capabilities - skills, technological expertise, supplier networks, logistics systems, and innovation ecosystems. Economic complexity research reveals that nations tend to diversify into products that are technologically related to their current capabilities. Commodity-dependent countries (CDCs), whose export baskets centre on low-complexity goods, often face a long distance to high-complexity manufacturing or advanced services. Separately, research on African and Latin American economies find that infrastructure gaps amplify transport and transaction costs, inhibiting participation in global value chains (GVCs). Without competitive logistics and digital infrastructure, CDCs struggle to diversify into medium- and high-tech industries (OECD and WTO 2019, UNCTAD Secretariat 2024, UNCTAD 2025a, IMF 2024b).

Since 2015, the literature has seen a resurgence in the study of industrial policy as a tool for diversification. The failures of past industrial policies - those focused on using state funds to "pick winners" by building state-owned heavy industry like steel mills or aluminium smelters - have provided hard-won lessons. The emerging consensus is that sustainable diversification is not about the state replacing the private sector, but about the state enabling it. The "new industrial policy" framework argues that governments must play an active role in facilitating structural transformation by identifying strategic sectors, coordinating investments, and reducing risks for private firms (Baquie et al 2025, IMF 2025a). However, sector targeting must be aligned with existing capabilities; otherwise, interventions lead to costly failures. Empirical studies on African resource-rich economies show that diversification efforts succeed when they build incrementally on existing competencies (e.g., agro-processing near agricultural sectors or petrochemicals near oil and gas), rather than attempting abrupt transitions into unrelated industries (UNCTAD 2023, Gelb 2012).

A growing line of research also argues that digitalization offers new diversification channels even for economies without large manufacturing bases. Studies find that digital infrastructure, e-government, fintech ecosystems, and digital trade laws and regulations ("soft infrastructure") significantly influence service-sector diversification. Countries such as Rwanda, Mauritius, and the UAE are frequently cited as successful early movers in the development of digital services, benefiting from targeted talent programs, investment in digital infrastructure, and regulatory modernization.

The bottom line is that as global value chains evolve and the energy transition accelerates, new opportunities are emerging for CDCs that can align their industrial policies, digital strategies, and investment frameworks with shifting global demand.

Section 1

# The New Reality: What Changed in 2024-25?

Over the past year, the new US administration heralded the return of protectionism, with the resurgence of aggressive trade tariffs[3] and the fragmentation of global trade into blocs (US-China-EU). This geo-economic fragmentation has altered the playing field, meaning that CDCs face the risk of choosing trade blocs, potentially losing access to key buyers, or facing punitive tariffs on downstream products. In essence, global de-globalization and fragmentation are leading to a reconfiguration of trade and supply chains. In addition to the tariff uncertainty[4], there is greater overall economic policy uncertainty[5]- which reached a record high in 2025. Concurrently, high interest rates in advanced economies have increased debt servicing costs for developing nations, squeezing the fiscal space needed for diversification. Furthermore, commodity price movements are no longer just cyclical. The influence of geopolitics is clear - conflicts in Europe and the Middle East have turned energy and food security into weapons of war, creating unpredictable price spikes and crashes.

The 2024-25 period has not just been about what countries trade, but who they trade with.

Sheng, Song, and Zheng (2025) find that the initial US tariff shock during Trump's first term saw China divert its exports to the South – with significant quality upgrades and export price increases – rather than to other Northern countries (which are similar to the US). The return of aggressive "America First" policies under the new US administration has catalyzed a realignment of global supply chains, forcing CDCs to rapidly diversify their trade partners to survive. Countries must now diversify who they sell to, not just what they sell. There has been a shift towards regional trade integration (e.g., AfCFTA in Africa) as a buffer against the volatility of Western and Chinese markets. The EU, with its main export destination being other member states, has successfully concluded negotiations with the MERCOSUR (in Dec 2024) and Indonesia (Sep 2025) and is continuing trade negotiations with India, the UAE, Australia, and three other ASEAN countries (the Philippines, Malaysia, and Thailand). The UAE has successfully signed close to 30 Comprehensive Economic Partnership Agreements with its trade partners (including India and Turkey), while many others are in various stages of negotiations (e.g., Japan, China).

[3] Poorer countries in the Global South face some of the highest US tariff hikes: among the 10 most affected countries are three less developed countries: Myanmar (49%), Lao People's Democratic Republic (38%) and Bangladesh (35%). Source: "A tectonic shift in tariff policy", UNCTAD, Sep 2025.

The current US tariff environment mirrors the Smoot-Hawley Tariff Act of 1930, which raised US tariffs on over 20,000 imported goods. The original act triggered retaliatory tariffs from Canada, Europe, and others, causing global trade to plummet by almost 66% between 1929 and 1934, deepening the Great Depression and forcing nations into self-sufficient blocs. Similarly, today's tariffs have led to the emergence of three distinct blocs: a US-centric bloc, a China-centric bloc, and a "Non-Aligned" bloc attempting to trade with both. For commodity producers, this is dangerous. In the 1930s, commodity prices collapsed because surplus supply had nowhere to go. In 2025, the risk is similar: if a country is locked out of the US or Chinese market due to trade wars, it faces a surplus crisis and price collapse for its primary export. Kim (2025) finds that initiatives such as the EU–CPTPP partnership initiative, the acceleration of Asian regionalism, and BRICS expansion signal proactive institution-building, underscoring the need for cross-regional coalitions/ expansions.

But unlike the 1930s, the current diversification is also technological – with the "bifurcation" of supply chains into two distinct technology stacks. US export controls on semiconductors have forced Asian and African nations to choose between adopting US or Chinese digital infrastructure (5G, cloud, AI). This "tech allegiance" is now dictating trade partnerships. A country using Huawei 5G infrastructure may find itself tariff-walled from exporting digital services to the US, forcing a digital trade diversification toward the Global South.

Diversification in 2025 is no longer just about economic rationale; it is also about geopolitical hedging. Successful commodity exporters will need to navigate these carefully: maintaining trade flows with the US for high-value goods while deepening integration with China and the Global South for infrastructure and commodities. These shifts have necessitated a multidimensional mix to support economic diversification.


[4] https://www.matteoiacoviello.com/tpu.htm
[5] https://www.policyuncertainty.com

Section 1

# Measuring Economic Diversification

True economic diversification is a transformative process that builds resilience against shocks. Too often, its success is measured by a single, misleading metric: the share of the non-commodity sector in GDP. This report assesses the diversification performance of CDCs by using a multi-dimensional approach, examining three distinct, yet interconnected, dimensions: output, trade, and fiscal revenue.

## 1. Output Diversification

This measures the diversification of domestic economic activity.

The key question in this regard is whether the economy's value-add is shifting away from the primary commodity sector (e.g., oil and gas) and toward other sectors such as manufacturing, services, tourism, and technology.

## 2. Trade Diversification

This measures a nation's ability to produce and sell new, non-commodity goods and services on the global market.

An economy that only grows its non-tradable domestic sectors (like real estate or local retail) remains just as exposed to commodity shocks as one that does not. In addition, the trade diversification pillar also measures the country's diversification or concentration of trade.

## 3. Fiscal Revenue Diversification

This measures the government's financial independence from commodity-related revenues.

It aims to answer whether state funding and expenditure on public services such as healthcare, education, and infrastructure can happen without reliance on volatile oil or mineral royalties and revenues.

The EDI highlights the persistent challenges countries face and outlines the emerging policy consensus on a more sustainable path forward. Using the EDI, a country can compare its performance with that of its regional peers, other countries with similar resource endowments, as well as with more diversified countries internationally. The EDI also allows oil-exporting and other commodity-exporting countries to measure their existing state of economic diversification and provide insight into the factors that can foster or, alternatively, impede diversification. Finally, the EDI allows countries to visualize their global ranking for each measure of diversification (production, trade, and government revenue) over time, across regional and income groups. It also allows for deeper exploration within country groupings (e.g., OPEC in relation to natural resource). Once these results are understood, digging deeper into country-specific scenarios helps countries identify and intensify the pace of diversification and guide economic diversification strategies and policies, including industrial strategies and policies.

## Indicators and Methodology

The EDI – for the sake of transparency, accessibility, and reproducibility – is based solely on publicly available, quantitative indicators, with no survey or perception indicators, thereby providing a quantitative benchmark and ranking of the economic diversification of countries. The set of indicators and sub-indicators of economic diversification has been defined based on research, analysis, and the existing literature on economic diversification (detailed in the first edition of the EDI). The list of indicators and their metadata is detailed in the Appendix.

The EDI score and ranking for a country are determined by first calculating the scores of 3 key sub-indices: the government revenue sub-index, the output sub-index, and the trade sub-index. Each of these sub-indices consists of multiple underlying indicators. Using the principal components analysis (PCA) method, a dimensionality reduction technique, a sub-index score is obtained for each of the three categories. This produces one value for each of the three subindices, and these three values are averaged by taking their simple arithmetic mean to produce the final overall EDI score for the country. Taking the simple arithmetic mean of the three subindices to produce the final score implies that equal weight[6] is given to each of the trade, government revenue, and output pillars in its contribution to economic diversification. This is the simplest and most transparent approach, as there is no a priori reason for believing that any one of the three sub-indices is more important to the overall measurement of economic diversification than the others. Appendix A expands further on the methodology.

[6] Users of the EDI data can apply different weights online via https://economicdiversification.com/the-index/

## Section 2

# The Global Economic Diversification Index: Main Findings

The current edition of the Global Economic Diversification Index (EDI) provides a comprehensive longitudinal assessment of 117 nations across the 2000-2024 period. The index is constructed on three foundational pillars: diversification of output, trade, and government revenue. The country list includes commodity-dependent nations, spanning hydrocarbon, mineral, and agricultural exporters. Such countries have been classified on the basis of two criteria: a country is resource dependent if over 60% of its total merchandise exports in value terms consist of natural resources[7] (aligning with UNCTAD's methodology; note that the IMF and World Bank refer to a minimum threshold of 25%) and rent intensity i.e. the ratio of natural resources rents to GDP is above 10%[8]. Empirically, these economies also exhibit severe fiscal rigidity, with non-resource tax revenues typically stagnating below 20% of GDP, highlighting a persistent vulnerability to commodity price cycles.

[7] Share of agricultural products or fuels (by SITC) in total merchandise.
[8] The list of commodity dependent nations is specified in the Appendix C.

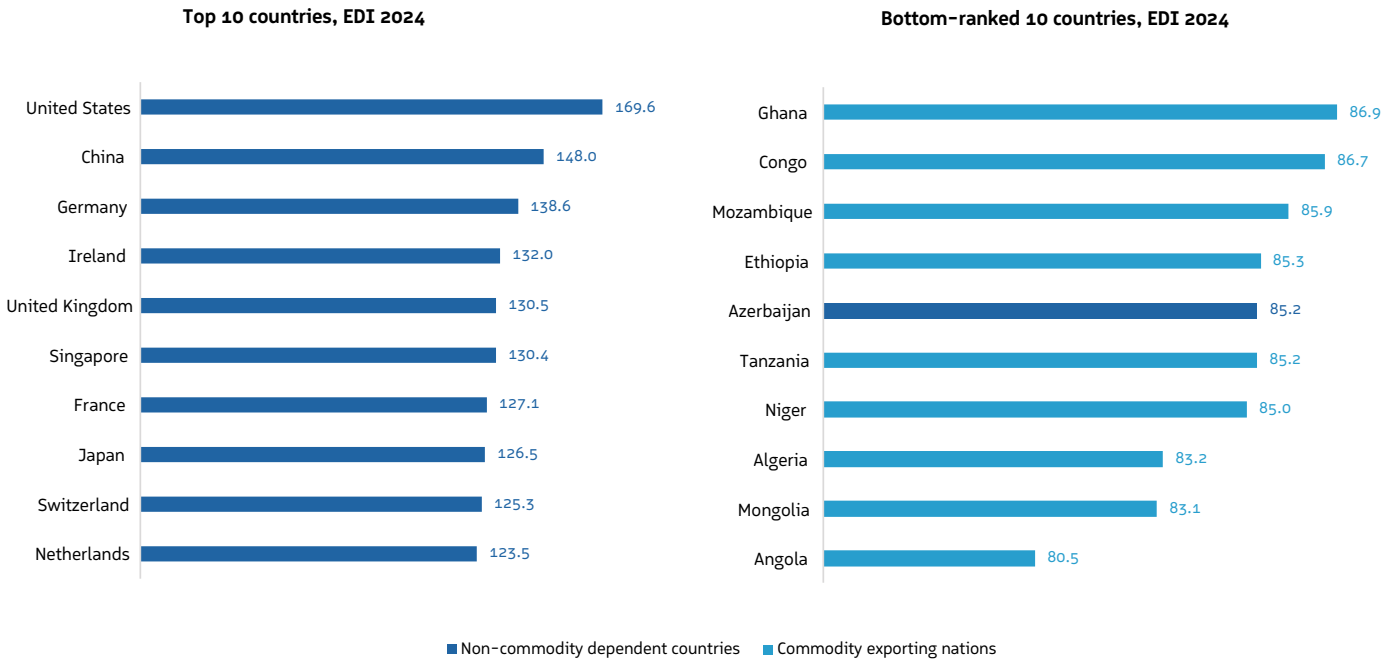
Section 2

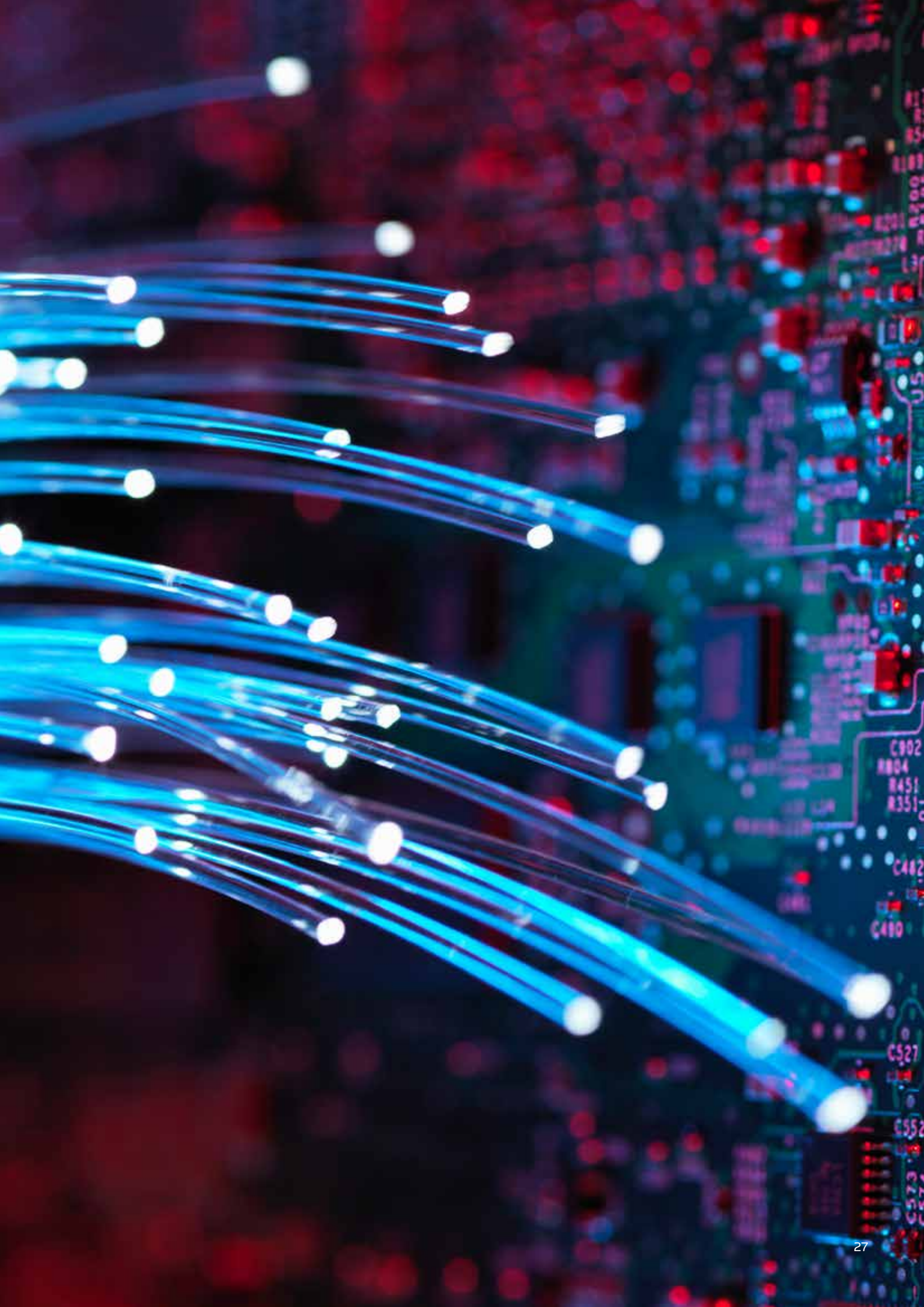
# The Global Leaderboard

## The top-ranked countries in the Global EDI come as no surprise: the US, China, and Germany top the rankings,

followed closely by a cohort of mostly high-income, advanced economies. The top three have maintained their dominance since 2011, although China's ascent to the second position is a more recent structural shift (solidified post-2018), reflecting its rapid industrial and technological deepening and integration into high-value global value chains (GVCs). Conversely, the lower rankings remain dominated by low-income developing nations, predominantly characterized by high commodity dependence (represented by the orange bars in Chart 2.1). This persistence at the bottom underscores the structural rigidity of the "resource trap", where limited export sophistication and fiscal volatility continue to impede diversification efforts.

**Chart 2.1. Highest and lowest ranked economies in EDI 2024**





A list of the top rankings (Table 2.1) reveals significant stability: fourteen of the twenty countries have featured in this list over the 2000-24 period, albeit in varied ranks. Of these, the US has been the most diversified across the entire period, leveraging a robust services sector and advanced manufacturing base. Asian representatives Japan, Singapore, and South Korea have been consistent high performers, but the rise of China (an upper-middle-income nation) is the defining narrative. China entered the top ranks only after its WTO accession in the 2000s, while India broke into the top 20 in 2024, driven by its services export boom.

## In 2024, high-income nations accounted for twenty-five of the top 30 nations.

The exceptions were four upper-middle-income nations, China, Mexico, Turkey, and Thailand, as well as one lower-middle-income nation, India (ranked 20th globally). This demonstrates that diversification is possible at lower income levels through strategic economic policy. Only five of the top 30 were from East Asia Pacific, of which three are in the top 10, while four Eastern Europe & Central Asia nations (all high-income) appear in the 20-30 ranked group (top among them Czechia). Mexico is the sole Latam representative in the top 30 list - a testament to its deep integration into North American supply chains – while the top-ranked Sub-Saharan African country is South Africa, at 47. Only five Western European countries fell outside of the top 30 list (two among them are the commodity-dependent Norway and Iceland).

**Table 2.1. Top 20 nations, EDI**

Section 2

# The Bottom Quartile: "Double Exposure" of Dependence and Geography

Only ten countries have remained consistently in the bottom 20 across the entire period (Table 2.2) – all commodity dependent, with a heavy concentration in Sub-Saharan Africa (7 countries) as well as one each from Eastern Europe & Central Asia (Azerbaijan), MENA (Algeria) and East Asia & Pacific (Mongolia); these three are also upper-middle income countries.

In 2024, sixteen of the bottom 30 countries are from Sub-Saharan Africa - of those, 12 are commodity dependent - while only six of the lowest thirty are non-commodity dependent. A few commodity-dependent, high-income nations fall in this bottom 30 list (all MENA-based), while there are six upper-middle income countries (all commodity dependent, and representing MENA, Eastern Europe & Central Asia, Latam, and one Mongolia from East Asia & Pacific). While some nations attempted to use Special Economic Zones (SEZs) to diversify (e.g., Gabon, Senegal), failure often stemmed from procyclical fiscal policies during oil price booms and an inability to mobilize non-oil revenue (Delechat et al 2024).

Many of the lowest-ranked nations are characterized by high levels of economic concentration and are also landlocked. Such landlocked nations[9] face a "double exposure" (UNDP 2025): they are reliant on primary commodities (accounting for 82% of their exports) while simultaneously bearing trade costs that are 1.4 times higher than their coastal peers due to geographic isolation and inadequate transport and logistics infrastructure. This structural impediment limits their ability to integrate into high-value global supply chains, trapping them in a cycle of low-value resource extraction and economic concentration.

[9] UNDP (2025) identifies Landlocked Developing Countries as a critical subgroup within the broader literature on commodity dependence.

**Table 2.2. Bottom 20 nations, EDI**


Ghana
Qatar
Nigeria
Kazakhstan
Kyrgyzstan
Zambia
Saudi Arabia
Kuwait
Ethiopia
Azerbaijan
Cambodia
Lao PDR
Oman
Angola
Iran
Bolivia
Senegal
Mozambique
Tajikistan
Uganda
Madagascar
Paraguay
Tanzania
Gambia
Rwanda
Niger
Mongolia
Cameroon

Section 2

# The “Mid-Diversifiers”: Success Stories and Strategic Shifts

Among the mid-diversifier countries in Table 2.3, most have remained within a similar range. Some performances that stand out are:

## a. Moldova

wherein gains have come from the dominance of services and low-skill manufacturing in recent years.

## b. Indonesia

a standout case of “resource-based industrialization”, successfully leveraging downstream processing policies alongside investments in human capital and infrastructure policies (Delechat et al 2024).

## c. Bahrain

which was 75th in the list in 2000, managed to improve its standing during the 2016-2020 period due to the introduction of value-added taxes and also due to the increased contribution of financial services towards non-oil GDP.

## d. Armenia

(which previously ranked in the 80s and moved 69 last year): leveraging a highly educated and skilled workforce, the country built a tech hub complemented by government incentives for IT startups and a favourable tax regime.

## e. Honduras

moved away from its reliance on agricultural products to a growing Business Process Outsourcing (BPO) sector (thanks to proximity to the US and English proficiency). It demonstrated resilience by moving up the value chain from simple textiles to light manufacturing (auto parts)..

**Table 2.3. "Mid-diversifiers", EDI**

| | 2000 | 2004 | 2008 | 2012 | 2016 | 2020 | 2024 |
|---|---|---|---|---|---|---|---|
| New Zealand | 40 | 37 | 41 | 43 | 48 | 51 | 51 |
| Jordan | 36 | 42 | 42 | 42 | 47 | 49 | 52 |
| Cyprus | 43 | 41 | 37 | 35 | 51 | 46 | 53 |
| Ukraine | 58 | 44 | 40 | 41 | 59 | 55 | 54 |
| Norway | 53 | 50 | 57 | 55 | 45 | 48 | 55 |
| Argentina | 41 | 52 | 57 | 45 | 50 | 59 | 56 |
| Iceland | 50 | 47 | 49 | 50 | 53 | 61 | 57 |
| Uruguay | 46 | 60 | 60 | 61 | 62 | 62 | 58 |
| Moldova | 79 | 75 | 64 | 62 | 67 | 64 | 59 |
| Indonesia | 73 | 64 | 68 | 66 | 66 | 65 | 60 |
| El Salvador | 63 | 66 | 55 | 58 | 61 | 60 | 61 |
| Mauritius | 59 | 58 | 58 | 57 | 60 | 56 | 62 |
| Guatemala | 64 | 61 | 61 | 60 | 63 | 63 | 63 |
| Belarus | 54 | 53 | 62 | 59 | 58 | 63 | 64 |
| Georgia | 71 | 69 | 51 | 53 | 65 | 70 | 65 |
| Sri Lanka | 74 | 56 | 65 | 67 | 70 | 69 | 66 |
| Egypt | 70 | 77 | 75 | 68 | 64 | 66 | 67 |
| Bahrain | 75 | 80 | 91 | 90 | 71 | 68 | 68 |
| Armenia | 82 | 81 | 82 | 88 | 94 | 89 | 69 |
| Honduras | 80 | 76 | 70 | 70 | 68 | 71 | 70 |

Least Diversified  Most Diversified

The average unweighted EDI scores (Table 2.4) reveal a divergence or gap. The top-ranked nations' scores have increased over time, including in the post-pandemic period, while the bottom performers have stagnated, with many still operating below their pre-COVID-19 levels. In 2024, the average EDI score was 102.5, compared with the top and bottom performers' scores of 135.1 and 84.7, respectively. This compares to an average score of 97.5 in 2000 alongside the highest and lowest scores of 117.3 and 80.3, respectively. It is evident from the results that for lower-ranked nations to catch up post-2020, the process will be slow, especially given output losses, lack of efforts to diversify into new sectors, and already-existing debt and fiscal burdens.

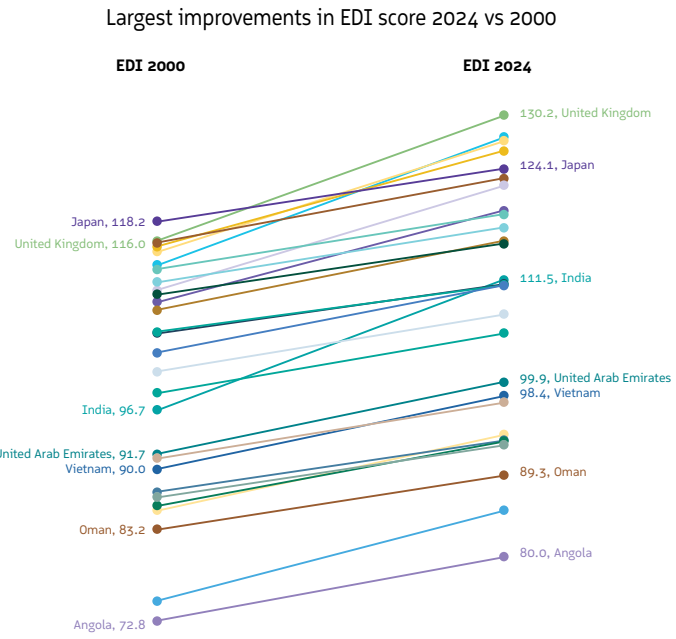
**Table 2.4. Top 10 average & lowest 10 average EDI scores**

| | 2000 | 2004 | 2008 | 2012 | 2016 | 2020 | 2024 |
|---|---|---|---|---|---|---|---|
| Top 10 Average | 117.3 | 119.4 | 123.3 | 125.0 | 126.5 | 128.5 | 135.1 |
| Lowest 10 Average | 80.3 | 81.7 | 80.6 | 82.0 | 85.5 | 84.8 | 84.7 |

There is a growing technology divide. This suggests a "K-shaped" recovery where advanced economies leverage digital and green transitions to diversify further, while low-income commodity producers grapple with debt distress and output losses (Delechat et.al 2024, Chattha et. al. 2025).

The lower-ranked countries have made the largest improvements in overall score between the years 2000 and 2024 (Chart 2.2). India is one of the strongest success stories among the developing nations (thanks to its emphatic shift towards the services sector), while among commodity-dependent countries, the GCC (Saudi Arabia and UAE with more than 8 points and Oman with 6+ points) stand out thanks to recent revenue diversification efforts.

**Chart 2.2. Improvements in EDI score 2024 vs 2000**



Section 2

# Pillar Analysis: Trade, Output, and Revenue

Table 2.5 outlines the diversification results over time (in 5-year averages) and by region. North America tops the table (posting gains throughout the years); even though structural reforms and diversification efforts undertaken by the GCC impacted MENA's regional scores positively, it still lags five other regional groups. South Asia's improved score is consistent with India's score (moving up from 55th rank in 2000 to 20th in 2024). Only two regions show a decline in EDI in 2024: Latam and Sub-Saharan Africa. Though Sub-Saharan Africa lags all other regions, it has shown an improvement over time, except in the post-COVID-19 five-year period.

**Table 2.5. EDI scores, by region and over time**

| | 2000-2004 | 2005-2009 | 2010-2014 | 2015-2019 | 2020-2024 |
|---|---|---|---|---|---|
| North America | 120.9 | 125.0 | 129.0 | 132.4 | 135.9 |
| Western Europe | 110.1 | 112.0 | 112.6 | 113.9 | 115.7 |
| East Asia & Pacific | 101.4 | 102.3 | 104.3 | 106.3 | 107.7 |
| Eastern Europe & Central Asia | 97.3 | 98.6 | 99.5 | 100.6 | 101.3 |
| South Asia | 94.7 | 95.7 | 96.3 | 97.5 | 98.3 |
| Middle East & North Africa | 93.2 | 93.3 | 94.4 | 97.5 | 98.0 |
| Latin America & the Carribean | 96.2 | 96.2 | 96.6 | 97.8 | 97.6 |
| Sub-Saharan Africa | 89.1 | 89.5 | 90.0 | 90.8 | 90.0 |

Least Improvement ▪▪▪▪▪▪▪▪▪▪ Most Improvement

Other than SSA, Latam is the only regional group that has not "recovered" to its pre-COVID-19 EDI score. A further breakdown by sub-indices shows that Latam is dragged down by the performance of its trade sub-index (Chart 2.3). Unlike Asia or Europe, Latin America has low levels of intra-regional trade (around 15% of total trade). Poor infrastructure, high logistical costs, and political fragmentation have prevented the region from building robust regional value chains that could buffer against global shocks. Additionally, the rise of trade barriers and "friend-shoring" has not yet significantly benefited Latin America. While Mexico has gained from nearshoring to the US, other countries in South America have struggled to attract similar investment due to political uncertainty and regulatory barriers. Fiscal constraints and high inflation led many central banks to raise interest rates early and aggressively, stabilizing currencies, but it also choked off investment in the export sector and infrastructure, limiting trade capacity.

**Chart 2.3. Latam's overall EDI score is dragged down by its trade sub-index performance**

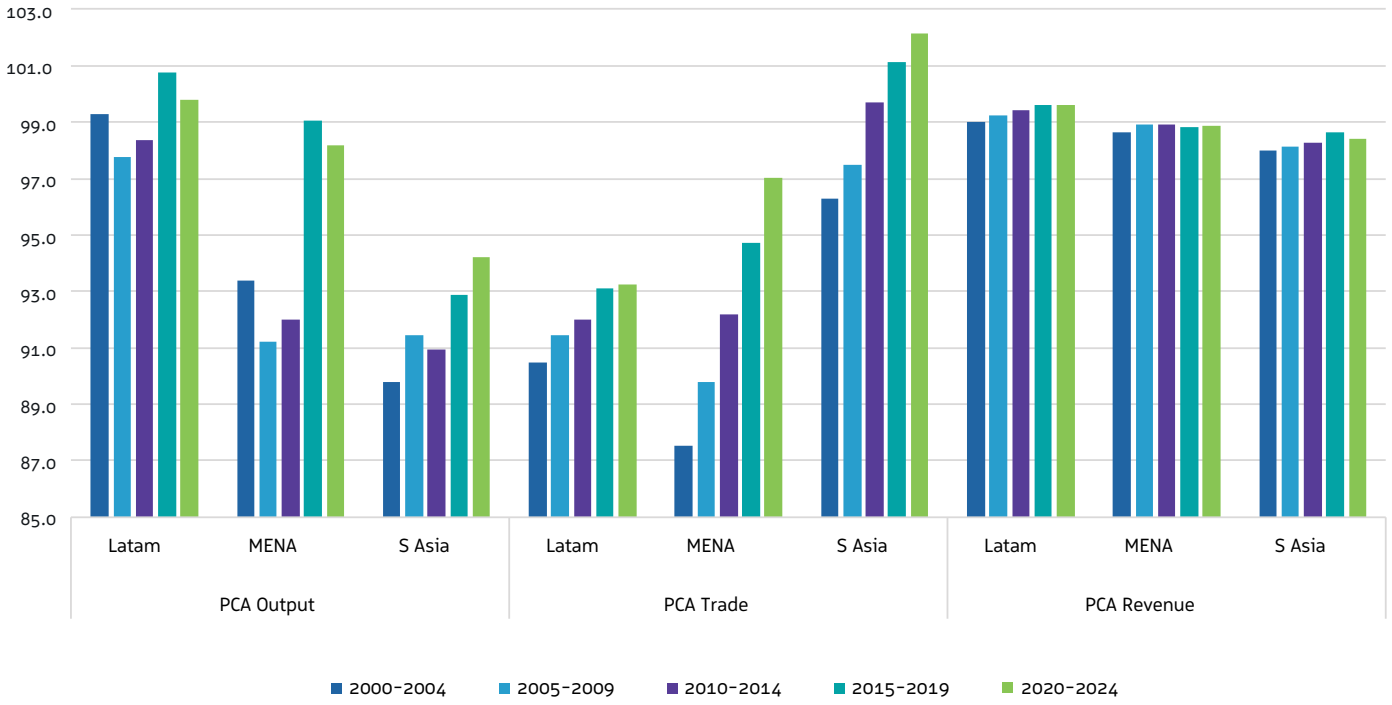
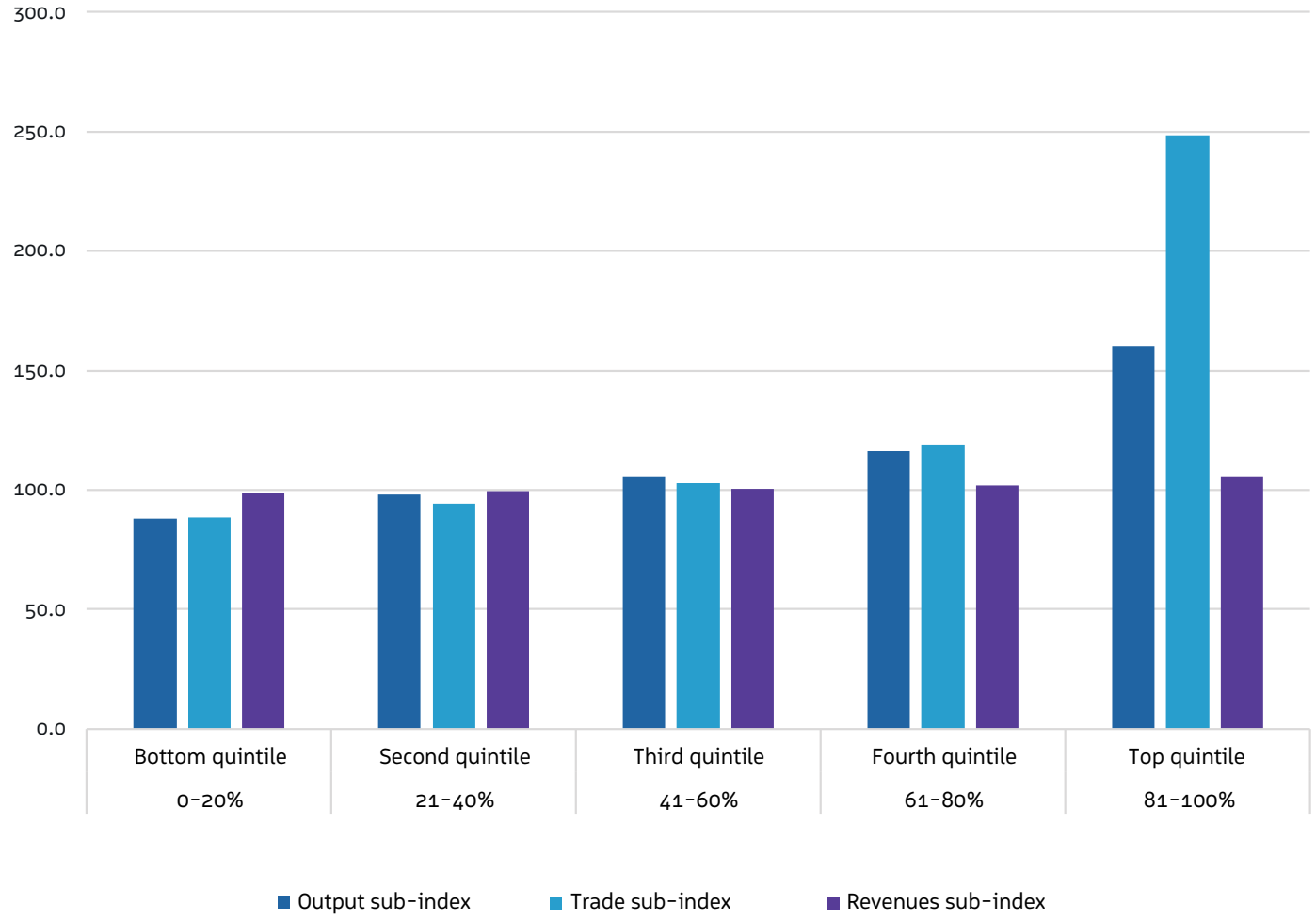



Chart 2.4, which breaks down the EDI by its three components, shows the trade pillar exhibiting the strongest differentiation by quintile. It outperforms the other sub-indices by a significant margin in the top quintile, while both output and trade are particularly weak in the bottom two quintiles. The trade sub-index gets progressively stronger from the third quintile onwards. Trade tends to grow stronger in countries that are already trade leaders, benefiting from a "virtuous cycle" of trade leadership and openness. Established trade leaders (like China, Germany, or the US) have massive industrial bases that allow them to produce goods cheaper and faster, as well as respond to demand shifts. Not only are their logistics networks (ports, shipping routes) mature and efficient while lowering transaction costs, but these countries also often have stable legal frameworks, trade agreements, and financial systems that reduce risk for partners, attracting more trade. Catch-up nations, on the other hand, face a "vicious cycle" of low value addition and structural constraints. Historical leaders often used protectionism in the past to build their industries, but now advocate for free trade, preventing developing nations from using the same tools (subsidies, tariffs) to nurture promising infant industries.

**Chart 2.4. EDI Component scores, by quintile, 2024**



## Trade Concentration is a Structural Barrier to Diversification and Resilience

Market concentration in trade is defined as a heavy reliance on a limited number of export products or trading partners: this is one of the common characteristics across commodity-dependent developing countries. With many commodity exporters relying on just one or two commodities for over 60% of their export earnings (e.g., oil in Angola, copper in Zambia), this lack of product diversity exposes them to extreme terms-of-trade shocks. There is also market concentration or overdependence on a specific trade partner/ region. Commodity exporters often rely on a single destination market for a vast majority of their exports – historically, this has been the EU, the US, and, more recently, China. Hence, a slowdown in China's construction sector or a recession in the Eurozone leads directly to a fiscal crisis for the exporter, bypassing domestic policy buffers (if any).

One of the EDI indicators is the Herfindahl-Hirschman index (HHI), which measures the dispersion of trade value across an exporter's partners[11]. The US had one of the lowest concentrations across regions, clocking in a reading of 0.05 in 2020-24 (vs 0.07 in 2000-04). Canada, on the other hand, is more concentrated, with readings ranging from around 0.50 (in recent years) to 0.66 (in the early 2000s). This has led the North America region to show high levels of concentration on average. MENA has shown fluctuations in the HHI, but the data (from 0.12 in 2000-04 to 0.10 in 2020-24) indicate reasonable diversification for largely commodity-dependent nations.
There is a strong negative correlation between export concentration and economic growth (Heiko 2008, Freire and Slany 2023). Lee and Zhang (2019) find that country size and income levels also affect the export structure and how diversified it is; bigger benefits accrue for relatively larger and poorer countries within low-income countries and small states. When the dominant commodity price declines (e.g., oil), the exporter's government revenues plunge, forcing them to introduce austerity measures (spending cuts during a downturn) that further lower economic growth. It is also often the case that high concentration in extractive sectors prevents the emergence of a diversified private sector. Hence, both capital and skills flow into the extractive sector, crowding out the development of other sectors like manufacturing or agriculture.

Over the past two decades, many commodity-exporting African and Latin American nations have increased trade with Asian markets (from Western nations). However, a careful examination shows that much of the time, only the geopolitical partner has changed - for example, a country that used to export 80% of its iron ore to Europe now exports 80% to China. Hence, the structural vulnerability continues, albeit with a different partner. Additionally, with the global energy transition came newer forms of concentration, i.e. soaring demand for critical minerals (lithium, cobalt), which in turn had countries focus on increasing mining investments. While profitable in the short term, this dependence reinforces the "resource trap". Economies have re-oriented policies around the extraction of such minerals without developing domestic processing capacity (which would have added value).

Addressing market concentration demands a fundamental restructuring of trade patterns. The most effective way to reduce product concentration is to move up the value chain, i.e., quality upgrading within already produced goods and services or vertical diversification. For example, instead of exporting raw cocoa or crude oil, policies should incentivize domestic processing. Such value chain upgrading will also allow countries to move into more knowledge-intensive and high-tech parts of global supply chains, again expanding diversification.

Osakwe and Kilolo (2018) find that, in addition to diversifying the production structure, better access to infrastructure and services is also necessary for export diversification. Furthermore, greater regional integration also reduces partner concentration. Intra-regional trade tends to be more diversified (e.g., more manufactured goods) than extra-regional trade. By increasing trade with its regional peers, commodity exporters can build resilience against shocks originating in major global hubs (Vogel 2022, OECD and WTO 2019). Coniglio et al. (2021) find evidence of path dependence, but it is less marked in advanced and larger economies with a high trade diversification; the paper also finds that most countries that are less likely to diversify away from their comparative advantage are natural resource dependent, and also that better institutions enable countries to diversify away from their current comparative advantage.

Given the geopolitical environment, characterized by intensifying economic fragmentation and the "weaponization" of trade, it would be in the best interests of commodity-dependent nations to diversify and structurally integrate into global value chains. Finding new commodities to export and/or increasing export complexity have been extensively discussed in economic literature. But it is also necessary to alter the structure of exports, i.e., moving from raw materials to processed goods, and from single-market dependence to a diversified portfolio of trading partners. Absent this structural transformation, commodity exporters risk remaining trapped as price-takers – exposed to volatility at every turn of the commodity price cycle.

[11] A country with trade (export or import) that is concentrated in a very few markets will have an index value close to 1. Similarly, a country with a perfectly diversified trade portfolio will have an index close to zero.

Table 2.6 lists the top 10 nations for the year 2024 – ranked for overall EDI and by its three sub-components: output, trade, and government revenue. Other than the revenue sub-index, which is topped by Denmark, the US dominates the rankings. The output sub-index leaderboard is a mix of the usual G7 nations (including the US, Japan, Germany, and the UK), as well as the more services-centric Switzerland, Ireland, and Singapore[10]. The trade sub-index is unsurprisingly dominated by the US, China, and Germany. Developing markets have captured more than one-fifth of the global services market, with the gains concentrated in four developing exporters – China, India, Singapore, and the UAE (UNCTAD paper, 2024); three of these countries are in the top 10 of the trade sub-index. The Netherlands and Singapore score highly in the indicator merchandise exports as a percentage of GDP (more than 150% in post-COVID years), while the surge in services exports (over 20 times) aided India and Ireland. Denmark and other Nordic countries top the revenue sub-index: not surprising given their high levels of taxation (with expenditure focused on health, education, and social security). The US is ranked 65th (in 2024) in the revenue sub-index: tax and total revenue as a percentage of GDP in the US stood at 19% and 30%, respectively, as opposed to Denmark's readings of around 50%.

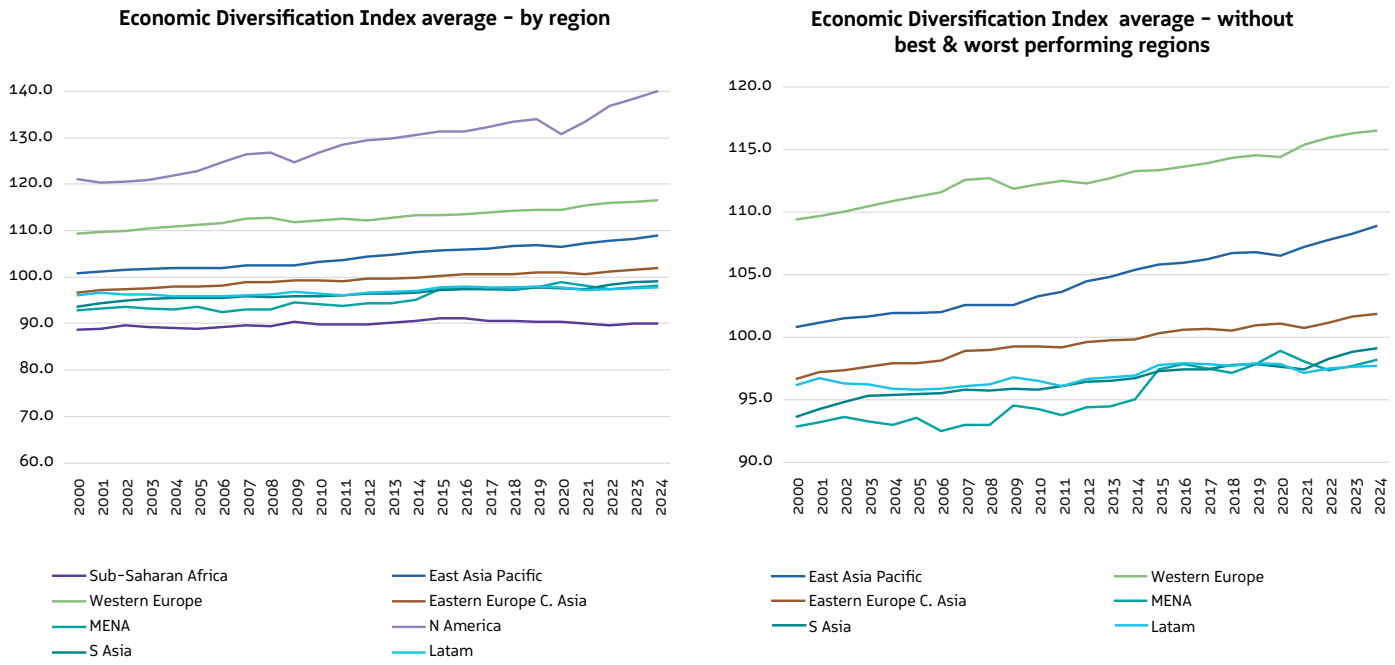
**Table 2.6. Performance by sub-index - top 10 nations, by overall EDI and output, trade and revenue sub-indices (2024)**


[10] Switzerland and Singapore have very high readings in the share of medium- and high-tech manufacturing value added in total manufacturing value added (of above 70% and 80% respectively); Ireland's manufacturing value added per capita is the largest across the subset of the countries in this report.

Section 2

# Regional EDI Performance Over Time

**Chart 2.5. Performance of the Economic Diversification Index across regions, 2000-2024**




North America and Sub-Saharan Africa remain the best- and worst-performing regions for the EDI and its sub-indices. Chart 2.5 shows that all regional groups have diversified over the 2000-2024 period, though the laggards, South Asia, Latam, and the MENA regions have shown a relatively slower pace of diversification. Only Latam and Sub-Saharan Africa regions have shown a decline in average EDI scores (when comparing 2020-24 to 2015-2019). The MENA region, which had scored only slightly better than Sub-Saharan Africa during 2000-14, significantly improved its performance in the recent decade, with gains across all sub-indices. South Asia outperformed both Latam and MENA in recent years, 2015-2014 (albeit slightly), supported by the uptick in the trade diversification sub-index (see Chart 2.7), largely due to India's ascent.

**Chart 2.6. Performance of the output diversification sub-index across regions, 2000-2024**

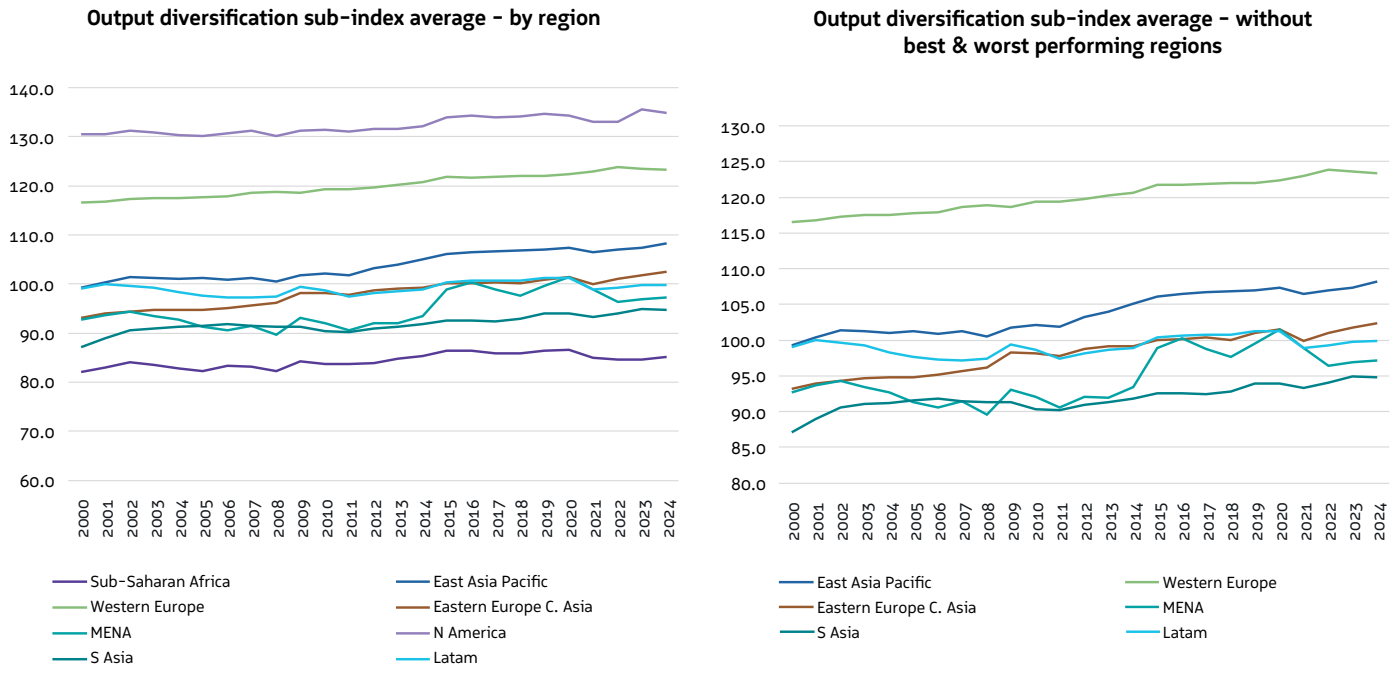
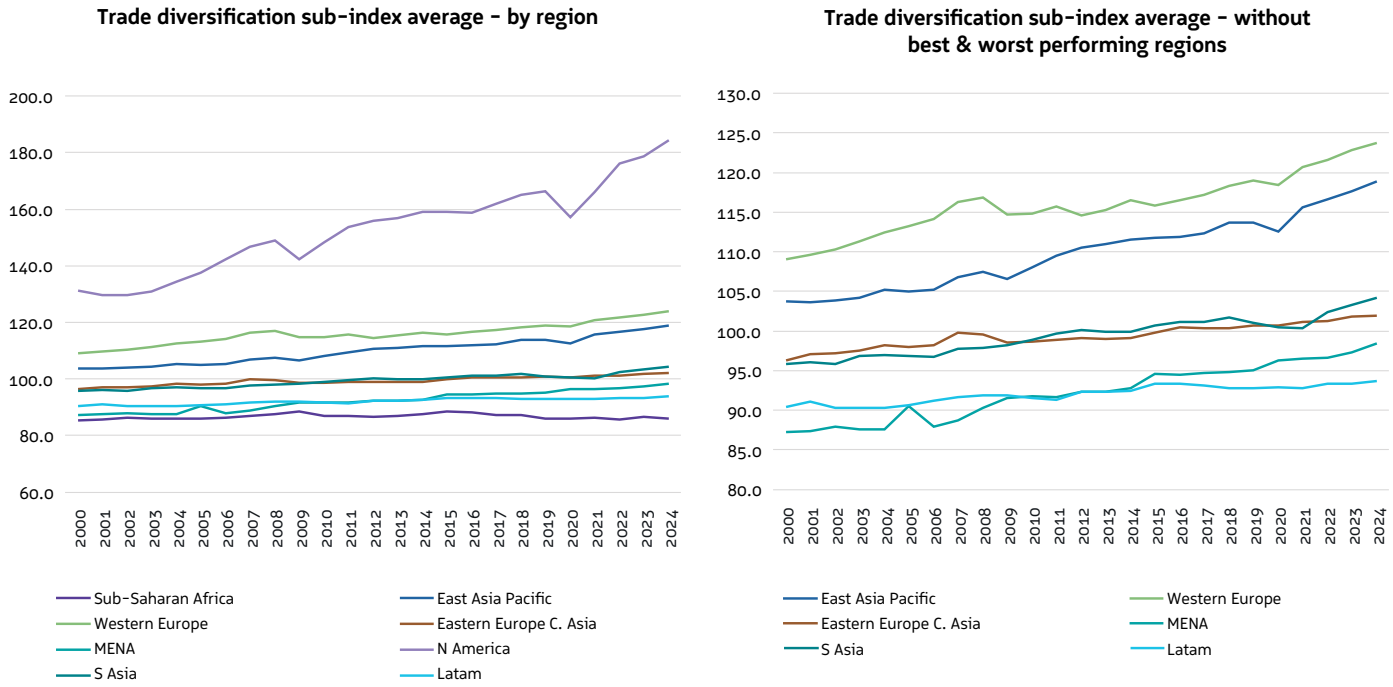



Chart 2.6 highlights the **output diversification** sub-index. Western Europe maintains a structural lead with a 10-point advantage over East Asia Pacific, which has grown at a much faster pace after 2011 and is closing the gap. Performance of the next four regional groups falls within a range of 90 to just over 100. While MENA's performance has fluctuated with oil price movements,

South Asia has recorded one of the slowest increases: despite its growth in services (as a percentage of GDP, services share stands at over 52% in 2020-24), other indicators show high divergence – for example, the manufacturing value added per capita, at an average USD 345.3 in 2020-24, is over one-fifteenth that of North America and one-third of Latam. Is there a "jobless growth" risk?

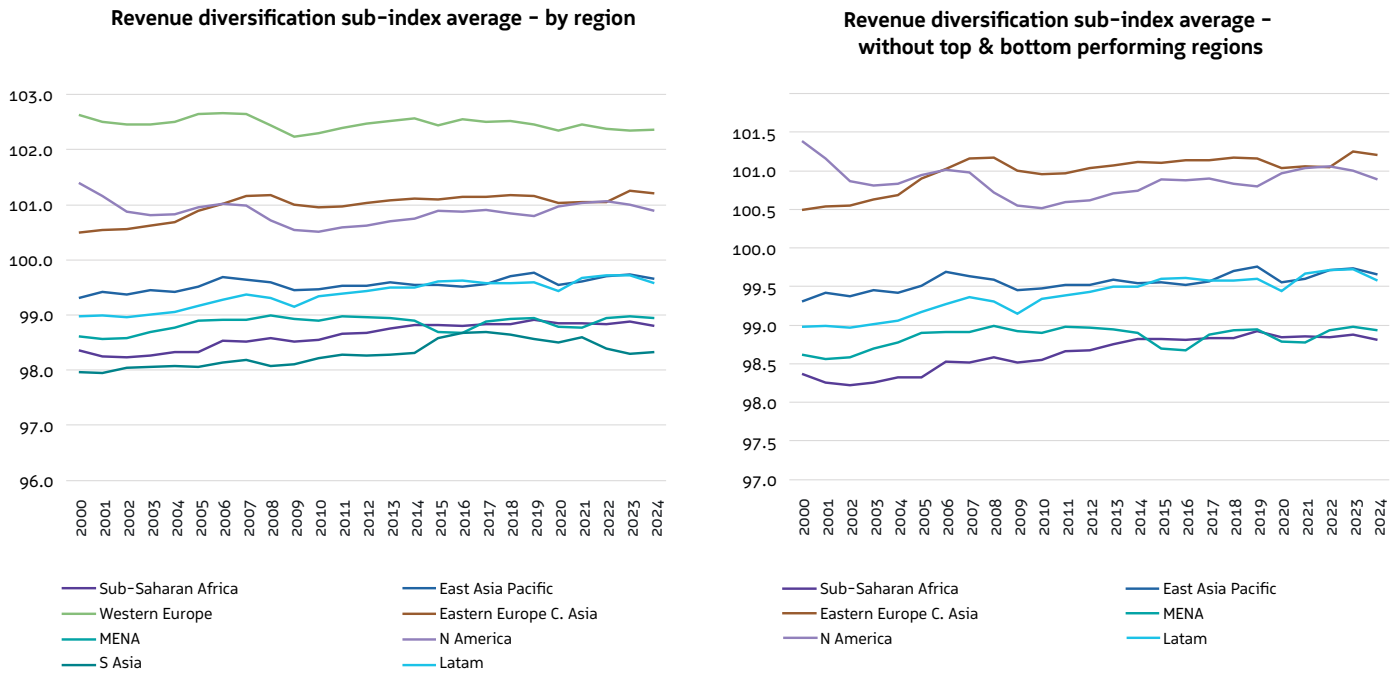
**Chart 2.7. Trade diversification sub-index across regions, 2000-2024**




The **trade diversification** sub-index has already overcome the dip during the pandemic-affected 2020 (Chart 2.7). North America, Western Europe, and East Asia Pacific were the clear frontrunners. At the same time,South Asia's gains in the overall EDI were due to the substantial growth in the trade sub-index, mainly from services exports (more than twice that of MENA in 2020-24 and close to eight times that of Latam). The MENA region also recorded a steady increase in the trade sub-index over time[12], albeit at a slower pace, driven by multiple factors including: (a) the drop in its fuel exports as a share of merchandise exports (40.3% in 2020-24 from 48.0% in 2000-04); (b) an increase in manufactured exports as a percentage of total merchandise exports (to 40.9% in 2020-24 from 35.1% in 2000-04); and (c) medium and high technology manufactured exports as a percentage of manufactured exports (24.3% in 2000-03 to 37% in 2020-24).

[12] Several non-oil exporting nations in the Middle East have performed better than the GCC within the trade sub-index – notably Morocco, Tunisia and Jordan which have a more diversified export basket and diverse set of trade partners.

**Chart 2.8. Revenue diversification sub-index across regions, 2000-2024**




**Revenue diversification** has followed a relatively steady performance path over time (Chart 2.8), with Western Europe and South Asia posting the highest and lowest regional scores. High-income nations show stable tax structures, in line with OECD revenue statistics that indicate remarkably stable tax structure/ mix over the past decades in such nations. Furthermore, Ouedraogo et. al. (2020) finds that a portfolio of tax sources becomes more diversified as the country develops, up to a point, after which richer countries find it difficult to further diversify their tax revenue sources. The revenue sub-index score for the "high-income countries" grouping was highest in the 2005-2009 period and has remained below that to date. North America's revenue diversification scores have declined over time, in line with the reduction in tax rates (such as income tax), while in the MENA region, the introduction of VAT and excise taxes in the GCC nations has resulted in greater diversification. Choudhary et. al. (2024) finds that countries that graduate from low to middle-income status do so at an average tax level of 15% of GDP (median of 12.9%); and that moving from a tax threshold of 7% to 15% of GDP is associated with an additional 10 percentage points of cumulative growth over the next ten years[13]. Interestingly, Gnangnon (2021) finds a positive effect of tax reform on export product diversification (least developed countries see a higher effect) and that the higher the degree of trade openness, the greater the magnitude of the positive effect of tax reform on export product diversification.

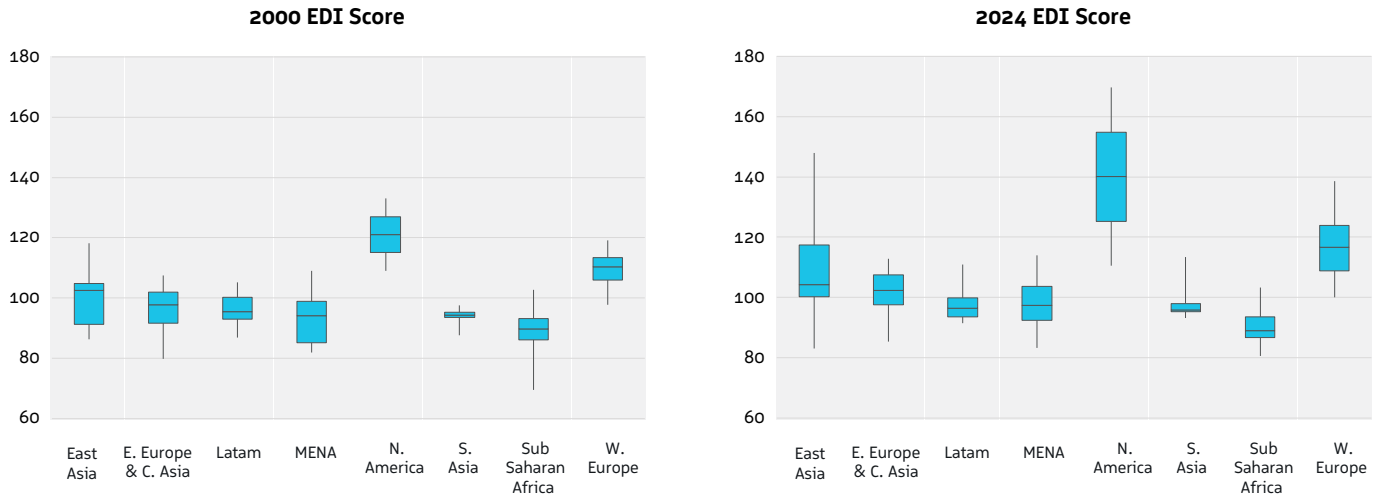
[13] Tax revenue of 15% of GDP enhances economic growth through higher public spending on health and education, promotes economic stability, and reduces inequality via progressive taxation.

Section 2

# Regional Dynamics

The box plot (Chart 2.9) provides a comparative visualization of overall EDI scores across major regional groupings, contrasting the landscape in 2024 against 2000. Sub-Saharan Africa has the lowest median score (represented by the horizontal line within each box) across all regional groupings in both reference periods, reflecting intense dependence on commodities (oil, gold, and unprocessed agriculture). While Sub-Saharan Africa's minimum score increased the most across regions (followed closely by South Asia), the gap between the maximum and minimum score narrowed by more than 10 points, suggesting a "leveling up" at the bottom rather than a breakout at the top. For now, the region remains largely contained within a low-diversification equilibrium.

**Chart 2.9. Regional disparities in EDI scores (2000 vs 2024)**




The inter-quartile range (IQR, height of the blue box) indicates the least variability (or highest homogeneity) in South Asia in 2000, suggesting a shared developmental baseline. The MENA region, conversely, exhibits the highest dispersion, with the variance likely driven by the dichotomy within the region between resource-heavy states (e.g., GCC) and other oil-importing/ labour-exporting nations. This heterogeneity complicates the formulation of a "one-size-fits-all" regional industrial policy. While the IQR narrowed in half of the eight regions (MENA by the most), signaling some convergence, it widened significantly in East Asia & Pacific.

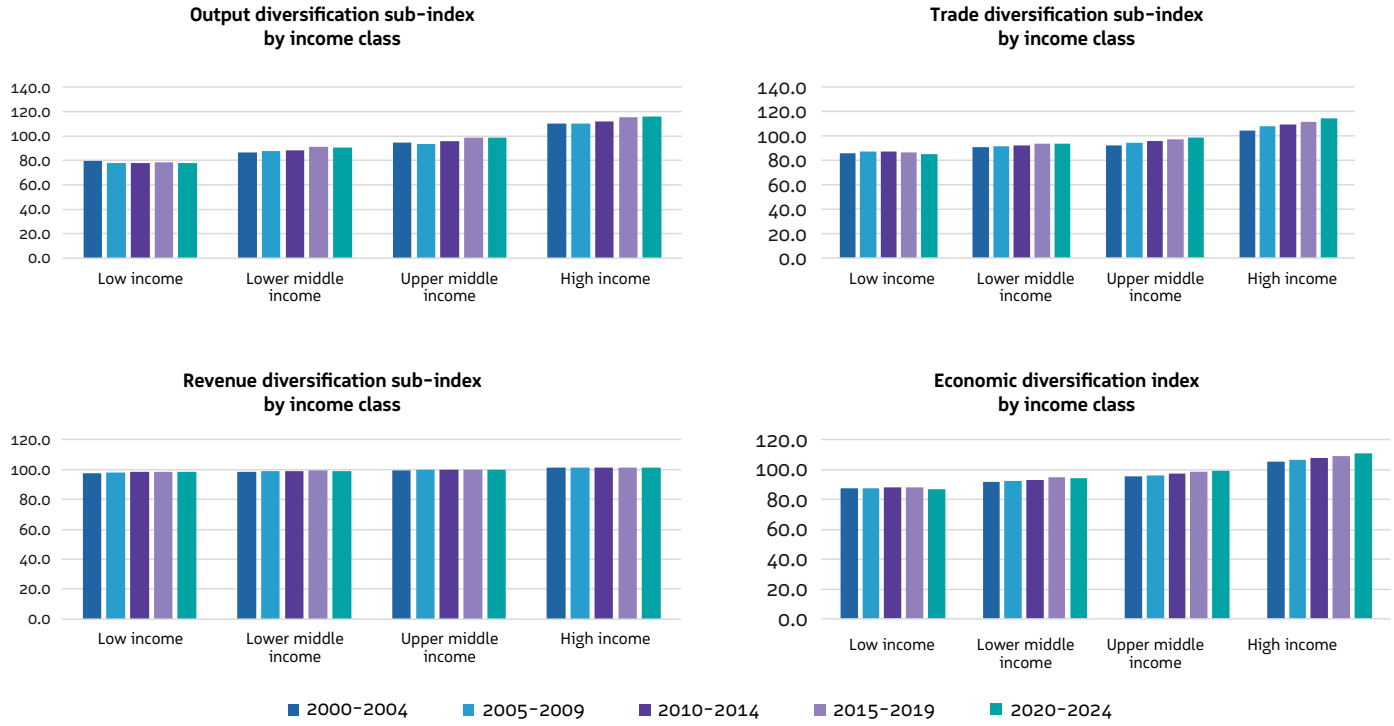
This divergence is driven by the asymmetric trajectory of the region's economies: China's rapid ascent into the top rankings of the EDI contrasts sharply with the stagnation or regression of commodity-dependent peers like Mongolia (whose 2024 score trails its 2020 level). Additionally, the distribution for East Asia is skewed to the right in 2023 (i.e., higher EDI scores are more spread out). Similarly, North America and Western Europe also saw the distributions widen. Many countries in these regions recovered post-COVID at a much faster pace, a "K-shaped" recovery, enabling the top-ranked nations to gain more.

Understandably, commodity producing nations in the regional groupings consistently score lower than the median value irrespective of the regional distributions - be it Mongolia in the East Asia Pacific group, Algeria in MENA or Bolivia in Latin America while many low scorers in Sub-Saharan Africa are both low income (or lower middle-income) and commodity exporting nations such as Niger (or Angola) creating a double exposure. As the global economy pivots away from fossil fuels and other commodities towards knowledge-based services, over-dependence on commodity exports means that such countries face a tangible risk of terms-of-trade deterioration. Future resilience will depend not just on increasing intra-regional trade volumes, but on fundamentally altering the composition of that trade toward processed goods and intermediate manufactures (i.e., from volume to value addition).

Section 2

# Income Group Performance: An Asymmetric Recovery

**Chart 2.10. EDI performance by income class (& by sub-index) over time**




The post-pandemic period (2020-24) highlights a widening "diversification gap" between income groups in Chart 2.10. The low-income group of countries posted their lowest readings in both output and trade sub-indices for the period 2020-24, underscoring that low diversifiers are highly sensitive to exogenous shocks (e.g., pandemics and/or natural shocks). On the other end of the spectrum, high-income nations have not only recovered but also surpassed the 2015-19 scores for both output and trade. Consequently, the difference between high- and low-income group scores has expanded: in the trade diversification sub-index, the gap widened to nearly 30 points in 2020-24 (from a 19-point difference in 2000-04); in the output sub-index, the gap was 38 points (versus 31 in 2000-04). The revenue diversification sub-index showed scores declined across the low- and lower-middle-income groupings in the 2020-24 period (vs pre-pandemic); the output sub-index declined across all except the high-income grouping.

The top 30 highly diversified nations are high-income economies, except for China (upper middle-income, ranked 2nd in 2024), India (lower middle-income, ranked 20th), Mexico (upper middle-income, ranked 25th), Turkey, and Thailand (both upper middle-income, ranked 27th and 30th, respectively). Both high- and upper-middle-income nations have improved their post-COVID EDI scores, supported by increased trade diversification. However, a few high and upper-middle-income nations that are commodity exporters (such as Azerbaijan, Kuwait, or Mongolia) also feature in the bottom 25% of the index. This suggests that without adjustment, the global economy is bifurcating into diversified, resilient leaders and concentrated, vulnerable laggards.

Section 2

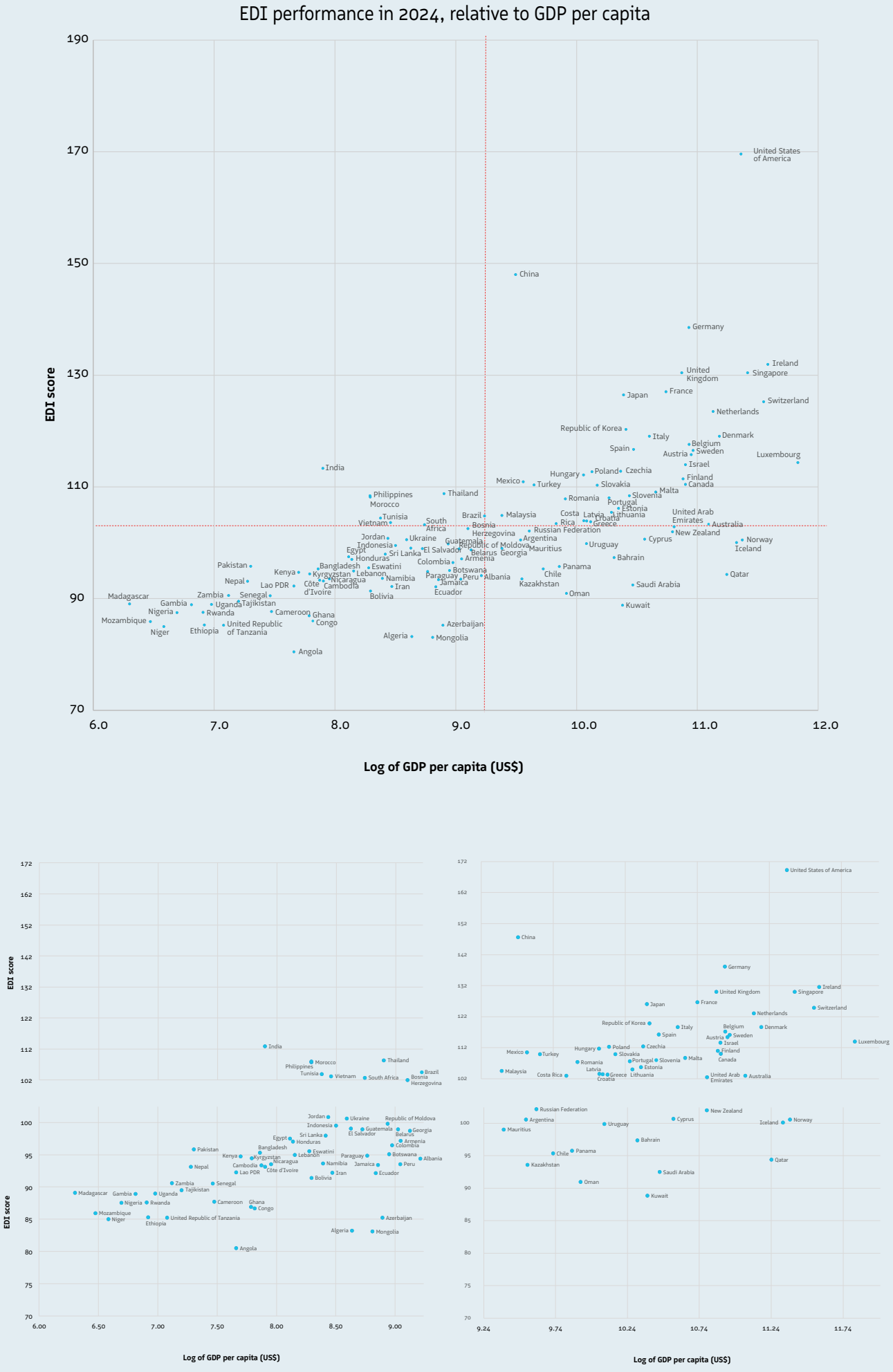
# Conclusion: The Income-Diversification Nexus

## A positive correlation between EDI and GDP per capita is evident in the scatterplot of EDI and income level[14] for 2024 (Chart 2.11), but there is significant nuance:  Wealth does not guarantee diversification.

MANY high-income oil exporters (Kuwait, Kazakhstan) remain in the bottom-right quadrant (High Income, Low Diversification), illustrating the classic "rentier state" model. These nations achieve high per capita income through resource rents rather than economic complexity. True structural transformation is represented by nations like Mexico and Malaysia, which have successfully migrated into the top-right quadrant (High Income, High Diversification), decoupling their prosperity from commodity cycles and moving up the value chain. Lastly, advanced resource-rich economies like New Zealand, Norway, and the UAE are empirically converging toward the mean, demonstrating that resource abundance, if managed via sovereign wealth investment and structural reform, need not preclude economic diversification.

[14] Income levels are measured by GDP per capita, PPP basis and transformed into log.

## Chart 2.11. A positive correlation between EDI and GDP per capita



Section 3

# EDI Performance of Commodity-Dependent Countries

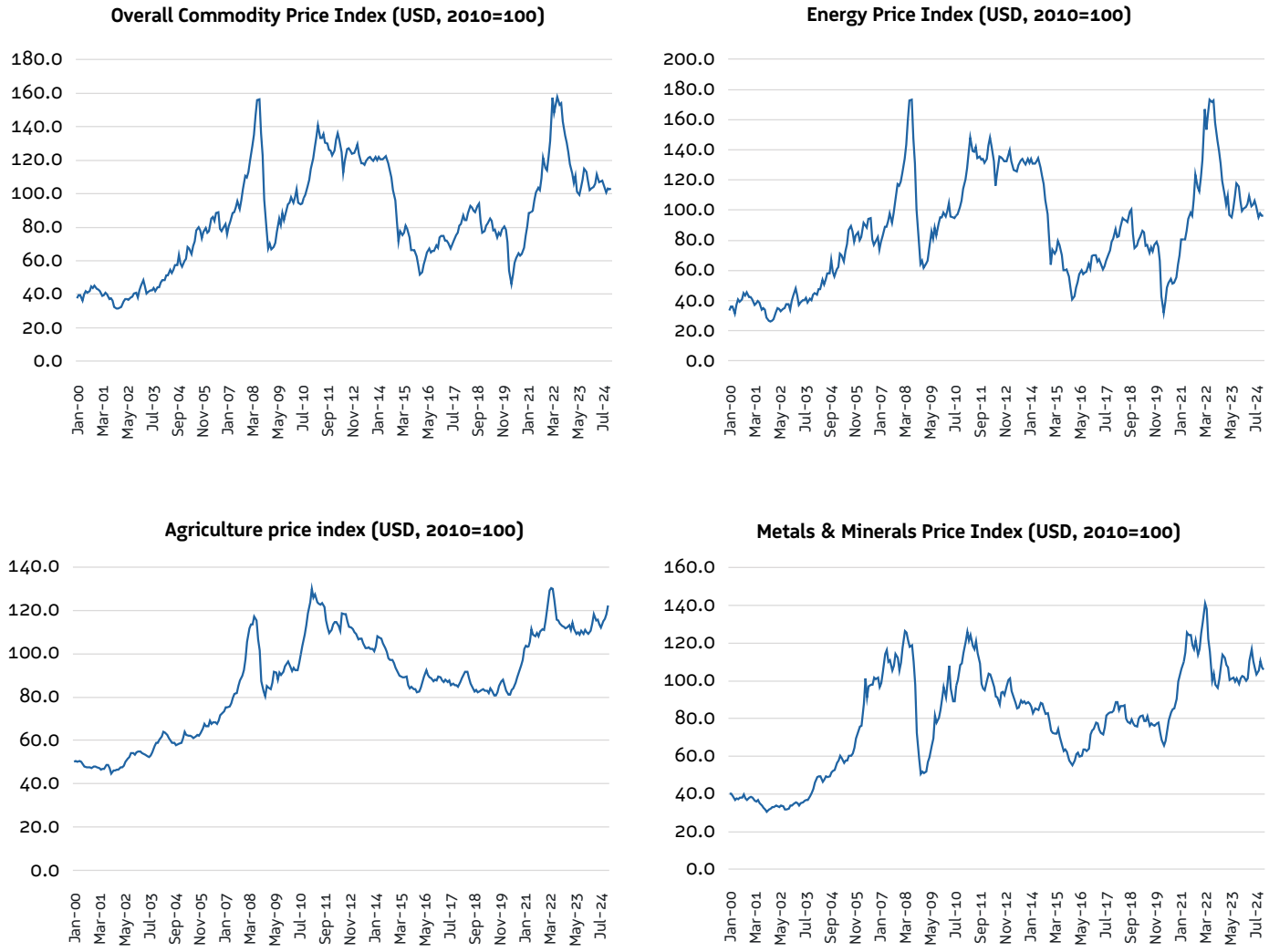
# The global economy has seen a super-cycle of commodity demand, partly driven by the industrialization of Emerging Asia in the past 25 years.

Brent crude soared from around USD 25 per barrel in 2000 to a peak of over USD 140 in 2008, fueling massive fiscal revenue windfalls in oil-exporting countries (e.g., GCC, Nigeria, Venezuela), but also often masking structural inefficiencies. This was followed by a period of an oil shock, wherein prices collapsed to around USD 50 and below (and even turned negative briefly during the COVID-19 pandemic), exposing the fiscal and economic vulnerabilities of being undiversified; post-pandemic, oil prices have stabilized.

Mining-dependent countries are now experiencing a substantial surge in prices (along with sharp corrections) due to: (a) the demand for rare critical minerals (used in energy transition and more recently in AI/data centers) and (b) the demand for gold as a hedge to greater economic and financial uncertainty. While demand is high, the local value capture remains low due to a lack of domestic processing, as highlighted in UNCTAD's 2025 State of Commodity Dependence report.

During the 2000-24 period, food prices have trended upward, but volatility has exploded: the FAO Food Price Index hit record highs in 2022 due to the war in Ukraine. Unlike oil, agricultural volatility is now supply-driven by climate shocks (e.g., droughts in Latin America, floods in South Asia). Not only does this result in lower yields and volatile export earnings for agricultural exporters, but it also exacerbates food insecurity for net food-importing developing countries.

**Chart 3.1. Monthly price movements of major commodities, Jan 2000-Dec 2004**




Source: World Bank Commodity Price data.

The global economic worries of geopolitical fragmentation, climate change, energy security, and digital disruption add to economic uncertainty. For largely commodity-dependent countries (CDCs), this shift could lead to an existential crisis, with oil producers facing the risk of stranded assets and agriculture-oriented economies susceptible to the vagaries of climate change.

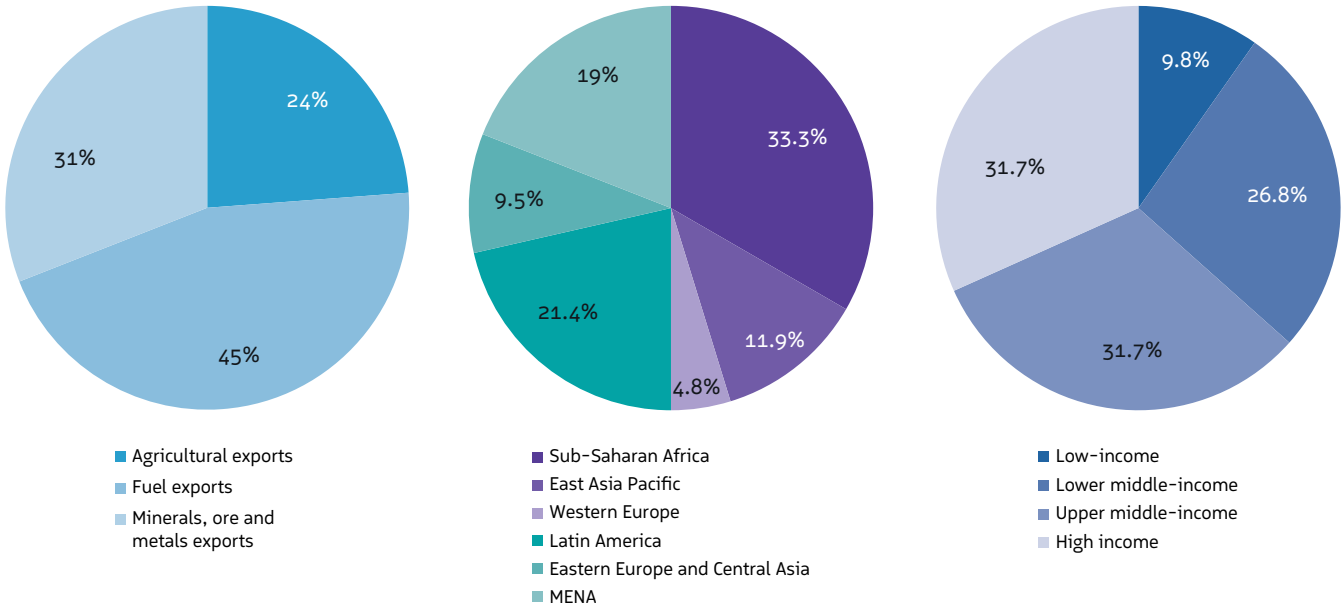
Section 3

# Characteristics of Commodity Dependent Countries in the EDI Sample

The EDI tracks the diversification performance of 42 CDCs, spanning multiple commodities, regions, and income levels.

Key characteristics of CDCs from the EDI sample are ( as illustrated in Chart 3.2): (a) about 45% of the commodity dependent nations are reliant on fuels; (b) the list is dominated by high and upper-middle income nations in equal number, and among the high-income nations MENA dominate (and understandably, all fuel-exporters); (c) the low-income nations are largely exporters of minerals, ores and metals in addition to agricultural goods (such as Uganda and Ethiopia); and (d) Sub-Saharan African nations account for around one-third of the total, followed by Latin America and the Middle East (together accounting for over 40% of the total), while Western Europe is represented by only Norway and Iceland (both more diversified commodity producing nations).

**Chart 3.2. An overview of the EDI's commodity dependent nations**



Section 3

# EDI Performance of Commodity-Dependent Countries

Table 3.1 shows that high-income CDCs (like oil exporters) show lower diversification scores than high-income non-dependent countries and even lower-middle-income, non-commodity-dependent countries – underscoring vulnerabilities. Low-income countries are generally less diversified, regardless of their level of dependence. The ongoing energy transition (Whether at a faster or slower pace) strengthens the case for increased economic diversification. This is also reflected in Chart 3.3, where a strong negative correlation is evident between commodity dependence and the overall EDI score. Countries with high commodity dependence (further right on the X-axis) have lower diversification scores (lower on the Y-axis).

**Table 3.1. Diversification scores by income and commodity dependency**

| | Commodity | Non-Commodity Dependent |
|---|---|---|
| Low income | 86.6 | 89.0 |
| Lower middle income | 89.6 | 98.1 |
| Upper middle income | 92.8 | 103.9 |
| High income | 97.7 | 116.2 |

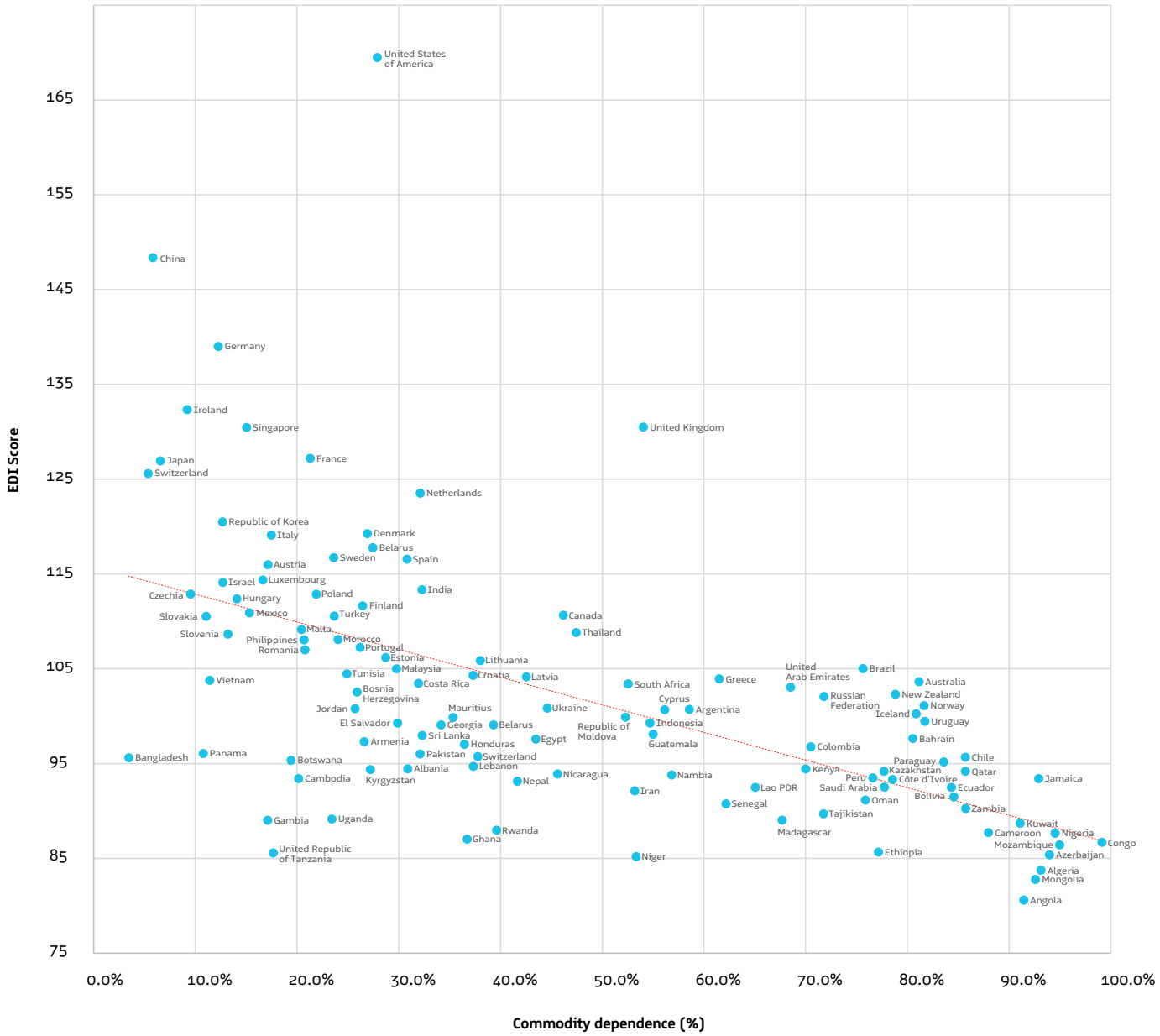
Least Diversified — Most Diversified

Over the last two decades, the performance of commodity-dependent nations has bifurcated. Some countries have already transformed themselves. Vietnam, which transformed from a coffee and rice exporter in 2000 to being a manufacturing hub (which accounts for over 70% of exports now), saw its EDI ranking move up from 84 to 44 (score of 90 to 103). Indonesia is a case highlighted by the IMF, wherein protectionism of its nickel ore industry, along with open FDI policies, resulted in a surge in value-added nickel exports (from USD 1bn to over USD 30bn). The country's ranking improved from 73 to 60 during this period (score of 94.8 to 99.5). These countries are no longer classified as CDCs in the EDI sample.

Within the EDI, Mexico and Malaysia have retained their top rankings across most years. The GCC nations have diversified through sovereign wealth: using oil rents to fund non-oil sectors (tourism, logistics, finance) and through the introduction of VAT and corporate tax, these countries have increased their overall rankings.

The UAE climbed more than 45 places in 2024 compared to 2000, while Qatar climbed 24; both Saudi Arabia and Oman rose 17 ranks during the same period. Paraguay, which is still labelled a CDC, improved from 101 to 79: a rare example of a commodity producer that has diversified both vertically (from exporting raw soybeans and beef to processing them) and horizontally (the "Maquila Law" saw Paraguay leverage its low labour costs and cheap hydroelectric energy to become a manufacturing hub for Brazil and Argentina under MERCOSUR).

**Chart 3.3. A strong negative correlation between commodity dependence & EDI**



## Table 3.2. Commodity producers, EDI rankings heatmap

| | 2000 | 2004 | 2008 | 2012 | 2016 | 2020 | 2024 |
|---|---|---|---|---|---|---|---|
| Malaysia | 33.0 | 36.0 | 46.0 | 38.0 | 38.0 | 37.0 | 38.0 |
| Australia | 32.0 | 35.0 | 38.0 | 40.0 | 43.0 | 52.0 | 46.0 |
| United Arab Emirates | 93.0 | 83.0 | 88.0 | 77.0 | 55.0 | 57.0 | 48.0 |
| Russian Federation | 61.0 | 62.0 | 57.0 | 56.0 | 57.0 | 50.0 | 50.0 |
| New Zealand | 40.0 | 37.0 | 41.0 | 43.0 | 48.0 | 51.0 | 51.0 |
| Norway | 53.0 | 50.0 | 53.0 | 55.0 | 45.0 | 48.0 | 55.0 |
| Argentina | 41.0 | 52.0 | 52.0 | 45.0 | 50.0 | 59.0 | 56.0 |
| Iceland | 50.0 | 47.0 | 49.0 | 50.0 | 53.0 | 61.0 | 57.0 |
| Uruguay | 46.0 | 60.0 | 60.0 | 61.0 | 62.0 | 62.0 | 58.0 |
| Bahrain | 75.0 | 80.0 | 91.0 | 90.0 | 71.0 | 68.0 | 68.0 |
| Colombia | 62.0 | 65.0 | 69.0 | 82.0 | 69.0 | 67.0 | 71.0 |
| Chile | 57.0 | 59.0 | 71.0 | 74.0 | 74.0 | 79.0 | 75.0 |
| Paraguay | 101.0 | 100.0 | 85.0 | 83.0 | 87.0 | 88.0 | 79.0 |
| Kenya | 85.0 | 78.0 | 80.0 | 76.0 | 78.0 | 86.0 | 80.0 |
| Qatar | 107.0 | 106.0 | 107.0 | 94.0 | 79.0 | 76.0 | 83.0 |
| Namibia | 66.0 | 68.0 | 74.0 | 73.0 | 76.0 | 80.0 | 84.0 |
| Kazakhstan | 108.0 | 97.0 | 96.0 | 92.0 | 89.0 | 93.0 | 85.0 |
| Peru | 69.0 | 73.0 | 81.0 | 80.0 | 81.0 | 85.0 | 87.0 |
| Jamaica | 72.0 | 74.0 | 73.0 | 69.0 | 82.0 | 87.0 | 88.0 |
| Côte d'Ivoire | 94.0 | 82.0 | 97.0 | 97.0 | 93.0 | 92.0 | 90.0 |
| Saudi Arabia | 109.0 | 108.0 | 109.0 | 108.0 | 84.0 | 75.0 | 92.0 |
| Lao PDR | 89.0 | 102.0 | 106.0 | 109.0 | 103.0 | 102.0 | 93.0 |
| Iran | 102.0 | 103.0 | 102.0 | 91.0 | 86.0 | 77.0 | 94.0 |
| Ecuador | 92.0 | 92.0 | 100.0 | 98.0 | 85.0 | 81.0 | 95.0 |
| Bolivia | 78.0 | 89.0 | 105.0 | 104.0 | 95.0 | 96.0 | 96.0 |
| Oman | 114.0 | 113.0 | 113.0 | 106.0 | 102.0 | 84.0 | 97.0 |
| Zambia | 81.0 | 90.0 | 99.0 | 96.0 | 100.0 | 103.0 | 98.0 |
| Tajikistan | 98.0 | 88.0 | 84.0 | 102.0 | 109.0 | 112.0 | 100.0 |
| Uganda | 100.0 | 85.0 | 94.0 | 87.0 | 99.0 | 106.0 | 102.0 |
| Kuwait | 110.0 | 109.0 | 111.0 | 114.0 | 107.0 | 97.0 | 104.0 |
| Cameroon | 104.0 | 101.0 | 87.0 | 100.0 | 97.0 | 99.0 | 105.0 |
| Rwanda | 99.0 | 111.0 | 98.0 | 101.0 | 105.0 | 110.0 | 106.0 |
| Nigeria | 111.0 | 105.0 | 103.0 | 107.0 | 106.0 | 101.0 | 107.0 |
| Ghana | 112.0 | 114.0 | 104.0 | 105.0 | 108.0 | 104.0 | 108.0 |
| Congo | 116.0 | 116.0 | 115.0 | 116.0 | 101.0 | 109.0 | 109.0 |
| Mozambique | 86.0 | 96.0 | 95.0 | 93.0 | 98.0 | 107.0 | 110.0 |
| Ethiopia | 113.0 | 110.0 | 108.0 | 110.0 | 111.0 | 108.0 | 111.0 |
| Azerbaijan | 115.0 | 115.0 | 116.0 | 115.0 | 116.0 | 113.0 | 112.0 |
| Niger | 105.0 | 104.0 | 110.0 | 111.0 | 115.0 | 116.0 | 114.0 |
| Algeria | 106.0 | 112.0 | 112.0 | 112.0 | 113.0 | 114.0 | 115.0 |
| Mongolia | 103.0 | 107.0 | 114.0 | 113.0 | 114.0 | 115.0 | 116.0 |
| Angola | 117.0 | 117.0 | 117.0 | 117.0 | 117.0 | 117.0 | 117.0 |

Lowest Ranking Highest Ranking

The trapped or worse-off countries are some parts of Latin America and Sub-Saharan Africa where structural transformation has stalled. The landlocked country of Zambia's ranking stayed in the bottom quintile in 2024 (ranked 98, deteriorating from 81 in 2000) – partly due to debt distress from heavy borrowing for infrastructure (which then crowded out investments in education and skills). Frequent changes in mining tax regimes and a lack of consistent support for the private sector also created uncertainty, deterring long-term non-mining investment. Chile (that dropped from a rank of 57 to 75) and Mozambique (that worsened from 86 to 110) have become less diversified over time. Chile was a poster child for diversification, but with the "green rush," the economy renewed its concentration on mining & extraction. Chile increased its exports of raw lithium carbonate and copper concentrate to meet Chinese demand for EV batteries, but then failed to move downstream into battery manufacturing. Mozambique's downfall stemmed from the anticipation of gas wealth which led to massive borrowing, conflict, and instability.

Section 3

# EDI Dynamics: CDCs and Regional Trends

Among commodity producers, those in Western Europe and East Asia are relatively more diversified. The MENA region, comprising mostly fossil fuel producers, has diversified the most (vs 2000) - especially in the last decade. As a region, however, it still lags all others except for Sub-Saharan Africa (which posted the lowest scores over the 2000-23 period) and Eastern Europe & Central Asia (which remains heavily oriented toward raw material exports).

**Table 3.4. Economic Diversification Index across commodity producers**

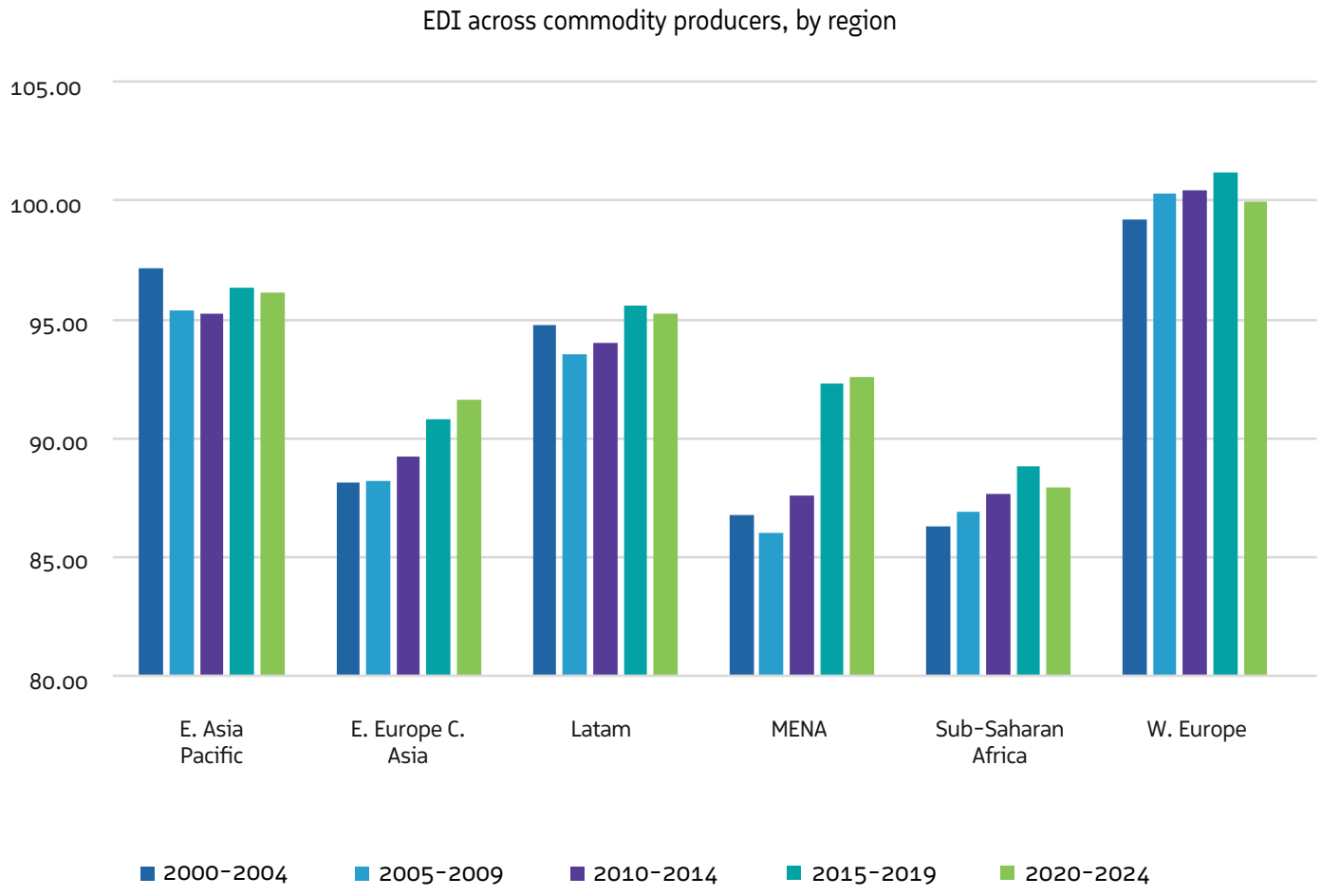
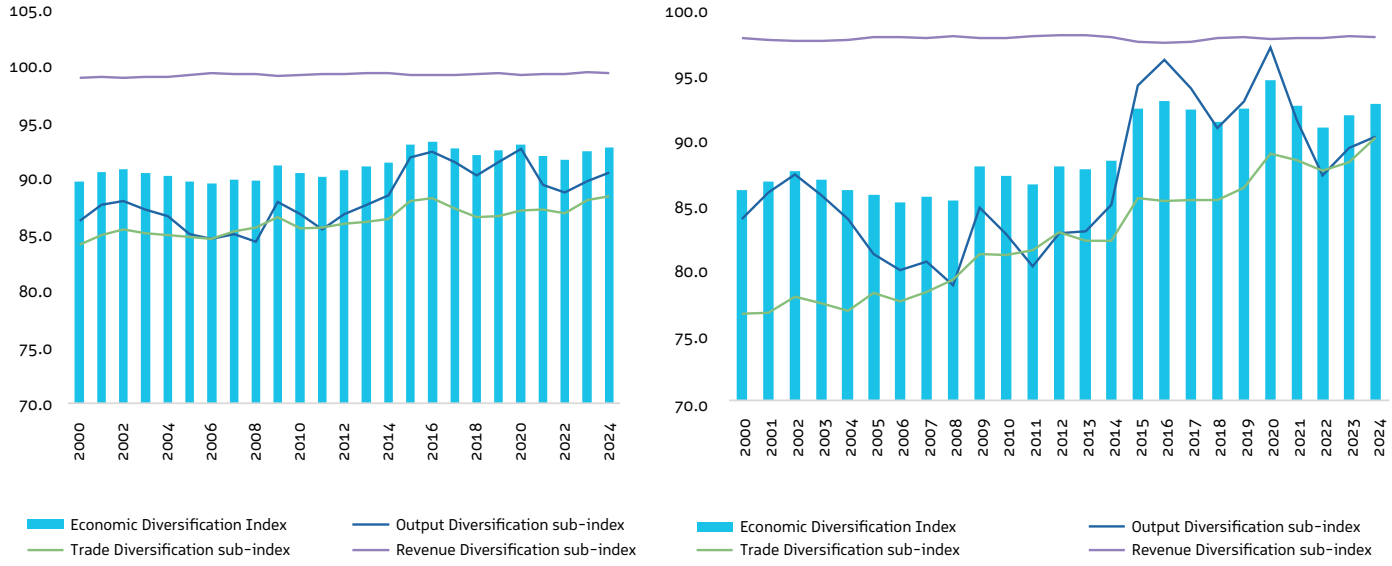


**Chart 3.5. Commodity dependent nations' overall EDI performance (& by sub-index)**




The EDI scores for CDCs reveal a gradual but consistent upward trajectory in Chart 3.5 (left panel). The aggregate score advanced from 90.3 in 2000-04 to 92.6 and 92.3 in the five years pre- and post-pandemic. The breakdown by pillars reveals a stark divergence: output scores were more volatile, reflecting the sector's exposure to cyclical shocks, compared to very minor changes in the revenue diversification scores (around the 99-mark). The latter underscores the inherent stability of tax structures/ regimes over time, unless new taxes are introduced (e.g., VAT, excise, and corporate taxes were implemented in phases across most GCC countries starting in 2018; only Qatar and Kuwait are yet to implement VAT). The MENA region's commodity exporters, in contrast, show a more robust structural transformation: the average EDI scores improved from 86.8 in 2000-04 to 92.6 in 2020-24, largely due to the steady expansion in the trade sub-index (up more than 10 points in the initial period versus 2020-24). However, fiscal challenges persist: IMF (2022) highlights a significant "tax gap" in the Middle East and Central Asia, estimating the shortfall between actual and potential non-resource tax collection at approximately 14% of GDP, indicating substantial untapped fiscal capacity.

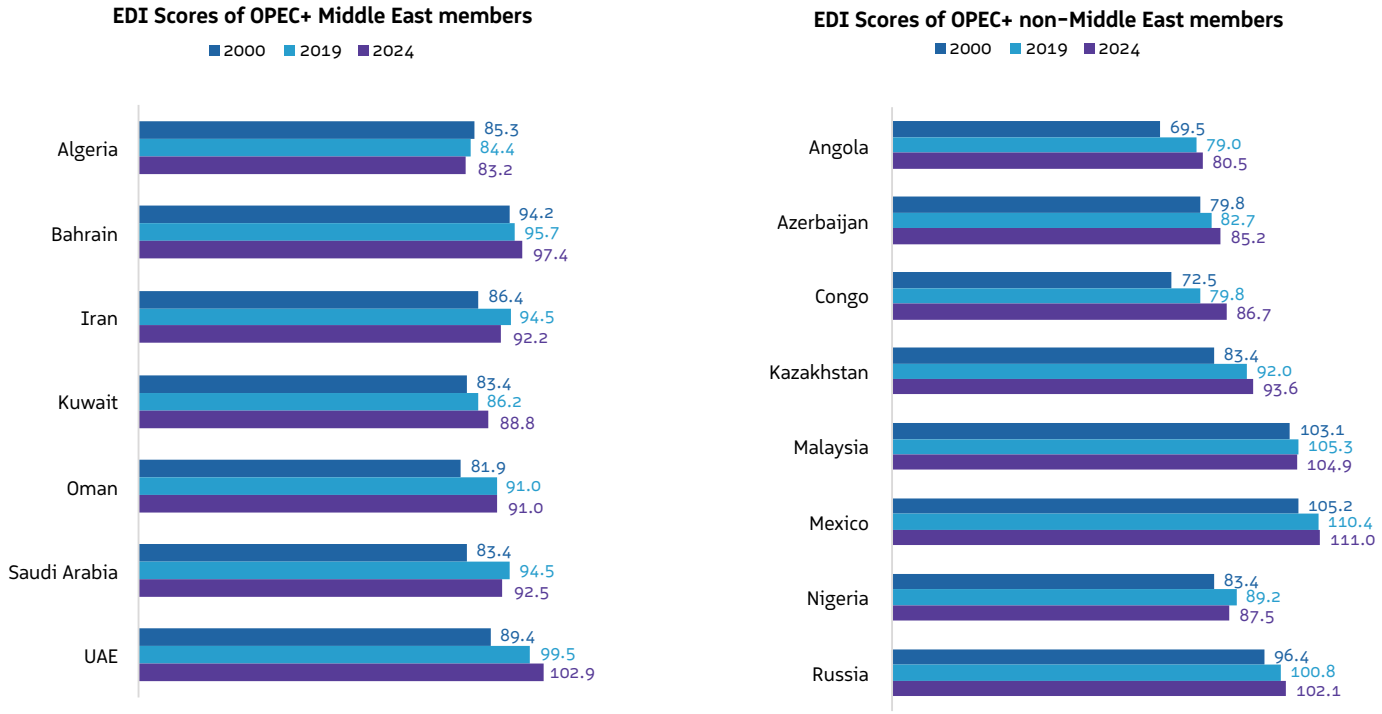
Section 3

# OPEC, its Allies & Divergence in EDI Scores

The aggregate output of OPEC and OPEC+ countries accounted for about 40% of global oil production, representing approximately 41 million barrels per day in 2024.

Chart 3.6 disaggregates the EDI performance of OPEC+ members, with a sharp divergence between its Middle East and non-Middle East producers. Saudi Arabia, UAE, and Oman are the GCC "transformers" – having gained the most when comparing the 2020-24 scores to 2000-2004 (more than 9.0 points). The UAE and Bahrain top the regional peer group, reflecting the effectiveness of their diversification strategies. Among the non-Middle East OPEC+ members, Mexico and Malaysia maintain the highest rankings, both being successful early diversifiers – their performance stems from successful industrial policies implemented prior to 2000 that decoupled their economies from oil well before the current transition[15]. Conversely, a cluster of low to middle-income nations (Angola, Congo, and Nigeria) remains entrenched in the lowest quartile: this performance is highly correlated with institutional fragility, characterized by poor governance metrics and/ or political instability. Azerbaijan, despite being an upper-middle-income economy, also falls into this underperforming cluster, highlighting that income levels alone do not guarantee immunity from the resource trap.

**Chart 3.6. Economic Diversification Index Scores across OPEC+ members**




[15] Reform measures include horizontal and vertical diversification, forming manufacturing/ investment clusters and investing in human skills among others.

Section 3

# Commodity Producers EDI Output Sub-Index

New Zealand, Iceland, and Australia have consistently ranked among the top 3 in the output diversification sub-index. Only ten commodity producers recorded improvements in scores in 2020-2024 compared to the pre-pandemic years 2015-2019, including New Zealand and Malaysia (among the leaders) and Azerbaijan, Congo, and Niger (among the laggards). A faster pace of post-pandemic recovery in the services sector benefitted some of these countries (e.g., New Zealand, Uruguay, Malaysia), as has an uptick in the medium- and high-tech manufacturing (e.g., Oman's share surged to close to 50% in the 2020-24 period vs single digit readings in 2000-04) alongside gains in manufacturing value added per capita (e.g., Malaysia, UAE). High-income oil producers like Norway, Bahrain, and the UAE experienced a slight compression in their output scores. This was due to a dampening of the services sector share (declining to ~50-52% of GDP in Norway and the UAE) and, in Norway's case, a softening in Gross Fixed Capital Formation (GFCF) to GDP shares and manufacturing value added per capita relative to pre-pandemic levels.

## Table 3.3. Commodity producers, EDI output sub-index scores, heatmap

| | 2000-2004 | 2005-2009 | 2010-2014 | 2015-2019 | 2020-2024 |
|---|---|---|---|---|---|
| New Zealand | 108.55 | 109.08 | 109.15 | 109.59 | 109.92 |
| Iceland | 104.35 | 106.28 | 109.10 | 109.33 | 108.37 |
| Australia | 109.92 | 108.55 | 108.53 | 109.31 | 107.80 |
| Uruguay | 102.85 | 100.26 | 101.22 | 105.45 | 105.92 |
| Malaysia | 101.97 | 99.00 | 100.46 | 104.86 | 105.11 |
| Argentina | 104.21 | 101.02 | 103.47 | 105.79 | 104.23 |
| Russian Federation | 96.21 | 95.57 | 98.76 | 101.29 | 102.37 |
| Norway | 102.95 | 102.00 | 103.55 | 106.10 | 102.33 |
| United Arab Emirates | 94.41 | 87.85 | 89.80 | 102.66 | 101.49 |
| Bahrain | 97.24 | 93.92 | 94.02 | 103.25 | 99.94 |
| Colombia | 98.72 | 96.30 | 95.98 | 99.86 | 99.83 |
| Jamaica | 101.87 | 102.18 | 102.97 | 100.05 | 98.26 |
| Chile | 102.55 | 92.00 | 95.61 | 99.31 | 96.99 |
| Ecuador | 93.11 | 89.20 | 89.25 | 97.72 | 96.84 |
| Paraguay | 88.28 | 91.40 | 94.08 | 96.67 | 95.78 |
| Qatar | 82.54 | 76.10 | 85.36 | 99.48 | 95.45 |
| Namibia | 94.34 | 91.39 | 93.34 | 95.52 | 93.46 |
| Kazakhstan | 84.07 | 83.27 | 88.59 | 93.79 | 91.99 |
| Peru | 96.44 | 90.77 | 91.21 | 95.66 | 91.90 |
| Côte d'Ivoire | 84.84 | 85.74 | 84.42 | 92.39 | 91.16 |
| Kenya | 85.86 | 88.60 | 91.72 | 91.52 | 90.51 |
| Bolivia | 89.72 | 85.01 | 83.73 | 89.91 | 89.79 |
| Saudi Arabia | 80.63 | 75.97 | 77.91 | 95.01 | 89.61 |
| Iran | 89.45 | 87.86 | 91.82 | 93.66 | 89.58 |
| Oman | 75.28 | 73.91 | 77.34 | 88.52 | 89.37 |
| Cameroon | 85.41 | 86.94 | 87.74 | 87.94 | 87.14 |
| Kuwait | 84.76 | 79.82 | 71.30 | 87.42 | 87.09 |
| Zambia | 87.59 | 81.79 | 85.47 | 87.32 | 86.63 |
| Nigeria | 79.16 | 84.51 | 88.96 | 94.46 | 85.80 |
| Ghana | 62.99 | 74.37 | 77.52 | 80.68 | 81.61 |
| Rwanda | 78.26 | 81.15 | 82.90 | 81.73 | 80.60 |
| Uganda | 78.59 | 78.34 | 79.91 | 81.24 | 80.43 |
| Lao PDR | 77.24 | 75.22 | 75.76 | 79.60 | 79.80 |
| Azerbaijan | 65.88 | 59.71 | 67.19 | 75.31 | 76.86 |
| Algeria | 79.08 | 73.56 | 74.94 | 79.13 | 76.43 |
| Congo | 59.28 | 58.08 | 57.44 | 69.21 | 76.26 |
| Mozambique | 86.41 | 83.86 | 79.73 | 75.85 | 75.41 |
| Tajikistan | 76.87 | 81.92 | 80.05 | 75.47 | 75.03 |
| Mongolia | 77.63 | 67.91 | 74.13 | 77.90 | 74.95 |
| Niger | 78.75 | 74.14 | 71.49 | 72.64 | 74.44 |
| Ethiopia | 67.36 | 65.40 | 67.68 | 70.39 | 69.40 |
| Angola | 60.94 | 63.42 | 69.33 | 75.28 | 69.30 |

Lowest Score Highest Score

Section 3

# Commodity Producers EDI Trade Sub-Index

Global trade volume grew by 2.9% yoy in 2024, recovering from the drop in 2023, while also becoming the first year post-COVID when trade grew faster than GDP (WTO Statistics, 2025). Europe was a drag on overall trade growth last year, with both exports and imports contracting (intra-EU trade fell by 3.2%). Exports from Asia increased better than expected (+8% yoy in 2024 following the 0.2% gain in 2023, partially due to front-loading of imports ahead of proposed tariffs) while Middle East imports grew the fastest (15% in 2024 vs 9% in 2023).

Among the commodity-producing nations, the UAE recorded the most significant surge in trade diversification scores; it also posted the largest increase in merchandise trade as a % of GDP (comparing pre- and post-pandemic years). This performance is underpinned by a deliberate strategy of trade liberalization via Comprehensive Economic Partnership Agreements (CEPAs), resulting in a doubling of non-oil exports between 2017 and 2024. The Middle East has emerged as a dynamic hub for services trade. Iran, Saudi Arabia, and Bahrain capitalized on the post-pandemic services rebound, with both the UAE and Saudi Arabia ranking among global leaders in commercial services trade in 2024: the UAE ranked 9th largest and Saudi Arabia 21st largest exporters of commercial services in 2024, when excluding intra-EU trade.

The improvements in trade scores are strongly correlated with reductions in export concentration and changes in the composition of exports, especially during the post-pandemic period. Oman successfully lowered its fuel exports as a share of total from a high 90% in the early 2000s to around 70% in recent years. At the other end of the spectrum, Mongolia and Niger witnessed a deterioration in trade diversification - their trade sub-index scores declining (from 85.4 and 81.7 in the 2000-04 period to 72.7 and 75.7, respectively, in the post-pandemic years). For both countries, it emerged due to a boom in extractive exports (i.e., growing risk of reconcentration). Mongolia's minerals and fuel exports surged (according to WTO data, its fuel and mining exports accounted for close to 90% of total exports in the last four years). Similarly, Niger's fuel exports as a share of total merchandise exports were in the double digits since 2012 (vs single digits before), effectively re-concentrating the economy.

## Table 3.4. Commodity producers, EDI trade sub-index scores, heatmap

| | 2000-2004 | 2005-2009 | 2010-2014 | 2015-2019 | 2020-2024 |
|---|---|---|---|---|---|
| Malaysia | 109.65 | 110.39 | 110.30 | 110.81 | 111.01 |
| Russian Federation | 93.60 | 95.65 | 99.14 | 100.01 | 102.48 |
| United Arab Emirates | 80.07 | 85.17 | 93.95 | 99.17 | 102.18 |
| Argentina | 96.18 | 98.34 | 100.72 | 98.99 | 96.76 |
| Australia | 98.42 | 97.42 | 96.59 | 96.69 | 96.09 |
| Iran | 75.57 | 78.53 | 83.56 | 88.02 | 94.78 |
| Kenya | 90.81 | 93.58 | 94.54 | 93.53 | 93.85 |
| Norway | 90.74 | 92.46 | 93.72 | 95.47 | 93.53 |
| Bahrain | 83.10 | 81.24 | 81.74 | 86.73 | 93.20 |
| New Zealand | 96.61 | 95.91 | 94.20 | 94.02 | 93.07 |
| Uruguay | 94.31 | 93.13 | 93.63 | 92.58 | 92.20 |
| Saudi Arabia | 78.47 | 81.26 | 85.23 | 90.18 | 91.47 |
| Colombia | 92.19 | 93.14 | 86.13 | 90.23 | 91.44 |
| Lao PDR | 90.06 | 86.53 | 85.92 | 89.04 | 90.48 |
| Ethiopia | 85.39 | 89.43 | 90.34 | 91.72 | 90.36 |
| Côte d'Ivoire | 88.41 | 86.64 | 87.62 | 89.23 | 89.57 |
| Namibia | 91.32 | 93.98 | 95.11 | 90.43 | 89.24 |
| Chile | 90.54 | 89.39 | 89.84 | 89.77 | 89.14 |
| Iceland | 90.13 | 93.42 | 90.00 | 89.89 | 89.08 |
| Paraguay | 75.25 | 80.57 | 84.58 | 87.38 | 88.77 |
| Qatar | 76.72 | 79.87 | 78.98 | 83.94 | 88.58 |
| Peru | 89.57 | 88.55 | 89.08 | 88.37 | 87.91 |
| Tajikistan | 89.72 | 88.32 | 85.77 | 87.56 | 87.25 |
| Oman | 77.95 | 77.49 | 81.72 | 83.95 | 87.01 |
| Uganda | 89.37 | 91.47 | 93.24 | 89.90 | 86.93 |
| Kazakhstan | 80.29 | 82.38 | 82.34 | 84.95 | 86.44 |
| Mozambique | 84.67 | 86.83 | 88.45 | 87.42 | 84.15 |
| Bolivia | 85.77 | 79.21 | 78.93 | 82.21 | 83.76 |
| Rwanda | 81.67 | 84.95 | 83.46 | 84.32 | 83.71 |
| Ecuador | 82.29 | 79.39 | 79.97 | 83.52 | 83.59 |
| Zambia | 85.87 | 82.85 | 81.23 | 82.98 | 83.01 |
| Ghana | 86.14 | 87.18 | 85.97 | 84.82 | 83.00 |
| Cameroon | 79.38 | 80.14 | 81.71 | 83.08 | 80.93 |
| Jamaica | 80.85 | 80.31 | 80.92 | 80.03 | 80.34 |
| Nigeria | 76.98 | 73.18 | 73.57 | 76.58 | 80.19 |
| Congo | 74.64 | 78.25 | 83.83 | 88.46 | 78.84 |
| Azerbaijan | 73.87 | 72.64 | 70.05 | 73.29 | 77.89 |
| Kuwait | 71.22 | 75.11 | 76.10 | 76.46 | 76.50 |
| Algeria | 73.97 | 73.08 | 74.95 | 76.44 | 76.07 |
| Niger | 81.70 | 82.92 | 80.15 | 81.56 | 75.73 |
| Mongolia | 85.40 | 77.40 | 72.59 | 72.51 | 72.74 |
| Angola | 64.04 | 64.96 | 65.59 | 69.33 | 70.45 |

Lowest Score Highest Score

Section 3

# Commodity Producers EDI Revenue Sub-Index

Among commodity producers, Norway and Iceland set the global benchmark, ranking 4th and 5th globally in this sub-index in 2024. Only eleven countries have managed to surpass the score of 100 in this pillar. In sharp contrast, Bahrain lines up close to the bottom of the table in 2020-24 (it was ranked last in 2024, scoring 97.0 versus Denmark's top scoring 105.6). Norway's tax revenue as a percentage of GDP stands at a high 30%+, compared to Bahrain's under 5% following the introduction of VAT in 2018. While the GCC has initiated historic fiscal reforms - including the introduction of VAT (since 2018) and the UAE's federal corporate tax (9%) - significant structural gaps remain. The absence of VAT in Kuwait and Qatar indicates that fiscal diversification in the region remains an unfinished agenda.

## Table 3.5. Commodity producers, EDI revenue sub-index scores, heatmap

| | 2000–2004 | 2005–2009 | 2010–2014 | 2015–2019 | 2020–2024 |
|---|---|---|---|---|---|
| Norway | 103.76 | 103.71 | 103.27 | 102.89 | 103.36 |
| Iceland | 103.37 | 103.75 | 102.83 | 103.33 | 102.92 |
| New Zealand | 102.52 | 102.55 | 101.70 | 101.86 | 102.13 |
| Jamaica | 100.70 | 100.74 | 101.15 | 101.76 | 101.74 |
| Australia | 102.18 | 101.98 | 101.36 | 101.53 | 101.53 |
| Russian Federation | 100.64 | 100.16 | 99.82 | 100.23 | 100.60 |
| Chile | 99.96 | 100.29 | 100.21 | 100.29 | 100.37 |
| Namibia | 99.53 | 99.81 | 100.28 | 100.33 | 100.37 |
| Mongolia | 99.83 | 100.75 | 99.82 | 99.44 | 100.15 |
| Argentina | 99.31 | 100.08 | 100.23 | 100.08 | 100.10 |
| Uruguay | 99.90 | 100.02 | 99.83 | 99.93 | 100.07 |
| Mozambique | 97.97 | 98.45 | 100.01 | 100.01 | 99.91 |
| Bolivia | 99.56 | 100.55 | 100.88 | 100.54 | 99.87 |
| Azerbaijan | 99.05 | 99.67 | 99.51 | 99.43 | 99.79 |
| Tajikistan | 97.80 | 99.06 | 99.63 | 99.88 | 99.55 |
| Peru | 99.27 | 99.56 | 99.66 | 99.22 | 99.51 |
| Rwanda | 98.29 | 98.59 | 99.35 | 99.66 | 99.46 |
| Zambia | 99.61 | 99.18 | 99.10 | 99.20 | 99.28 |
| United Arab Emirates | 98.79 | 99.49 | 99.72 | 98.57 | 99.19 |
| Kenya | 98.55 | 98.95 | 99.02 | 99.11 | 98.96 |
| Kazakhstan | 99.49 | 100.36 | 100.00 | 98.66 | 98.91 |
| Colombia | 98.61 | 98.59 | 98.26 | 98.43 | 98.84 |
| Uganda | 98.26 | 98.15 | 97.99 | 98.59 | 98.82 |
| Ecuador | 98.11 | 98.16 | 98.73 | 99.18 | 98.80 |
| Algeria | 98.44 | 98.51 | 98.47 | 98.72 | 98.58 |
| Lao PDR | 98.33 | 98.58 | 99.20 | 99.03 | 98.57 |
| Cameroon | 98.16 | 98.45 | 98.33 | 98.57 | 98.50 |
| Malaysia | 98.89 | 98.99 | 99.08 | 98.64 | 98.49 |
| Saudi Arabia | 97.45 | 97.86 | 97.75 | 97.52 | 98.29 |
| Ghana | 97.34 | 97.58 | 97.86 | 98.40 | 98.24 |
| Paraguay | 97.87 | 97.90 | 98.12 | 98.23 | 98.21 |
| Côte d'Ivoire | 97.30 | 97.46 | 97.35 | 97.79 | 98.03 |
| Kuwait | 98.07 | 98.28 | 98.39 | 97.84 | 97.97 |
| Angola | 98.24 | 98.14 | 98.15 | 97.50 | 97.91 |
| Congo | 97.76 | 98.12 | 98.34 | 98.12 | 97.90 |
| Niger | 96.93 | 97.62 | 97.74 | 97.87 | 97.67 |
| Ethiopia | 97.68 | 97.56 | 97.82 | 97.91 | 97.59 |
| Qatar | 97.34 | 97.71 | 98.12 | 97.42 | 97.47 |
| Oman | 97.38 | 97.41 | 97.46 | 97.19 | 97.38 |
| Bahrain | 96.96 | 96.76 | 96.75 | 96.72 | 97.00 |
| Nigeria | 97.49 | 97.23 | 97.06 | 96.76 | 96.99 |
| Iran | 97.08 | 97.20 | 97.08 | 97.32 | 96.98 |

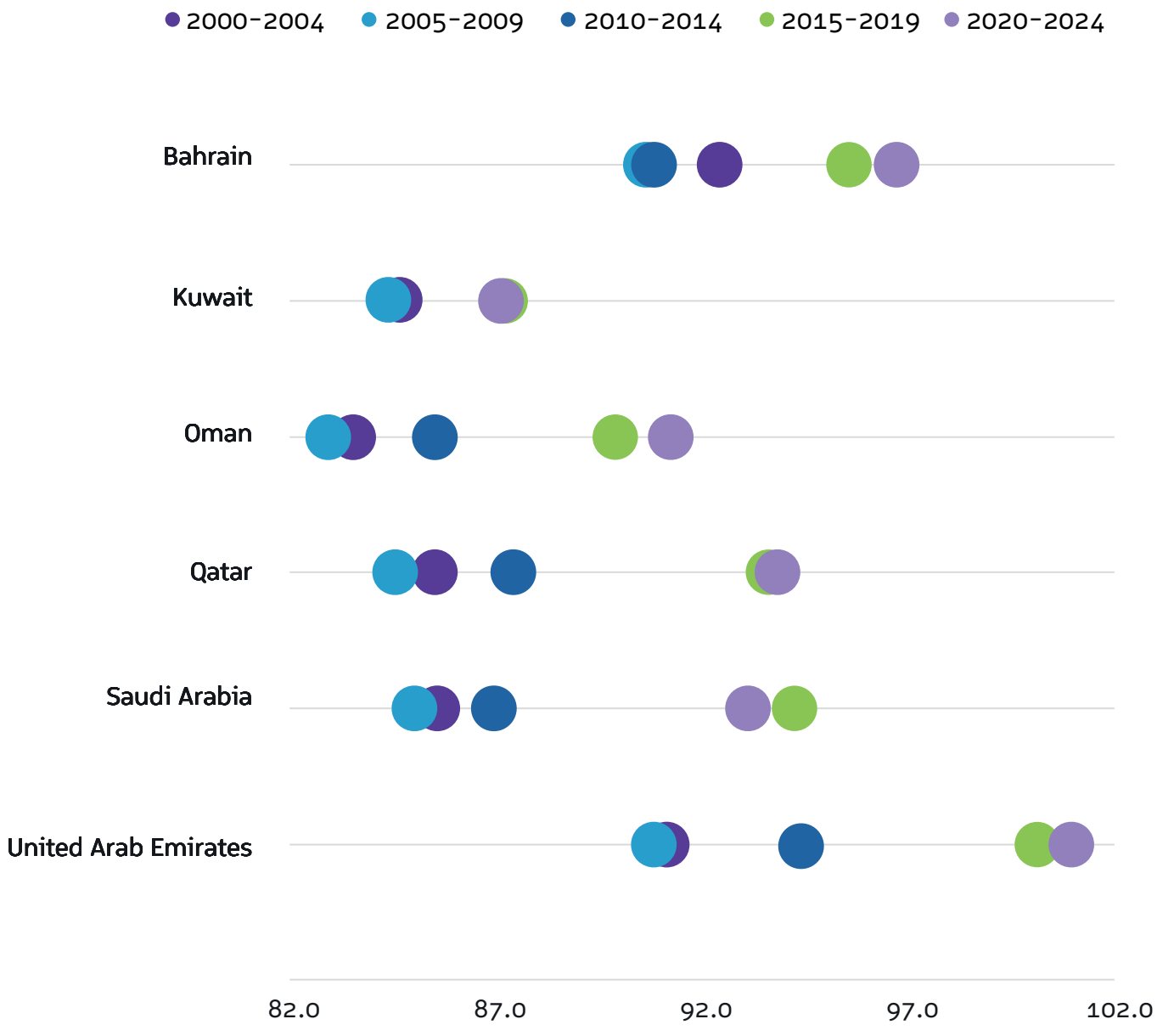
Lowest Score Highest Score

Section 3

# Performance of the GCC: Divergence & Resilience

UAE maintains its position as the distinct leader among the GCC countries for Economic Diversification. As illustrated in Chart 3.7, the UAE's EDI score for the 2020–2024 period not only surpasses its regional peers but also exceeds its own pre-pandemic baseline, confirming a successful structural recovery. Historical analysis reveals a divergence post-2011: while Bahrain and the UAE tracked closely until that point, their diversification trajectories have since decoupled, with the UAE accelerating toward a higher equilibrium. Only Saudi Arabia posted a score lower than its pre-pandemic reading; even Kuwait's reading held steady.

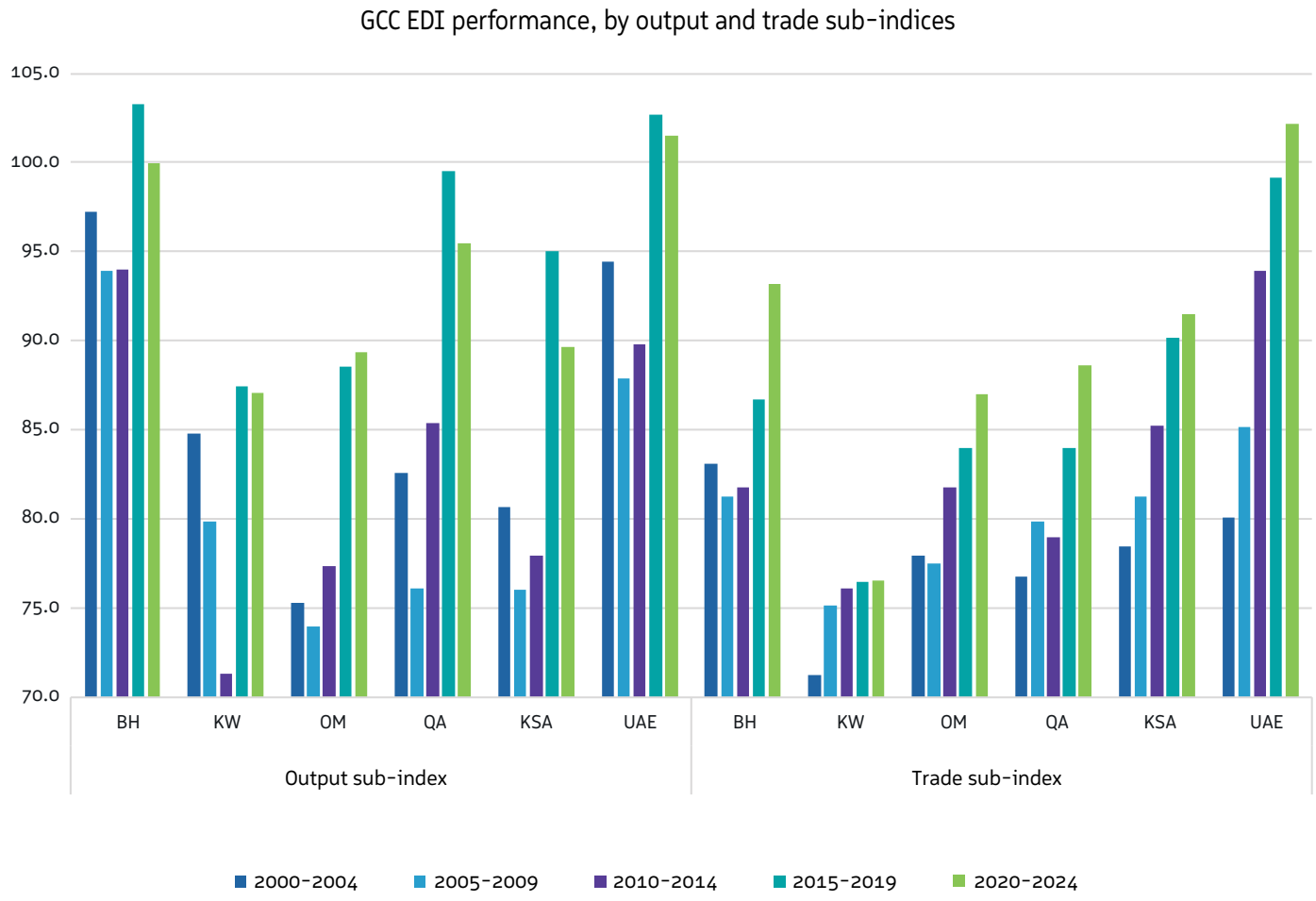
**Chart 3.7. EDI scores across the GCC**



Saudi Arabia's slight decline below pre-pandemic levels can be traced to its output sub-index, where the decline is evident in services as share of GDP (46.5% in 2020-24 vs 50.3% in 2015-19), share of medium and high-tech manufacturing (less than 30% vs 36.2% in 2015-19) and manufacturing value added per capita (about USD 2700+ from close to USD 3000). However, this could potentially be due to the "J-curve" effect of massive structural transformation, where initial capital outlays precede output realization. Kuwait remains the regional laggard, displaying the highest structural rigidity. Its diversification metrics have stagnated, showing the least improvement between the initial (2000-04) and final (2020-24) reference periods.

A breakdown indicates that Bahrain and the UAE have both scored highly in the output sub-index in recent years, while the UAE outperformed in the trade sub-index (Chart 3.8). Kuwait lags its peers in all sub-indices, making it the lowest scorer among the GCC countries. In the output sub-index, Oman is the only GCC country that has posted a score higher than its pre-pandemic reading in 2020-24 – largely given the surge in medium & high-tech manufacturing data (close to 50% in 2020-24 from just 30% in 2015-19).

**Chart 3.8. GCC Economic Diversification Index, output and trade sub-indices scores**



In 2024, the GCC demonstrated remarkable macroeconomic resilience. Despite the headwinds of OPEC+ production cuts, overall growth was buoyed by a robust non-hydrocarbon expansion. This non-oil momentum was supported by the GCC's robust domestic demand (supported by a strong project pipeline and implementation) and strong services sector performance. This effectively insulated regional economies from geopolitical spillovers (Red Sea disruptions) and trade fragmentation (US tariffs). IMF (Dec 2025) highlighted that Kuwait and Saudi Arabia clocked in an increase in non-hydrocarbon revenue, "primarily reflecting non-hydrocarbon tax base expansions and revenue collection efficiency improvements" - a hallmark of genuine fiscal diversification.

The GCC is uniquely positioned to capitalize on a dual comparative advantage: remaining the central hub of "old energy" (hydrocarbons) while emerging as a global hub for "new energy" (renewables and hydrogen). Not only could an integrated GCC power grid (powered by renewable energy) extend to the wider Middle East, Europe, and South Asia regions, but the GCC could also export its climate technologies (desalination, district cooling, and desert agriculture). Furthermore, the nations are also investing in future technologies (Artificial Intelligence, electrification, data centers) as a pillar of a new stage of economic diversification. Digitalisation and new tech sectors are a key component of GCC's diversification effort, supported by low-cost, sustainable power. Existing projects and plans are underway for tech firms, cloud regions, and data centres. The GCC has a further comparative advantage in developing solar-powered, Green Data Centres, creating an opportunity to develop and integrate the region's economies into the emerging global digital space. This convergence of energy and digital strategy positions the Gulf to integrate into the global digital value chain not just as a consumer, but as a critical infrastructure node.

Section 4

# Digital Transformation: A New Engine for Diversification?

The traditional pathway to economic diversification had been export-oriented industrialization based on low labour and resource costs, which then made way for a booming services sector. With the rise of Industry 4.0 and digitalization, commodity-dependent countries (CDCs) must rethink strategies focused solely on exports of light manufacturing and pivot towards technology-led structural transformation. Digital platforms also allow small and medium enterprises in such countries to access global customers directly, bypassing any inherent traditional bottlenecks. Through the "servicification" of manufacturing (for example, predictive maintenance algorithms that can support industrial exports), countries can capture higher margins without increasing physical output. By efficiently integrating Artificial Intelligence (AI) and the Internet of Things (IoT) into energy and logistics, CDCs can optimize resource use, allowing for capital to be reinvested into new, high-growth sectors like green hydrogen or advanced/high-tech manufacturing. Prior to the digital leap of faith, countries must ensure that the ecosystem is in place: this includes the hard infrastructure[16] (high-speed broadband, electricity), soft infrastructure (regulatory frameworks such as data sovereignty laws and open banking standards), and human capital (for example, via upskilling).

[16] For the GCC, this includes leveraging low-cost solar power to fuel green data centres, creating a competitive advantage in the energy-intensive AI economy.

As mentioned in the previous chapter, services trade has been consistently growing (with the dichotomy with goods trade becoming secondary) and is now becoming an "enabler" of merchandise trade. Efficient logistics (e.g., digital customs, port automation) and trade finance reduce the transaction costs of exporting physical goods[17]. WTO (2020) highlights that digitally deliverable services (such as consulting, R&D, and telemedicine) offer a diversification pathway that is not restricted by geography. This enables even landlocked or remote nations to export high-value labour, overcoming physical trade barriers. Ethiopia, a landlocked country, has achieved stronger growth by increasing trade in transport services thanks to the expansion of Ethiopian Airlines and abundant cargo capacity; export of cut flowers is a flourishing industry, and the country ranks among the top five exporters globally.

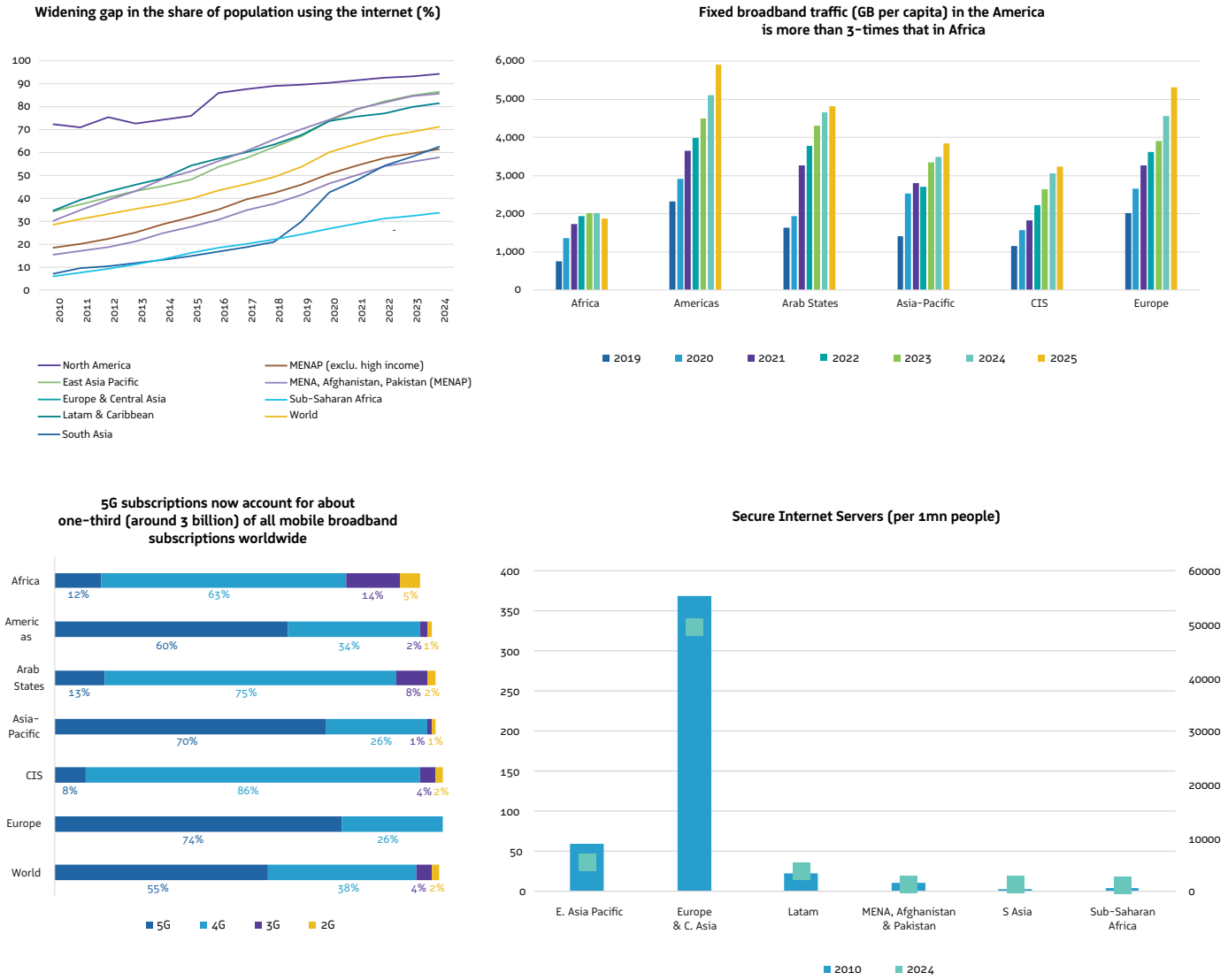
## However, it is not all rosy: there is also a growing divergence risk given the digital gap.

Countries that fail to invest in Digital Public Infrastructure[18] (DPI) (i.e., sovereign payment rails, digital ID, and cloud capacity) risk becoming just consumers of technology platforms owned by US or Chinese giants, exporting raw data just as they once exported raw ore. The digital divide is stark: latest data from the International Telecommunication Union (ITU) indicates that 94% of people in high-income countries use the internet, in contrast to only 23% in low-income countries.

Recent data on internet usage, traffic, and infrastructure reveals a widening chasm that threatens to further widen economic inequality (Chart 4.1). In high-income countries in North America, Europe, and parts of East Asia, internet usage has reached near-saturation levels (80%+), wherein connectivity is the norm, integrated into everyday life. In contrast, regions like Sub-Saharan Africa and the least developed countries struggle to break the 50% barrier – implying that populations in these areas are largely offline and cut off from the digital economy, e-education, and telemedicine. The notable change is in South Asia, where the share of persons using the internet surged from around 30% in 2019 to over 60% in 2024[19]. Usage rates only tell part of the story. The intensity of usage, as measured by internet traffic per capita, reveals an even deeper divide. In 2024, average fixed broadband traffic per capita in North America was more than three times higher than that in Africa.

[17] For commodity exporters, these "embedded services" determine competitiveness as much as the resource price itself.
[18] This GovTech revolution is essential for attracting foreign investors and supporting SMEs.
[19] This surge is not attributed to just one country. The share of individuals using the internet in India jumped to 55.9% (from 29.5% in 2019), but it was so in Nepal (44.5% from 30.4%) and Bangladesh (55.8% from 33.3%).

## Chart 4.1. Select digital indicators by region




It is also worth highlighting that lower-income regions, even those with access, often suffer from "connectivity" issues – be it slow speeds, high data costs relative to income, or unreliable power supply, among others. As the digital economy becomes more data-intensive (e.g., accessing AI interfaces), the gap in traffic per capita is widening, not closing. Furthermore, the deployment of 5G is the new frontier of inequality. With high-income nations (particularly in the GCC, East Asia, and North America) aggressively rolling out 5G networks (that are the backbone of enabling smart cities, autonomous logistics, and industrial IoT), these are negligible in lower-income nations. While 74% of the population in Europe is covered by a 5G network, this is only 8% and 12% in the CIS and Africa regions.

This lag means these developing nations are physically incapable of hosting the next generation of digital industries, thereby risking a permanent structural disadvantage. A critical, often overlooked indicator is the density of secure internet servers. The low density of secure servers in the lower-income regions exposes their digital ecosystems to higher risks of cybercrime, fraud, and data breaches. This acts as a deterrent to the adoption of e-commerce, digital banking, secure government services, and even foreign investment in the local digital sector.

This gap in access translates directly to a gap in capability and hence economic opportunity. The bottom line is that "data-poor" cannot participate in the same digital economy as the "data-rich". To avoid this trap, developing nations must move beyond passive adoption. They need active, well-designed industrial policies that foster local tech ecosystems (startups, venture capital) and ensure that digital value remains domestic. It demands investment in affordable data, secure infrastructure, and digital skills. The goal is technological sovereignty, not just connectivity. World Bank (2025) finds that despite such disparities, AI has been gaining momentum even in middle-income countries (more than 40% of ChatGPT's global traffic originated there by mid-2025). Highlighted is the fact that ground-up innovations – "affordable, accessible "small AI" applications" such as doctors being able to analyse health data, to SMEs being able to reach new customers – can allow developing economies to overcome barriers such as everyday devices and digital infrastructure; this change is already happening.

For commodity-dependent countries, digitalisation allows the opportunity to increase total factor productivity, alter their production structure into new, high-productivity sectors, as well as upgrade existing ones (ECB 2024, Diouf et. al. 2024, OECD 2020). Digital technologies (AI, IoT), for example, allow for the "servicification" of manufacturing: value here is created not by physical assembly but through embedded services such as design and R&D (WTO 2020). UNCTAD Secretariat (2025) highlights Vietnam and Costa Rica for "technology-led structural transformation" that has enabled them to leapfrog into sectors that are less correlated with commodity price cycles. With respect to trade diversification, in addition to the export of digital services, digitalization also helps businesses find new buyers (via e-commerce platforms) and digital customs reduces logistical barriers. WTO (2025) finds that AI-driven trade facilitation could boost trade by 34-37% and GDP by 12-13% by 2040, though. disproportionately benefiting developing nations (due to uneven access to AI technologies and capacity to participate). Digitalization is also a powerful tool for fiscal decoupling, reducing over-reliance on volatile resource rents by broadening the non-resource tax base. Not only can digital systems enhance the efficiency of revenue collection, but digital tax administration (via e-filing, electronic invoicing) also improves compliance - sometimes even bringing the informal sector into the tax net (Bellon et al 2022, Nose et al 2025, World Bank 2025b, Maiti & Khari 2025).

Section 4

# The Digital Frontier: Digital Indicators & EDI+ Results

Similar to the previous edition of EDI, the EDI-plus (EDI+) adds **three critical digital-specific indicators** as part of the trade-plus sub-index: (a) **digitally deliverable services trade** (i.e. those that can be delivered remotely over computer networks such as the Internet) – its exports as a percentage of trade; (b) **ICT goods exports** as percentage of the economy's total merchandise exports and (c) **International trade in ICT services** as a % of total trade in services (exports flow). The data are collated across 113 countries (up from 70 last year) for the period 2010 to 2024 based on data availability.

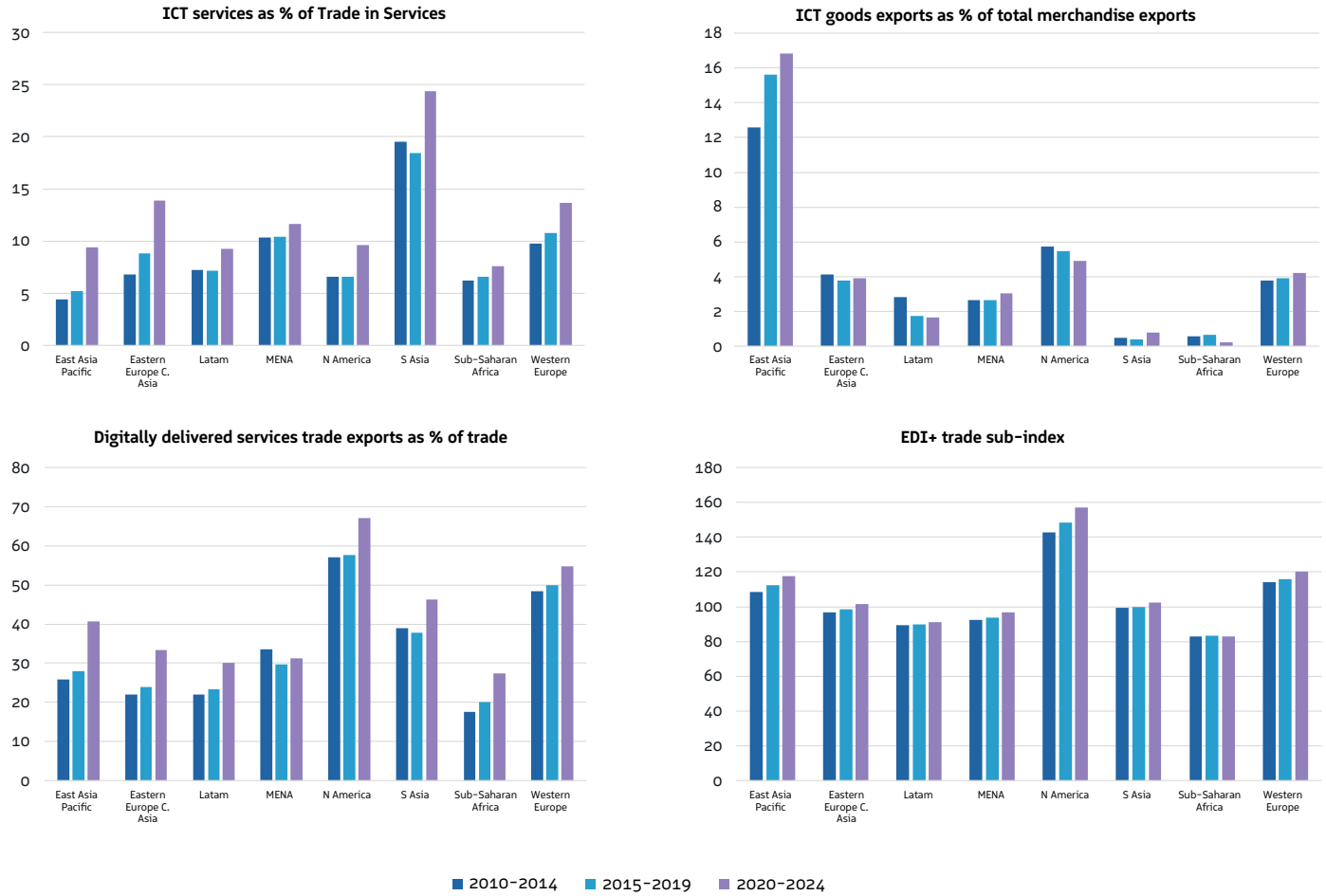
The share of commercial services in global trade surged to 27.2% in 2024, its highest share since 2005, while also growing at a robust 10% (outpacing a sluggish 2% growth in trade in goods)[20]. "Other commercial services", such as computer and financial services, represented around 60% of global services trade; last year, computer services exports grew by 12% globally (reaching the USD 1 trillion mark), a testament to the advances in digitalisation, widespread adoption of AI, and the rise of e-commerce and digital platforms.

Regional performance reveals clear specialization patterns. South Asia and East Asia Pacific are the leaders in ICT services as a percentage of trade in services and ICT goods exports as a percentage of total merchandise goods, respectively (Chart 4.2, top panel). South Asia leveraged its comparative advantage in labour costs and BPO to drive service exports. All regional groups showed significant increases in the post-pandemic period, with the shares of ICT services (as a percentage of trade in services) more than doubling in both East Asia Pacific and Eastern Europe & Central Asia regions in 2020-24 relative to 2010-2015. This can be attributed to the accelerated adoption of digitalisation post-COVID as well as the robust digital infrastructure and related investments (in East Asia Pacific) and strategic initiatives in Eastern Europe & Central Asia (e.g., IT absorption packages that successfully attracted skilled human capital to dedicated tech zones). East Asia Pacific is the clear leader in ICT goods exports as a percentage of total merchandise goods (16.9% in the 2020-24 period), more than triple the share of its closest peer in North America (at 4.9%). This reflects the region's role as the "factory of the world" for electronics, anchored by countries such as China, Korea, and Vietnam. Only the MENA, Eastern Europe, and Western Europe groupings have seen an increase in their post-pandemic readings.

[20] WTO's World Trade Statistics, updated 15 Dec 2025. https://www.wto.org/english/res_e/statis_e/world_trade_statistics_e.htm

As can be seen from Chart 4.2 (bottom left panel), North America dominates the digitally delivered services trade exports even as MENA gained the least in 2020-2024 compared to the previous period. Lebanon saw its share drop sharply to 30.5% in 2020-24 from 38.8% in 2015-19 - a casualty of the "brain drain" and infrastructure collapse associated with its financial crisis. In contrast, Oman and Morocco demonstrate that policy matters. Oman more than doubled its share to 17.2% and Morocco saw its share rise to 27.9% post-pandemic from 19.1% in the period prior – both gaining from a post-pandemic jump in e-commerce growth and government digitalisation initiatives (e.g., Oman's 2022-2027 National E-Commerce Plan, Morocco's extensive digital public services[21]).

**Chart 4.2. Digital trade indicators and the EDI+ trade sub-index**




[21] The population has access to more than 300 digital public services and companies have access to more than 200 digital public services geared towards SMEs.

Section 4

# Convergence in the Trade+ Sub-Index?

The addition of three digital indicators and the corresponding trade+ sub-index shows an uplift in diversification scores across all regions in the 2020–24 period relative to the pre-pandemic baseline (bottom right panel in Chart 4.2). The hierarchy remains similar: North America, Western Europe, and East Asia Pacific are the top three regional groupings for the trade+ sub-index over time. This is also reflected in the overall EDI+ score (Table 4.1).

## However, the inclusion of the digital dimension alters the dynamics: there is a dampening of regional inequality when digital trade is accounted for.

There is an 86.5-point difference in trade sub-index scores between the best and worst performing regions in the 2020-24 period (up from 67.8 in 2010-15). This reflects the logistical and industrial advantages of advanced economies. However, the trade+ sub-index conversely exhibits a narrower dispersion of 74 points (up 60.2 points from 2010-14). The spread is not widening as rapidly, implying that the barriers to entry for digital trade are lower than for physical merchandise. Hence, many developing nations are diversifying into the digital space and can catch up, but this is contingent on structural enablers such as the resilience of digital infrastructure, regulatory alignment, and the continuous upskilling of the workforce to prevent a new "digital divide" from emerging.

By income classification, the performance of low-income, upper-middle-income, and high-income countries remains largely unchanged whether digital indicators are included or excluded (Chart 4.3). This suggests that for these groups, the "digital dividend" has either already been fully absorbed (in advanced economies) or remains out of reach due to infrastructure deficits (in low-income nations). The most striking finding is that there is an acceleration in lower-middle-income countries' performance when digital indicators are included – consistent with the presence of countries such as India, the Philippines, and Vietnam, where the digital economy has become a primary engine of export complexity. Additionally, when digital indicators are included, the overall index (EDI+) increases by 0.4 points in 2020-2024 when compared to 2015-19; in contrast, excluding the digital indicators results in a stagnant trade sub-index (+0.05 points) and a contraction in the overall EDI score (-0.14 points).

**Chart 4.3. Comparison of trade sub-index and EDI scores, by income group, with & without digital indicators**

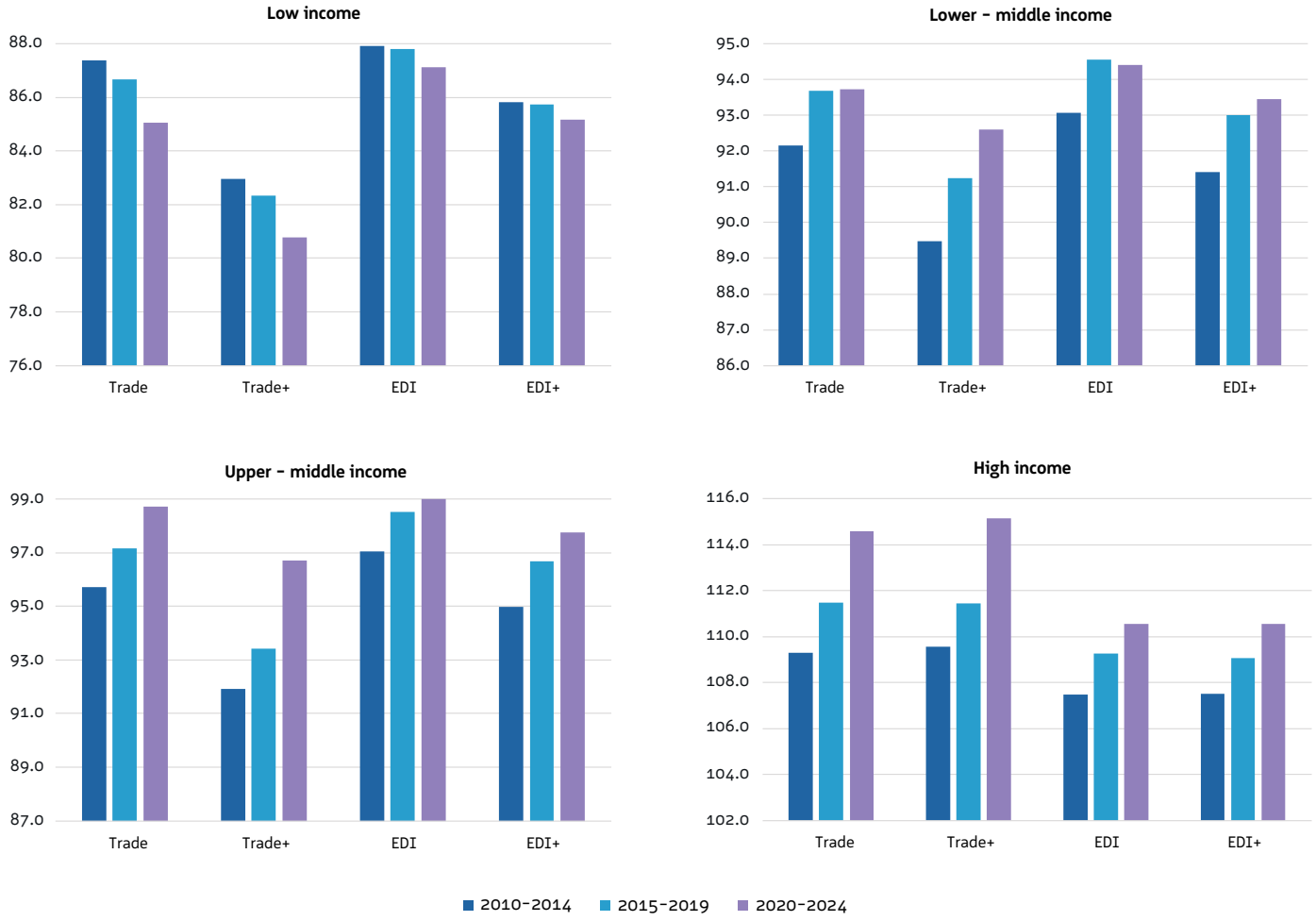



**Table 4.1. EDI+ scores, by region and over time (heatmap)**

| | 2010 | 2015 | 2020 | 2024 |
|---|---|---|---|---|
| North America | 122.41 | 125.80 | 126.36 | 131.91 |
| Western Europe | 111.49 | 112.67 | 114.06 | 115.34 |
| East Asia Pacific | 101.77 | 104.66 | 106.43 | 107.91 |
| Eastern Europe & Central Asia | 98.28 | 99.33 | 100.81 | 101.65 |
| South Asia | 95.19 | 96.55 | 97.37 | 98.56 |
| Middle East & North Africa | 93.69 | 96.33 | 98.26 | 97.46 |
| Latin America & Caribbean | 95.36 | 96.43 | 97.47 | 96.58 |
| Sub-Saharan Africa | 87.30 | 89.02 | 88.66 | 88.16 |

Least Improvement — Most Improvement

Regional EDI+ scores broadly mirror the overall EDI scores. Consistent with the EDI scores, MENA, Latam, and Sub-Saharan Africa regions posted a drop in overall score in 2024 versus 2020. However, granular data highlights variations, as can be seen from Table 4.2.

**Table 4.2. Twenty of the top and bottom ranked countries in the trade sub-index for the year 2024 (excluding and including the digital indicators)**

| Top 20-ranked nations | |
|---|---|
| Trade sub-index | Trade+ sub-index |
| United States | United States |
| China | China |
| Germany | Germany |
| United Kingdom | United Kingdom |
| France | Singapore |
| Singapore | Ireland |
| Ireland | France |
| Netherlands | Netherlands |
| Japan | Japan |
| India | India |
| Italy | South Korea |
| South Korea | Israel |
| Spain | Philippines |
| Switzerland | Italy |
| Belgium | Belgium |
| Poland | Switzerland |
| Mexico | Sweden |
| Sweden | Vietnam |
| Canada | Spain |
| Denmark | Poland |

| Bottom 20-ranked nations | |
|---|---|
| Trade sub-index | Trade+ sub-index |
| Oman | Oman |
| **Senegal** | Uganda |
| **Cyprus** | Paraguay |
| Bolivia | Ghana |
| **Botswana** | Gambia |
| Zambia | Tanzania |
| Rwanda | Niger |
| Ecuador | Zambia |
| **Kuwait** | Cameroon |
| Mozambique | Bolivia |
| Nigeria | Nigeria |
| Jamaica | Rwanda |
| Ghana | Ecuador |
| Cameroon | Angola |
| Niger | Mozambique |
| Azerbaijan | Azerbaijan |
| Angola | Jamaica |
| Algeria | Congo |
| Congo | Algeria |
| Mongolia | Mongolia |

Note: the green coloured text represents where nations have gained positions when including the digital indicators; light blue when the rankings have fallen. In the bottom-ranked nations, those nations in bold represent countries that have better rankings including digital indicators (where they do not fall in the bottom 20).

There is a strong positive correlation between the EDI and EDI+ trade sub-indices[22]. Rankings of the top four countries stay the same with the inclusion of digital indicators (Table 4.2), reaffirming their strength. Multiple countries in the top quintile of the EDI rise even higher with the inclusion of the digital indicators within the trade sub-index. Digitally deliverable services trade exports' share in the Philippines, for example, was 48.8% of trade in 2020-24 (versus Mexico at 29.7%, which fell out of the trade+ top 20). In addition to Mexico, Canada and Denmark also slip down from the top 20, as their trade baskets remain weighted toward physical merchandise. Among the bottom-ranked nations, while many rankings have worsened (in red), a few like Senegal, Cyprus, Botswana, and Kuwait have moved up from the bottom 20 ranks. Cyprus, for example, has a "digitally deliverable services trade exports" share at close to 70% in 2020-24 compared to 14% in Mongolia's case. Kuwait's ICT services exports stood at close to 50% in 2020-24 versus less than 2% in Ghana.

[22] The Spearman rank correlation between the two series was 0.88 in 2024.

Beyond the established names in the top 4 ranks (US, China, Germany, and UK), the biggest gains in the trade+ sub-index were recorded by Vietnam, Ireland, India, and Cambodia. The former three also register substantial gains in the trade index (i.e., excluding digital indicators), given the recent surge in services-related trade. However, Cambodia's gain is significant, with all three digital indicators having exploded from a low base: ICT services as a percentage of trade in services jumped to 7.0% in 2020-2024 vs 1.6% in 2015-19 while ICT goods exports share accelerated to 8.7% from 1.6% and digitally delivered services trade exports share moved to 11.6% from 2.5%. Furthermore, close to 70% of the nations' post better gains in the trade+ sub-index (comparing 2024 versus 2010) than gains in the EDI+. The top 20 largest gains in trade+ has been recorded across all regions: 6 each from Western Europe and East Asia Pacific along with the US, 2 each from South Asia (India and Pakistan), Sub-Saharan Africa (Angola and Nigeria), MENA (Bahrain and Israel) and Armenia from Eastern Europe & Central Asia (digitally delivered services trade exports jumped to 30.3% in 2020-24 from 14.3% in 2015-2019).

## There are forty commodity-dependent nations in the EDI+ index, almost one-third of the total.

Commodity-dependent nations register a gain in the trade+ sub-index in the period 2020-2024 versus the prior period, though the EDI+ reading remains flat relative to the pre-pandemic period. When digital indicators are stripped out, the picture is starker: commodity producers have yet to recover to pre-2020 levels, confirming that without a decisive digital pivot, their recovery remains cyclical rather than structural.

**Table 4.3. Commodity dependent nations EDI vs EDI+ performance, highlighting trade sub-index scores**

| | PCA Trade+ | EDI+ | PCA Trade | EDI |
|---|---|---|---|---|
| 2010-2014 | 82.90 | 88.96 | 85.84 | 90.67 |
| 2015-2019 | 84.03 | 90.78 | 87.28 | 92.60 |
| 2020-2023 | 85.06 | 90.85 | 87.47 | 92.26 |

Section 4

# Performance of EDI+ Compared to Other Digital Indices

Having the right infrastructure – both hard and soft - is critical to developing the digital economy. Charts 4.4 and 4.5 below compare the EDI+ scores to two other digital indices: both show a strong positive correlation.

Huawei's Global Digitalisation Index (GDI) 2024 tracks the progress across 77 countries, measuring the maturity of a country's ICT industry by factoring in indicators across four segments including Ubiquitous Connectivity (e.g., fixed & mobile broadband, mobile data per connection), Digital Foundation (e.g., data centres, cloud computing, e-government index), Green Energy (e.g., charging convenience, renewable electricity utilisation rate), and Policy & Ecosystem (ICT investments, patents, STEM graduate ratio). GDI research finds that a USD 1 investment in digital transformation results in a USD 8.3 return in a country's digital economy: Essentially, forward-looking digital infrastructure development is critical for future growth.

Correlation between the two series, GDI and EDI+, was 0.78, indicating a strong positive relationship. The GDI's top-performing countries are similar to the ones highly ranked in EDI+ (examples of the US, Singapore, Sweden), and the bottom left quadrant of chart 2.4 shows an overlap in the lowest-scoring nations across both indices. Interestingly, many commodity-dependent nations appear in the top-left quadrant of the chart (Australia, UAE): they score relatively high on the global digitalisation index, making a case for increased diversification possibilities in the future.

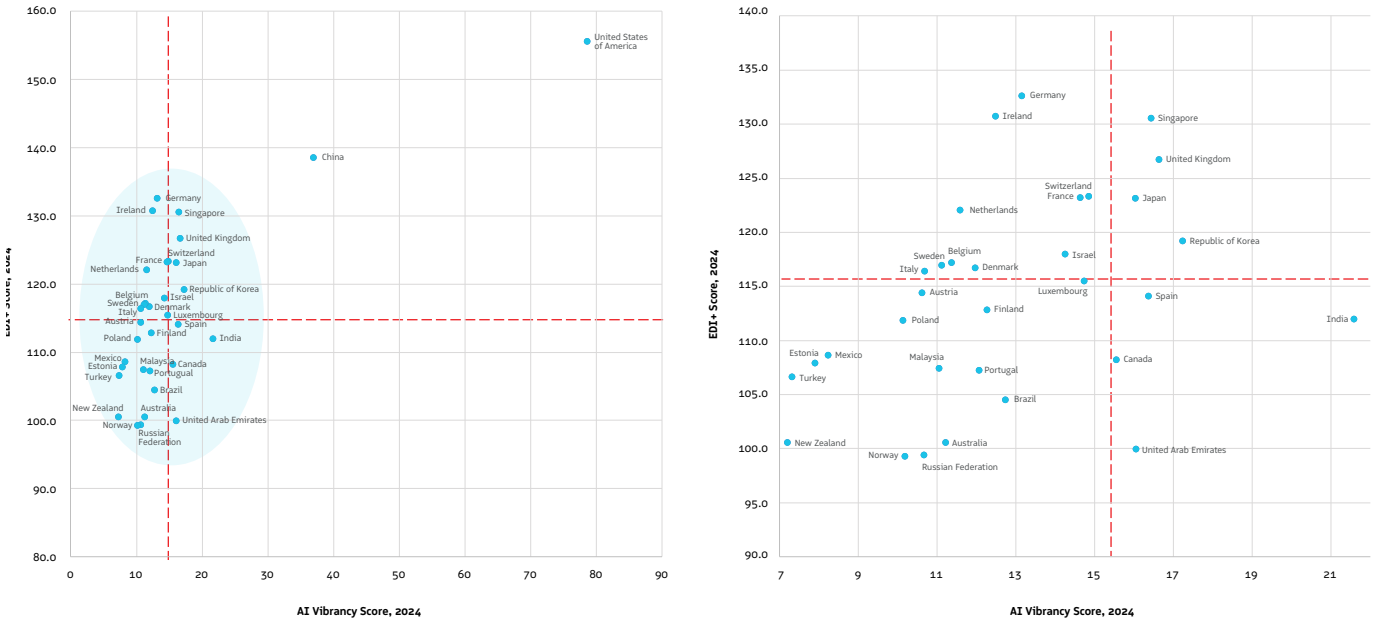
With Artificial Intelligence (AI) becoming an integral part of the global economy, it is important to understand a country's ongoing investments and policy decisions that could lead to AI development in the future. Stanford University's Global AI Vibrancy Tool evaluates across multiple pillars including R&D (patents/grants, publications, open access models etc), Responsible AI (conference submissions on this topic), Economy (AI M&A, new funded AI firms, AI job postings etc), Education (AI study programs), Policy & Governance (National AI Strategy Presence, AI Legislation passed), Public Opinion (AI social media posts, social media share of voice on AI) and Infrastructure (supercomputers, compute capacity etc). One way this index differs from others in this context is that it refrains from using broader tech-related indicators such as "public spending in R&D," using AI-specific indicators instead.

AI vibrancy, defined as the density of AI talent, investment, and infrastructure, will allow for an accelerated transition dependence to a knowledge economy from a resource-dependent one. AI is a general-purpose technology, implying that it is an enabler that could upgrade every other industry. For example, machine learning can be applied to commodity sectors via precision agriculture of mining automation – this would increase efficiency and lower costs, allowing freed-up capital to be reinvested in new, non-resource sectors. AI-related exports create new export categories (e.g., data services) that can be high-value and non-volatile. UAE and Saudi Arabia have been heavily investing sovereign wealth into AI infrastructure in recent years to support diversification efforts (e.g., G42, KAUST).

**Chart 4.4. EDI+ and Digitalisation Index**

For other less-wealthy commodity-producing nations, AI vibrancy is a way to embrace more automation, emerge from being stuck in low-value manufacturing, and leapfrog the "middle-income trap". How can this be done? (a) AI vibrancy can attract global talent (engineers, data scientists); (b) use of AI tools by local businesses to optimise supply chains / lower costs/ increase efficiency and generate higher productivity levels; and (c) AI lowers language and logistical barriers; countries can export services such as coding or AI-powered translation, allowing diversification of their export basket.

**Chart 4.5. EDI+ and AI Vibrancy**




There was a high positive correlation between the EDI+ & AI Vibrancy Score (+0.708), indicating that higher EDI-ranked countries are likely to be better equipped to embrace AI. In chart 4.5, most commodity-producing nations (that are also covered in the AI Vibrancy Tool) are in the bottom left quadrant – relatively low EDI+ and AI Vibrancy scores; the UAE is the only one that has a higher vibrancy score, and this is likely to benefit the country in the coming years. (Saudi Arabia, not included in the EDI+, has an AI Vibrancy score of 12.1 vs the UAE's 16.06).

# Concluding Remarks

## Digital transformation is fast becoming an enabler for countries that are aiming to diversify.

The link is no longer theoretical and can be measured. For commodity-dependent countries, this shift offers a historic opportunity to break the “resource curse” by embedding intelligence into existing commodity reserves and leveraging the borderless nature of the digital economy. Digitalization allows traditional commodity sectors to become more efficient (think AgriTech), transitioning from the export of raw resources to exporting green tech solutions. Countries are now moving from just digital adoption (i.e., use the digital services provided by global tech giants) to planning policies for digital creation, i.e., create and foster a domestic innovation ecosystem wherein firms can generate proprietary algorithms, platforms, and intellectual property. The “servicification” of global trade suggests that the most valuable export of the future will not be copper or oil, but the data-driven efficiency with which these resources are managed and delivered.

This optimistic scenario is achievable only if the structural barriers are addressed. One is the infrastructure deficit: even where mobile penetration is high, the lack of high-speed, affordable broadband and access to reliable electricity could affect the development of a vibrant digital economy. Furthermore, without the hard infrastructure of fibre optics and green energy to power data centres, the digital economy cannot scale. There continues to be a question about data sovereignty – there are no harmonised data governance frameworks. If countries impose data localisation requirements, this could lead to fragmentation and negatively affect smaller economies that rely on international cloud infrastructure. With the advance of AI and rising job concerns, skills mismatch continues to be an ongoing worry. It is no longer the case that basic IT literacy is sufficient; one needs to be able to work alongside AI, analyse complex data, and secure digital assets against cyber threats.

One of the biggest hurdles to diversification is the digital divide, referred to by the UN as the "new face of inequality"[23]. On one end are countries that have access to 5G networks and discuss quantum computing, but at the other end of the spectrum are the raw material-supplying low-income commodity producers (excluded from value-added processing). What can be done to overcome this disparity? Involving governments to invest in digital public infrastructure, integrating digital markets regionally (e.g., the African Continental Free Trade Area's Protocol on Digital Trade), and providing fiscal incentives for technology transfer and local skills development are decisive policy interventions. Initiatives such as the "Connecting Humanity Action Blueprint" are important: it estimates an investment of USD 2.6-2.8 trillion to deliver universal, meaningful Internet access by 2030.

[23] https://news.un.org/en/story/2021/04/1090712

## Section 5

# A Multi-Dimensional Diversification Path is Required

Commodity-dependent countries (CDCs) have been through decades of the policy of "export raw materials and import finished goods". But as the world evolves to one of poly crises – from geopolitical fragmentation, weaponisation of the dollar, climate change, and the digital revolution – countries can no longer maintain their status quo. Digitalisation (and AI, the current buzzword) provides the opportunity for CDCs to "leapfrog," but the persistent digital divide threatens to exclude the most vulnerable economies. So, countries need to look beyond the digital strategy in terms of a forward-looking diversification strategy.

# What are the non-digital pillars that CDCs can prioritise to achieve greater diversification in a world adjusting to a decarbonizing, fragmented global order?

# A. Green Transition & Industrial Strategy.

## The shift towards Net Zero offers an opportunity for commodity producers.

The energy transition plans have increased the demand for critical minerals such as lithium, cobalt, silver, copper, and nickel. But countries that export these minerals should emphasise value creation domestically (for example, processes of smelting, refining, and battery precursor manufacturing) instead of exporting raw ore. This enables such countries to be part of the global value chain and allows for protection from volatile commodity prices.

Additionally, instead of worrying about climate change and stranded assets, CDCs should aim to become the drivers of green transition. Leveraging renewable energy endowments (solar, hydro) to power green processing implies that "Green Steel" or "Green Aluminium" produced with low-carbon energy will command a premium in a world of carbon border taxes (like the EU's Carbon Border Adjustment Mechanism). By repurposing existing gas infrastructure and leveraging their presence on the solar belt, the GCC countries can effectively diversify their energy product (e.g., green and blue hydrogen) rather than abandoning the energy sector entirely. The potential is massive: the Gulf's massive investment in renewable energy and related finance experience, coupled with its comparative advantage in producing and exporting energy, will accelerate its course to becoming the centre of both the "old" (i.e., oil and gas) and emerging "new" global energy map.

# B. Regional Integration.

## At times when "friend-shoring" and trade wars are fracturing global supply chains into blocs (US vs. China), greater regional integration is the solution amid the risk.

Relying on distant markets such as China, the EU, or the US for demand exposes CDCs to geopolitical risks. The solution lies in greater regional integration and becoming part of regional value chains. In this context, initiatives like the African Continental Free Trade Area (AfCFTA) create a unified market large enough to support industrialization. While a single African country may be too small to host a car factory, a regional bloc can support an automotive value chain, i.e., one country mines the metal, another processes the rubber, and a third assembles the vehicle. This "South-South" trade is often more conducive to manufactured exports than trade with advanced economies, which is dominated by raw materials.

Furthermore, geoeconomic fragmentation remains a key risk; CDCs should ensure that diversification of partners is as embedded into policy as diversification of products. South-South trade can lead to greater export diversification for developing countries; this is largely untapped for now (OECD and WTO 2019, Vogel 2022). For example, continuing trade ties with the Global North (for high-tech imports), China (for infrastructure), and the Global South (for export markets) could provide a hedge against geopolitical shocks.

## C. Fiscal Sovereignty & a New Financial Architecture.

As seen from the EDI, many CDCs continue to remain among the bottom-ranked in the revenue sub-index, underscoring the most critical domestic reform needed for diversification.

It is breaking the link between government budgets and commodity prices. This can be done by either (a) expanding the non-resource tax base (VAT, corporate tax, property tax), thereby reducing procyclicality (i.e., spending booms followed by austerity busts); or (b) sovereign wealth funds could evolve into active development funds that act as strategic investors, de-risking domestic projects in infrastructure and new industries.

Many developing resource-dependent economies peg their exchange rate to the US dollar, including most GCC countries and many Caribbean commodity exporters, mostly to meet the price stability objective. A small step, such as developing deep local currency bond markets, will allow governments and firms to borrow in their own currency, helping mitigate external shocks by reducing currency and maturity mismatches. This is a precondition for a long-term diversification strategy. Giri et. al. (2019) finds that greater openness to capital flows and a more developed financial sector can help diversify at the intensive margin of export diversification.

## A Multi-Dimensional Path Forward.

The path to economic diversification is not linear and remains a multi-dimensional challenge that requires simultaneous action on multiple fronts. Previous editions of the EDI reports have discussed adapting to digital technology and AI transformations as well as climate-related efforts (e.g., climate risk mitigation, climate-resilient infrastructure). In this concluding section, we have covered adding value to resources, integrating with neighbours, and stabilizing the fiscal and financial sector spaces. There are many other factors that can also affect diversification including investment in human capital (technical and vocational education, creating long-term value by creating an innovation ecosystem), infrastructure connectivity (not just digital, but also physical such as rail, power, ports), institutional quality or the "soft" infrastructure (predictable regulation, property rights, and contract enforcement are attractive to non-resource investors and companies) and last but not the least political will to undertake reform alongside high quality of transparency and governance. The end result is to build multiple growth engines for CDCs.

Section 5

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# Appendix A.

# Why? Components, Methodology[24]

[24] The detailed version of this Appendix can be found in the Global Economic Diversification Index 2022 report, Chapters 1 to 3. Access the report online https://economicdiversification.com

Economic diversification is key to addressing macroeconomic stability, economic growth, and development issues. To address these risks, oil and gas exporters and other commodity exporters have prioritized economic diversification in their economic strategies.

Economic diversification leads to more balanced economies and is key to sustained economic growth and development. For the GCC and other fossil fuel producers and exporters, it would help reduce exposure to volatility and uncertainty in the global oil market and avoid the related boom-bust cycles. More diversified economies experience lower output volatility, which is associated with higher economic growth and lower overall economic uncertainty for households, businesses, and governments.

## Economic diversification can further support:

a. re-orienting economies towards more knowledge-based and innovation-led activities;

b. greater private sector activity, including in the tradables sector;

c. greater skill diversification ofthe labour force, facilitating mobility and lower transition costs, job creation, productivity, and sustainable growth;

d. more sustainable public finances that are less dependent on revenues from natural resources;

e. private sector investment, given more stable economic growth rates; and

f. greater overall macroeconomic stability, including that of disposable income and consumption.

# Economic diversification is a multi-dimensional, complex, and dynamic phenomenon.

It involves the diversification of economic activity, international trade (products, services, and countries), and government revenues away from a dependence on natural resource or commodity revenue. These are the three components of the Economic Diversification Index.

# Components

The basis for **output or activity diversification** stems from the fact that structural transformation from the natural resource sector to sectors that generate higher value added and higher productivity is imperative for a sustainable development path. To this end, such sectors can be a source of long-term growth only if they generate a sustained increase in productivity over time. Identifying the sectors of economic activity – agriculture, industry/manufacturing, and services – is the main set of indicators in this category. The "share of each sector's value added to GDP" has been used so that comparisons can be made across countries and time. Since many oil-exporting nations group petroleum/mining and quarrying under the broader industry category, additional indicators - "manufacturing value added per capita" and "medium- and high-tech manufacturing value added in total manufacturing value added" – are used to gauge industrialization intensity and a shift to high-tech manufacturing.

| Production / activity diversification indicators |
|---|
| Real GDP |
| Agriculture, value added, as a percentage of GDP |
| Gross fixed capital formation as a percentage of GDP |
| Industry as a percentage of GDP |
| Manufacturing value added, as a percentage of GDP |
| Total natural resource rents as a percentage of GDP |
| Services value added, as a percentage of GDP |
| Medium and high technology manufacturing value added share in total manufacturing value added |
| Manufacturing value added per capita |

**Trade diversification** is intrinsically linked to output diversification. The combination of a high concentration of exports (by product, commodity, or country) and a large share of commodities in those exports has important implications for development. Trade diversification can occur via: (1) growth in existing "traditional" export products accompanied by quality improvements and higher value-added transformations; (2) export of existing products to new markets; and (3) growth in exports of new products to new markets, or a combination. Given that several energy exporters "diversified" their export baskets by building capacity and investing in the production of energy-intensive products that use crude petroleum or natural gas as inputs (e.g., petrochemicals, refined fuels, aluminium), the discussion of diversification needs to be expanded further than trade.

| Trade diversification indicators |
|---|
| Total value of exports |
| Fuel exports as percentage of merchandise exports |
| Export market concentration index (Hirschman-Herfindahl Index, HHI) |
| Total value of imports |
| Manufactured exports as a percentage of total merchandise exports |
| Medium and high technology manufactured exports as a percentage of total manufactured exports |
| Merchandise trade as a percentage of GDP |
| Total value of services exports |
| Export product concentration index |
| Import product concentration index |

**Government revenue diversification** is another dimension of a nation's extent of diversification. Countries with limited economic diversification typically also have a highly concentrated government revenue (tax and non-tax) structure, with a high dependence on limited sources of revenue, such as trade and natural resource taxation. Governments with a highly concentrated tax/revenue base dependent on natural resource revenues become fiscally constrained, with limited fiscal space to address economic shocks or undertake investment. The literature on the procyclical nature of fiscal policy in commodity-producing nations is clear: public spending increases (declines) during periods of higher (lower) commodity prices, leading to pro-cyclical fiscality; lack of automatic stabilizers and low non-oil tax bases add to the problem.

| Government revenue diversification indicators |
|---|
| Excise tax revenue as a percentage of GDP |
| Income tax revenue as a percentage of GDP |
| Goods and services tax revenue as a percentage of GDP |
| Tax revenue as a percentage of GDP |
| Total revenue as a percentage of GDP |
| Trade revenue as a percentage of GDP |

# Methodology

The econometric setting for the EDI is a panel with a significant number of cross-sections: it consists of a large number of indicator series and relatively short time series. The objective is to design a weighting scheme such that the large number of indicators can be reduced to a smaller number of diversification indices: potentially three (output, trade, and government revenue), and/or one (diversification).

In developing an index like the EDI, a key requirement is that scores be comparable across countries and through time. As such, each EDI observation must be based on the same underlying indicators. While many statistical techniques can deal easily with missing values for one of a set of indicators, the case of a multi-indicator index is different. To take a simple example, consider an index based on two indicators, A and B, which are aggregated by taking the arithmetic (simple) mean. If B is missing for one country, then the mean is simply A. If A is missing for another country, then the mean is simply B. If both series are observed for a third country, then the mean is (A+B)/2. So, the three index scores in this case are not comparable, even if all variables are measured on the same scale: each observation is based on different sets of information.

In the context of the EDI, this requirement would mean that the index could only be calculated for country-year pairs where all component indicators are observed. This constraint is a major one, which would significantly reduce coverage in both the country and time dimensions.

To ensure the broadest coverage of countries and years in this exercise, the dataset is pre-treated using linear interpolation and extrapolation to fill in missing observations to the extent possible[25]. The output is hence a complete input dataset for 117 countries for the 2000-2024 period.

The Principal Components Analysis (PCA)[26], a standard dimensionality-reduction technique, was used to generate the results. The strategy for applying PCA to the detailed indicators relied on two steps. The first was to use PCA to produce the three sub-indices: output, trade, and revenue[27]. The second was to aggregate the three sub-indices into an overall EDI by taking the arithmetic (simple) mean. The rationale for using the simple mean in the second stage is that it is the simplest and most transparent approach, and there is no a priori reason for believing that any one of the three sub-indices is more important to the overall measurement of economic diversification than the others. The factor loadings produced by the PCA are shown below.

[25] Where linear interpolation and extrapolation could not provide appropriate readings, the series mean was used.
[26] An indicator produced using PCA is the linear combination of the indicators that accounts for the maximum possible proportion of the total variance in the set of underlying indicators.
[27] Indices are produced using the standard sum of squares approach, and are converted from variables with mean zero and unit standard deviation to variables with mean 100 and standard deviation 10.

The loadings in Table A.4 show that real GDP, manufacturing and services as a percentage of GDP, medium and high technology manufacturing as a percentage of GDP, and manufacturing value added per capita correlate positively with the EDI output sub-index, while the remaining variables correlate negatively. This finding is intuitive in most cases, but the contrast between industry and services shows that the data tend to support the importance of the services sector as a determinant of output diversification.

The loadings in Table A.5 show that export market concentration, product concentration of exports and imports, and fuel exports are all negatively correlated with trade diversification, but the remaining variables are positively correlated. This result is intuitive, as the positively correlated variables all capture aspects of country performance that suggest deeper integration into the global trade system. The case of fuel exports is important, as it suggests that countries with significant reliance on that sector tend to be less diversified from a trade perspective. It therefore complements the finding on revenue diversification (in Table A.6), where resource rents (for instance, from extractive industries) are negatively correlated with revenue diversification.

**Table A.4. PCA loadings for the EDI output sub-index**

| Variable | Loading |
|---|---|
| Real GDP | 0.2395 |
| Agriculture value added as a percentage of GDP | -0.3856 |
| Gross fixed capital formation as a percentage of GDP | -0.0865 |
| Industry value added as a percentage of GDP | -0.1900 |
| Manufacturing value added as a percentage of GDP | 0.2078 |
| Resource rents as a percentage of GDP | -0.3272 |
| Resource rents as a percentage of GDP | 0.4760 |
| Medium and high technology manufacturing value added share in total manufacturing value added | 0.4386 |
| Manufacturing value added per capita | 0.4257 |

**Table A.5. PCA loadings for the EDI trade sub-index**

| Variable | Loading |
|---|---|
| Total value of exports | 0.4378 |
| Fuel exports as percentage of merchandise exports | -0.2197 |
| Export market concentration index (Hirschman-Herfindahl Index, HHI) | -0.1457 |
| Total value of imports | 0.4406 |
| Manufactured exports as a percentage of total merchandise exports | 0.3463 |
| Medium and high technology manufactured exports as a percentage of total manufactured exports | 0.3529 |
| Merchandise trade as a percentage of GDP | 0.0498 |
| Total value of services exports | 0.4291 |
| Export product concentration index | -0.3313 |
| Import product concentration index | -0.0622 |

**Table A.6. PCA loadings for the EDI revenue sub-index**

| Variable | Loading |
|---|---|
| Excise tax revenue as a percentage of GDP | 0.3738 |
| Income tax revenue as a percentage of GDP | 0.4394 |
| Goods and services tax revenue as a percentage of GDP | 0.4652 |
| Tax revenue as a percentage of GDP | 0.5044 |
| Total revenue as a percentage of GDP | 0.4213 |
| Trade revenue as a percentage of GDP | -0.1373 |

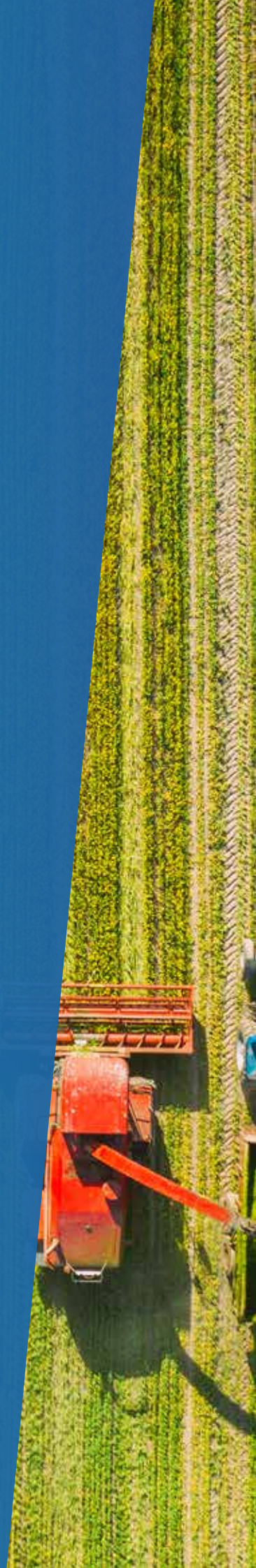
Table A.7 provides the loadings for the trade-plus (trade+) sub-index, which includes three additional indicators that capture activity related to the digital economy. All three digital indicators are positively correlated with trade diversification.

**Table A.7. PCA loadings for the trade+ sub-index (including digital indicators)**

| Variable | Loading |
|---|---|
| Total value of exports | 0.4048 |
| Fuel exports as percentage of merchandise exports | -0.0153 |
| Export market concentration index (Hirschman-Herfindahl Index, HHI) | -0.1474 |
| Total value of imports | 0.4032 |
| Manufactured exports as a percentage of total merchandise exports | 0.3294 |
| Medium and high technology manufactured exports as a percentage of total manufactured exports | 0.3595 |
| Merchandise trade as a percentage of GDP | 0.0812 |
| Total value of services exports | 0.3933 |
| Export product concentration index | -0.2830 |
| Import product concentration index | -0.0527 |
| ICT services as a % of trade in services | 0.0967 |
| Exports of ICT Goods as a % of total exports | 0.2617 |
| Digitally deliverable services exports as a % of total trade in services | 0.3031 |

# Appendix B.

# Data Indicators & Metadata



## Table B.1. EDI sub-indicators

| Sub Index | Variables | Sources (latest available year) |
|---|---|---|
| OUTPUT | Real GDP | WDI (2024) |
| | Agriculture, value added, as a percentage of GDP | WDI (2024) |
| | Gross fixed capital formation as a percentage of GDP | WDI (2024) |
| | Industry as a percentage of GDP | WDI (2024) |
| | Manufacturing value added, as a percentage of GDP | WDI (2024) |
| | Total natural resource rents as a percentage of GDP | WDI (2021) |
| | Services value added, as a percentage of GDP | WDI (2024) |
| | Medium and high technology manufacturing value added share in total manufacturing value added | UNIDO (2022) |
| | Manufacturing value added per capita | UNIDO (2023) |
| TRADE | Total value of exports | WDI (2024) |
| | Fuel exports as percentage of merchandise exports | WDI (2024) |
| | Export market concentration index (Hirschman-Herfindahl Index, HHI) | WITS (2022) |
| | Total value of imports | WDI (2024) |
| | Manufactured exports as a percentage of total merchandise exports | WDI (2024) |
| | Medium and high technology manufactured exports as a percentage of total manufactured exports | WDI (2024) |
| | Merchandise trade as a percentage of GDP | WDI (2024) |
| | Total value of services exports | WDI (2024) |
| | Export product concentration index | UNCTAD (2024) |
| | Import product concentration index | UNCTAD (2024) |
| REVENUE[51] | Excise tax revenue as a percentage of GDP | IMF (2022) |
| | Income tax revenue as a percentage of GDP | IMF (2022) |
| | Goods and services tax revenue as a percentage of GDP | IMF (2022) |
| | Tax revenue as a percentage of GDP | IMF (2022) |
| | Total revenue as a percentage of GDP | IMF (2022) |
| | Trade revenue as a percentage of GDP | IMF (2022) |

## Table B.2. EDI+ sub-indicators

| Sub Index | Variables | Sources (latest available year) |
|---|---|---|
| TRADE | Digitally deliverable services exports as a % of total trade in services | UNCTAD (2024) |
| | Exports of ICT Goods as a % of Total Exports | UNCTAD (2024) |
| | ICT services as a % of trade in services | UNCTAD (2024) |

## Appendix C.

# Regional, Income & Commodity Producers Groupings

## Table C.1. Regional Grouping*

| East Asia & the Pacific | Eastern Europe & Central Asia | Latam & Carribean | MENA | North America | South Asia | Sub-Saharan Africa | Western Europe |
|---|---|---|---|---|---|---|---|
| Australia | Albania | Argentina | Algeria | Canada | Bangladesh | Angola | Austria |
| Cambodia | Armenia | Bolivia | Bahrain | United States of America | India | Botswana | Belgium |
| China | Azerbaijan | Brazil | Egypt | | Nepal | Cote d'Ivoire | Cyprus |
| Indonesia | Belarus | Chile | Iran | | Pakistan | Cameroon | Denmark |
| Japan | Bosnia | Colombia | Israel | | Sri Lanka | Congo | Finland |
| Korea, Republic of | Croatia | Costa Rica | Jordan | | | Eswatini | France |
| Malaysia | Czechia | Ecuador | Kuwait | | | Ethiopia | Germany |
| Mongolia | Estonia | El Salvador | Lebanon | | | Gambia | Greece |
| New Zealand | Georgia | Guatemala | Morocco | | | Ghana | Iceland |
| Philippines | Hungary | Honduras | Oman | | | Kenya | Ireland |
| Singapore | Kazakhstan | Jamaica | Qatar | | | Madagascar | Italy |
| Thailand | Kyrgyzstan | Mexico | Saudi Arabia | | | Mauritius | Luxembourg |
| Vietnam | Latvia | Nicaragua | Turkey | | | Mozambique | Malta |
| | Lithuania | Panama | Tunisia | | | Namibia | Netherlands |
| | Moldova, Republic of | Paraguay | United Arab Emirates | | | Niger | Norway |
| | Poland | Peru | | | | Nigeria | Portugal |
| | Romania | Uruguay | | | | Rwanda | Spain |
| | Russian Federation | | | | | Senegal | Sweden |
| | Slovakia | | | | | South Africa | Switzerland |
| | Slovenia | | | | | Tanzania | United Kingdom |
| | Ukraine | | | | | Uganda | |
| | | | | | | Zambia | |

* World Bank classifies Malta as part of MENA & Turkey as Europe; the latest World Bank regional classification has extended MENAP to include MENA countries plus Afghanistan and Pakistan. To be consistent with previous editions, we have retained Pakistan within the South Asia grouping.
* IMF classifies Malta as part of the Euro area & Turkey as Emerging Europe.

# Appendix C

## Table C.2. Income Grouping **

| High income | Low income | Lower middle income | Upper middle income |
|---|---|---|---|
| Australia | Gambia | Angola | Albania |
| Austria | Madagascar | Bangladesh | Algeria |
| Bahrain | Mozambique | Bolivia | Argentina |
| Belgium | Niger | Cambodia | Armenia |
| Canada | Rwanda | Cameroon | Azerbaijan |
| Costa Rica | Uganda | Congo, Rep. | Belarus |
| Croatia | | Côte d'Ivoire | Bosnia |
| Cyprus | | Egypt, Arab Rep. | Botswana |
| Czech Republic | | Ghana | Brazil |
| Denmark | | Honduras | China |
| Estonia | | India | Colombia |
| Finland | | Jordan | Ecuador |
| France | | Kenya | El Salvador |
| Germany | | Kyrgyz Republic | Georgia |
| Greece | | Lao PDR | Guatemala |
| Hungary | | Lebanon | Indonesia |
| Iceland | | Morocco | Iran, Islamic Rep |
| Ireland | | Namibia | Jamaica |
| Israel | | Nepal | Kazakhstan |
| Italy | | Nicaragua | Malaysia |
| Japan | | Nigeria | Mauritius |
| Korea, Rep. | | Pakistan | Mexico |
| Kuwait | | Philippines | Moldova |
| Latvia | | Senegal | Mongolia |
| Lithuania | | Sri Lanka | Paraguay |
| Luxembourg | | Tajikistan | Peru |
| Malta | | Tanzania | Russian Federation |
| Netherlands | | Tunisia | Serbia |
| New Zealand | | Vietnam | South Africa |
| Norway | | Zambia | Thailand |
| Oman | | | Turkey |
| Panama | | | Ukraine |
| Poland | | | |
| Portugal | | | |
| Qatar | | | |
| Romania | | | |
| Russian Federation | | | |
| Saudi Arabia | | | |
| Singapore | | | |
| Slovak Republic | | | |
| Slovenia | | | |
| Spain | | | |
| Sweden | | | |
| Switzerland | | | |
| United Arab Emirates | | | |
| United Kingdom | | | |
| United States | | | |
| Uruguay | | | |

** The regional groupings are based on the World Bank's country classifications by income level, the July update using the GNI per capita, Atlas Method. Retrieved in Dec 2025 from: https://datahelpdesk.worldbank.org/knowledgebase/articles/906519-world-bank-country-and-lending-groups
Note that Ethiopia is currently in a temporary status of unclassification for FY26.

**Table C.3. Commodity-producer groupings**

Given the 20-year time series, resource-dependent nations have been classified as those where natural resource rents are, on average, at least 10 % of their GDP throughout the years. "Resource rents as a percentage of GDP" has been obtained from the World Bank (World Development Indicators). Additionally, the UNCTAD's definition has been used to define a country as dependent on commodities when these account for more than 60% of its total merchandise exports in value terms (on average for the full period). "Share of commodities" has been sourced from the WTO using the "merchandise exports by product" group (SITC 3-digit) data.

**The report identifies all the following nations as commodity dependent:** either with resource rents greater than 10% of GDP, or a share of commodities in exports greater than 60%. The ones highlighted in bold are those that meet both criteria.

| Country Name | Main Resource/ Commodity | Resource Rents "% GDP | % share of all commodities in total merchandise exports |
|---|---|---|---|
| **Algeria** | **Fuel exports** | **23.9** | **96.8** |
| **Angola** | **Fuel exports** | **33.9** | **96.3** |
| Argentina | Agricultural exports | 3.2 | 65.1 |
| Australia | Minerals, ores and metals exports | 5.4 | 74.5 |
| **Azerbaijan** | **Fuel exports** | **28.0** | **95.5** |
| **Bahrain** | **Fuel exports** | **19.0** | **81.4** |
| Bolivia | Minerals, ores and metals exports | 8.1 | 84.2 |
| Cameroon | Fuel exports | 6.7 | 88.3 |
| Chile | Minerals, ores and metals exports | 8.4 | 84.3 |
| Colombia | Fuel exports | 5.7 | 69.8 |
| Congo | Fuel exports | 39.9 | 53.7 |
| Côte d'Ivoire | Agricultural exports | 3.7 | 76.7 |
| **Ecuador** | **Agricultural exports** | **10.9** | **90.6** |
| **Ethiopia** | **Agricultural exports** | **16.2** | **81.9** |
| Ghana | Minerals, ores and metals exports | 11.5 | 50.5 |
| Iceland | Agricultural exports | 0.0 | 84.1 |
| **Iran** | **Fuel exports** | **25.7** | **71.8** |
| Jamaica | Minerals, ores and metals exports | 1.7 | 89.5 |
| **Kazakhstan** | **Fuel exports** | **21.9** | **83.6** |
| Kenya | Agricultural exports | 2.9 | 67.6 |
| **Kuwait** | **Fuel exports** | **46.0** | **92.8** |
| Lao PDR | Fuel exports | 8.0 | 65.9 |
| Malaysia | Fuel exports | 9.5 | 29.3 |
| **Mongolia** | **Minerals, ores and metals exports** | **18.9** | **79.1** |
| **Mozambique** | **Minerals, ores and metals exports** | **11.1** | **89.6** |
| Namibia | Minerals, ores and metals exports | 2.0 | 59.7 |
| New Zealand | Agricultural exports | 1.6 | 72.5 |
| Niger | Minerals, ores and metals exports | 8.0 | 60.3 |
| **Nigeria** | **Fuel exports** | **12.9** | **93.3** |
| Norway | Fuel exports | 8.5 | 78.6 |
| **Oman** | **Fuel exports** | **34.4** | **79.9** |
| Paraguay | Agricultural exports | 1.7 | 87.6 |
| Peru | Minerals, ores and metals exports | 7.2 | 69.7 |
| **Qatar** | **Fuel exports** | **31.9** | **88.7** |
| **Russia** | **Fuel exports** | **14.8** | **70.6** |
| Rwanda | Minerals, ores and metals exports | 6.0 | 66.4 |
| **Saudi Arabia** | **Fuel exports** | **37.4** | **84.5** |
| Tajikistan | Minerals, ores, and metals exports | 2.4 | 62.8 |
| **Uganda** | **Agricultural exports** | **11.8** | **63.5** |
| United Arab Emirates | Fuel exports | 20.9 | 44.8 |
| Uruguay | Agricultural exports | 1.3 | 73.9 |
| **Zambia** | **Minerals, ores and metals exports** | **14.5** | **83.4** |

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To contact the Global Economic Diversification Index team, email: **EDI@mbrsg.ac.ae**

**Authors**

**Aathira Prasad,** Director of Macroeconomics at Nasser Saidi & Associates
**Keertana Subramani,** Research Principal at Mohammed Bin Rashid School of Government
**Zeid Qiblawi,** Associate Researcher at Mohammed Bin Rashid School of Government
**Dr. Nasser Saidi,** Founder and President of Nasser Saidi & Associates
**Dr. Fadi Salem,** Director of Policy Research at the Mohammed Bin Rashid School of Government
**Dr. Ben Shepherd,** Principal of Developing Trade ConsultantsFor interactive visualization of the Global Economic

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