



مؤتمر العمل العربي الدورة الحادية والخمسون

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Summary of the Director-General's Report

Economic Diversification as a Pathway to Development:

Promising Economies in Arab Countries

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Foreword

Amidst rapid economic changes, digital transformation, technological revolutions, and geopolitical tensions, economic diversification has become a strategic imperative for Arab countries to ensure economic sustainability and enhance competitiveness. Innovation, technology, and entrepreneurship have become fundamental elements for sustainable economic growth, equipping our economies to adapt to global transformations. Achieving this economic shift requires policymakers to identify untapped potential, develop new sectors, and establish a flexible and resilient investment environment that fosters innovation and unlocks opportunities for promising economies.

Achieving economic diversification in Arab countries cannot take place in isolation from effective coordination and integration among the tripartite constituents. Governments are responsible for formulating supportive policies and providing a conducive legislative environment. Employers contribute through investment and job creation, while workers remain the main element of the development process by enhancing their skills and productivity to meet the evolving demands of modern labor markets.

In this report, we aim to present foresight and practical recommendations to support economic diversification pathways in Arab countries, with a focus on promising economies capable of achieving genuine economic transformation. The report also includes a Declaration of Principles on "Enhancing Economic Diversification and the Transition Toward Promising Economies," which calls for a shared commitment among the tripartite to serve as a roadmap for supporting a fair and sustainable economic transformation in the Arab region.

We look forward to enriching this report with your valuable insights and contributions, so that we can collectively chart a more prosperous and sustainable economic and social future for the Arab countries.

Faiez Al-Mutairi

Director-General

Introduction

The multiple crises experienced across the Arab region have exposed deep structural vulnerabilities in national economies, exacerbating economic and social challenges and intensifying their impact on labor markets. International experience has shown that economies pursuing **economic diversification** exhibit significantly greater resilience in the face of economic crises and external shocks compared to those dependent on limited productive sources. This makes economic diversification essential to strengthening economic stability and reducing risks.

Economic diversification is a long-term process that requires integrated strategies of reforms, investment in people, institutions, and infrastructure. The **private sector** plays a pivotal role by fostering innovation, research and development, while **governments** contribute by modernization of legal and legislative frameworks, enhancing the business climate, and stimulating labor markets. Additionally, the science and technology sector serve as a key pillar for supporting diversification, as technological advancement drives innovation, boosts productivity, and enhances competitiveness, unlocking new opportunities in both local and global markets.

Report Structure

This report aims to analyze the current state of economic diversification in Arab countries, provide strategic guidance to enhance its sustainability, and explore opportunities and promising economies that could serve as priorities along this path, through the following parts:

Part One: reviews the structural transformations and imbalances that have impacted the sustainability of economic growth in Arab countries, highlighting global economic fluctuations, the repercussions of financial crises, oil price volatility, and the importance of diversification through the analysis of some indicators.

Part Two: Discusses the relationship between economic diversification and economic complexity, illustrating how complexity contributes to export diversification and enhances competitiveness. It also emphasizes the requirements for successful diversification, including the development of technical and vocational education and training systems, and the improvement of the business environment.

Part Three: examines the impact of economic diversification on Arab labor markets and the role of the private sector. It also underscores the importance of public-private partnerships in supporting diversification policies and promoting social dialogue to ensure a just transition to new economic sectors.

Part Four: provides a foresight perspective on the future of economic diversification in Arab countries. It highlights modern industrial policies that support the shift toward a more diversified and competitive economy by developing sectors such as the digital economy, green economy, blue economy, orange economy, circular economy, social and solidarity economy, and care economy. This section concludes with a Declaration of Principles on “Enhancing Economic Diversification and Transitioning Toward Promising Economies.”

The report presents a set of recommendations aimed at accelerating the pace of economic diversification in Arab countries and supporting a just and sustainable transition towards promising economies.

Part One: Structural Transformation and Economic Diversification in Arab Countries

Arab countries are pursuing structural reform policies to enhance economic diversification by modernizing legal and legislative frameworks and supporting sound economic decision-making. This approach aims to achieve economic stability, stimulate growth, create new job opportunities, and revitalize the private sector. In pursuit of sustainable development, many Arab countries have adopted future visions extending to 2030, 2035, and even 2071 reflecting a strong commitment to diversifying their economies and strengthening their resilience to global changes.

Section One: The Importance of Economic Diversification

Economic diversification is a fundamental pillar for achieving sustainable growth and economic stability. It contributes to broadening the productive base and mitigating the risks associated with reliance on a single sector or specific market. It includes diversifying income sources, expanding markets, and stimulating high value-added sectors.

1. The Concept of Economic Diversification

Economic diversification is defined as the approach adopted by countries to broaden their economic base by diversifying productive sectors and gradually reducing reliance on a single sector, while promoting sustainability across various economic activities. Economic diversification has two main dimensions: export and market diversification, and diversification of the productive structure.

2. Forms of Economic Diversification:

Horizontal Diversification: Expanding production within the same sector by introducing new products or additional services, thereby enhancing the sector's internal integration.

Vertical Diversification: Developing economic linkages between different sectors, where the output of one sector becomes the input for others, thus increasing the added value of production.

3. Economic Diversification and Economic Growth:

Economic diversification contributes positively to enhancing economic growth, and its main benefits include:

- Increasing the stability of the national economy, as diversification reduces the risks associated with reliance on a single source of income, making the economy more resilient to external shocks and fluctuations.
- Stimulating economic growth by increasing GDP and boosting production.
- Diversifying exports, thereby increasing the inflow of foreign currencies needed to finance development projects and complete infrastructure.
- Diversifying the productive base and enhancing the competitiveness of exports, which in turn strengthens the competitiveness of the national economy.
- Reducing unemployment rates and increasing job opportunities through the expansion of economic activities.

Section Two: The Current State of Economic Diversification in Arab Countries – Indicators and Experiments

Economic diversification strategies vary across Arab countries according to the specific characteristics of each country. Economic diversification is considered a fundamental tool for achieving economic stability and enhancing job opportunities, particularly in the private sector. Its success requires policy and program integration, as well as the strengthening of partnerships between governments and social partners through social dialogue and negotiation.

Oil-producing countries, especially in the Gulf Cooperation Council (GCC) countries, have utilized oil revenues to develop their infrastructure and support non-oil sectors such as industry, financial services, tourism, and transportation, thereby reducing their reliance on oil. In contrast, non-oil countries face greater challenges due to limited resources, making them more in need of diversifying their economies, despite achieving higher export growth compared to oil-producing countries.

Given the disparities in resources and development policies, Arab countries require tailored solutions that reflect the structural characteristics of each economy and their diversification strategies. These solutions should be based on an integrated vision that balances leveraging available resources with fostering innovation and productivity across various sectors.

1. Economic Diversification Indicators

- **Diversification Index:** This index measures the deviation of a country's share of key commodity exports in its total exports from the global average share of those same commodities in world exports.
- **Concentration Index:** Known as the *Herfindahl-Hirschman Index (HHI)*, this metric is used to assess the degree of concentration or diversification of a country's exports and imports across a range of goods or markets.
- **Number of Exported Products:** This is a key indicator for measuring the extent of economic diversification, as it reflects a country's ability to broaden its productive and export base.

2. Lessons Learned from International and Arab Experiments in Economic Diversification

Studies indicate that successful economic diversification requires a restructuring of the prevailing economic model, shifting from reliance on a single commodity to a diversified and competitive economy. Despite the challenges, diversification is a strategic necessity for enhancing competitiveness and coping with economic fluctuations in Arab countries. Countries such as South Korea, Malaysia, Singapore, and the Gulf Cooperation Council (GCC) countries have made notable progress in diversifying their economies in recent years.

Part Two: Requirements for Successful Economic Diversification

The increasing economic challenges require the adoption of structural reforms to promote economic diversification, through restructuring the economy, developing infrastructure, and improving the business environment. These efforts help reduce dependence on a single sector and provide diverse economic opportunities that enhance the ability to face future crises.

Section One: Economic Complexity and Its Impact on Economic Diversification

Economic complexity is important for its ability to:

- Support the diversification of the economy and boost its competitiveness.
- Explain differences in economic growth and prosperity across countries.
- Clarify variations in income levels between countries and predict future growth rates.
- Measure the level of productive knowledge reflected in a country's exported products.

1. Economic Complexity and Export Diversification

Economic complexity is considered a key indicator for measuring a country's capacity for economic diversification, achieving sustainable economic growth and reducing reliance on limited sectors. Successful diversification depends on acquiring productive knowledge and applying it in complex, innovation-intensive industries, such as information and communication technology (ICT), pharmaceuticals, medical technologies, and advanced engineering.

The Economic Complexity Index (ECI) and the Global Innovation Index reflect a country's competitive position in terms of advancement and export diversification. Studies have demonstrated a bidirectional causal relationship between export diversification and economic complexity: higher complexity enhances a country's ability to produce more sophisticated products, which, in turn, promotes production and export diversification, strengthens competitiveness, and boosts GDP.

2. The Relationship Between Economic Complexity and Competitiveness:

Economic complexity is a key factor in enhancing a country's economic competitiveness. It contributes to export diversification and mitigates the risks associated with dependence on limited products or markets. Producing highly complex goods enables the integration of advanced knowledge and technology, which increases value-added and strengthens a country's position within global value chains.

Competitiveness also depends on structural factors such as infrastructure and technological opportunities, alongside the support of government policies for innovation and technological investment. The **Product Complexity Index (PCI)** measures the level of knowledge required to produce a specific product, while the **Economic Complexity Index (ECI)** evaluates a country's productive capabilities and the diversity of its production and exports.

Section Two: Human Development and the Knowledge Economy

Today, economic growth increasingly relies on technological progress and innovation. However, gaps in knowledge transfer continue to hinder development across countries. Addressing these challenges requires strengthening human development and the knowledge economy, while creating innovation-driven environments that support economic transformations.

Innovative capabilities can be categorized into three main dimensions: **Scientific**, **technological**, and **productive**. Knowledge concentration leads to specialization in specific capacities, and by focusing on existing strengths, countries can achieve higher levels of productivity and innovation.

Innovation complexity refers to the knowledge embedded within an economy and is measured through the diversity and sophistication of its products and technologies. **Technological capability complexity** poses an even greater challenge, as it reflects the substantial disparity between countries with diversified and advanced economies and those reliant on less complex, traditional sectors.

1. The Importance of Human Development:

Advanced economies are characterized by their diversity and complexity, which enhances their ability to achieve high growth rates by transitioning to activities that rely on skilled human capital. Accordingly, governments strive to promote the **knowledge economy** by developing and empowering human resources both economically and socially. **Human development** is considered a fundamental tool in supporting **economic diversification**, as higher human development indicators are closely linked to a greater capacity for achieving sustainable development. It contributes to:

- Increasing productivity and enhancing the competitiveness of goods and services.
- Promoting innovation and invention to boost competitiveness.
- Empowering society to sustain structural transformations and respond to changes

- Developing administrative, economic, and political systems to keep *align with* transformations.
- Accelerating the accumulation of knowledge and capital.
- Improving quality of life.

1-1 The Impact of Human Development on Economic Diversification:

Investment in human capital and human development constitutes a fundamental pillar for achieving sustainable development in Arab countries. Higher human development indicators—such as education and health—contribute to increased productivity and enhanced innovation, thereby supporting the expansion of economic sectors and the diversification of productive and export activities.

There is a positive correlation between human development and economic complexity: investment in education and training helps develop technological and cognitive capacities, improves the competitiveness of the economy, and enhances the efficient use of natural resources. Therefore, economic diversification and human development constitute a complementary approach, with each reinforcing the other in driving inclusive and sustainable development.

1-2 The Link Between Human Development, Export Competitiveness, and Diversification

Investing in human capital is a fundamental factor in enhancing export competitiveness and attracting foreign direct investment, as major companies seek investment environments that offer low production costs and high-skilled labor. Human capital plays a central role in driving economic growth by improving the quality of education and training, and by developing technical and managerial skills. This, in turn, contributes to attracting investments and improving the quality of products and services.

Studies indicate that knowledge and innovation are key drivers of human development, as they elevate skill levels, increase productivity, and improve income. Moreover, higher economic complexity helps reduce production volatility, making the diversification of productive capacities and exports a top priority in the economic policies of Arab countries.

1-3 The Link Between Human Development and Structural Transformation:

The concept of development has evolved to include the importance of the human element in achieving sustainable development, making it a core factor in promoting structural transformation. Structural transformation is a gradual process that depends

on a country's available material and human resources. Accordingly, investing in human capital strengthens individual skills and accelerates the transition from traditional economies to diversified and advanced ones.

1-4 The Impact of Human Development on Economic Complexity:

Human development contributes to enhancing economic complexity through investments in education, training, and healthcare, which in turn raise knowledge and skill levels, leading to more diversified and complex export products and the building of a robust economy. However, the accumulation of knowledge and skills is a long-term process influenced by the quality of education, research and development, infrastructure, and government policies. Establishing industrial clusters requires a well-qualified human capital base, while higher income levels and improved health contribute to greater productivity and economic growth. Therefore, improving education, fostering innovation, and increasing income and health support both diversification and economic complexity.

2. Developing Technical and Vocational Education and Economic Diversification in Arab Countries

Technical and vocational education is a fundamental pillar for diversifying Arab economies and promoting human development by aligning workforce skills with the needs of modern sectors. This requires reforming educational curriculum with a focus on innovation and technology.

2-1 Developing Technical and Vocational Education and Economic Diversification

Education is a key driver of human development, as it enhances individuals' productive capacities and meeting the needs of the local economy. Educational policy plays a central role in directing the education system toward achieving development goals, while ensuring equal opportunities for all. The development of educational institutions is essential to advancing economic complexity—provided that the unique features and nature of each country are properly considered.

The mismatch between educational outcomes and labor market requirements is one of the main reasons for the volatility of the economic diversification index in Arab countries. Technical and vocational education represents a core component of economic development, as it helps supply the labor market with qualified personnel, thereby reducing poverty and unemployment.

Since its establishment, the Arab Labor Organization (ALO) has placed special interest on the development of human resources and has intensified its efforts in this area. It issued the **Arab Strategy for Technical and Vocational Education and Training** in 2010, which was later updated in 2023.

2-2 Education Outcomes and Diversification Policies

The Arab labor market is marked by high unemployment rates and significant flows of migrant, mobile, and expatriate workers. These challenges require careful planning for economic diversification through assessing labor market needs and aligning them with the outcomes of technical and vocational education. This calls for a genuine partnership between the public and private sectors to introduce new specializations that meet labor market demands and create new job opportunities that support sustainable development.

- **The relationship between innovation and Economic Diversification:**

Innovation is a key driver of economic diversification, as it contributes to the development of new products and services, reducing reliance on specific sectors and fostering economic growth through increased productivity and job creation. Modern technologies also enhance the efficient utilization of resources, alongside the role of government policies in directing resources toward research, development, and innovation, thereby supporting productive enterprises and ensuring sustainable growth.

A report by the World Intellectual Property Organization (WIPO) affirms that innovation enhances economic diversification by enabling the development of new technologies and improving production processes, which in turn leads to a broader variety of products and services in the market. Accordingly, training systems should be upgraded by integrating Fourth Industrial Revolution technologies into classrooms and training centers to stimulate digital innovation. These technologies provide a dynamic and adaptable learning environment that enhances learners' skills and equips them for the shifting demands of the labor market. Furthermore, coordinated efforts among social partners are vital for the effective governance, financing, and development of this system.

Section Three: Economic Diversification and Business Climate Enhancement

Improving the business climate is a key step toward achieving economic diversification and attracting both domestic and foreign investment, as it creates a favorable environment for the growth of non-oil sectors and increased productivity. Various international organizations and institutions issue indicators to assess investment climates in countries, providing valuable guidance for economic decision-making. Among the most notable are:

- **Ease of Doing Business Index:** Formerly issued by the World Bank, this index assessed the business environment based on indicators such as company

registration, investor protection, and cross-border trade, but It was discontinued in 2021.

- **Business Ready Index:** A new World Bank report that measures regulatory burdens and the quality of government services. It is built on three pillars: the regulatory framework, public services, and operational efficiency.
- **Index of Economic Freedom:** Published by the Heritage Foundation, it measures the extent of government intervention in the economy and its impact on trade and investment freedom. The index comprises 12 sub-indicators grouped into four main categories: rule of law, government size, regulatory efficiency, and market openness.
- **Global Competitiveness Index (GCI):** Issued by the World Economic Forum, this index evaluates countries' competitiveness based on 12 key pillars, including institutional quality, infrastructure, macroeconomic stability, health, skills, product markets, labor markets, financial systems, market size, business dynamism, innovation capacity, and cultural values.

Part Three: The Impact of Economic Diversification on Arab Labor Markets

Economic diversification is a key driver for creating sustainable employment opportunities. It fosters the development of new, fast-growing activities with high added value, while integrating modern technologies across various sectors and economic activities. Diversification also achieves broader social objectives by enhancing social welfare, reducing unemployment rates, and decreasing reliance on natural resources.

Section One: The Role of the Private Sector in Supporting Economic Diversification

Economic growth in Arab countries faces significant challenges in the labor market, calling for a structural shift toward sectors with greater potential to generate employment—particularly those driven by knowledge and technology. Economic diversification is a fundamental prerequisite for expanding job opportunities, as reliance on the public sector as the primary employer is no longer viable in most Arab countries. The rise in unemployment is attributed to two factors: the diminishing ability of the public sector to accommodate the increasing number of new labor market entrants, and the restricted role of the private sector, which is largely due to the lack of a supportive business and investment environment that impedes its growth.

1. Diversification Policies as a Catalyst for Enhancing Employment and Arab Labor Markets

Arab countries, whether oil-producing or non-oil, have relied on sectors such as oil and gas, agriculture, and the public sector in employment policies. However, they have not succeeded in achieving sustainable productivity, despite the recognition of the pressing need to diversify their economies and generate job opportunities in sectors that are more resilient to market fluctuations. Nonetheless, the transition has remained slow, and the development and diversification of industries continues to pose a major challenge for most Arab countries.

2. The Developmental Role of the Private Sector

The **private sector** refers to the segment of the economy owned and operated by individuals or private companies for profit, without direct government control. It encompasses small and medium-sized enterprises (SMEs), large corporations, and financial and commercial institutions. It is recognized as a key driver of entrepreneurship, job creation, and economic growth.

In **Arab countries**, the private sector constitutes the majority of business activity, with SMEs representing over 90% of total enterprises. These businesses contribute approximately 50% of employment and up to 70% of GDP in some countries. SMEs are considered the primary source of increased competitiveness and innovation in any economy and play a vital role in promoting economic diversification by channeling citizens' savings into investments. This, in turn, helps expand and diversify income sources, improve living standards, and boost overall GDP.

The private sector contributes to export diversification, enhances competitiveness, and increases tax revenues, thereby supporting the transition toward an innovation-driven economy. However, it faces financial and bureaucratic challenges that require supportive government policies to strengthen entrepreneurship and stimulate investment in underutilized sectors.

Section Two: The Importance of Public-Private Partnership in Supporting Diversification Policies in Arab Countries

Public-Private Partnership (PPP) is considered a strategic tool for promoting economic diversification in Arab countries. This partnership is defined as voluntary agreement between multiple stakeholders from different sectors who agree to work collaboratively toward a shared goal or to address a specific need, while jointly sharing risks, responsibilities, resources, and expertise.

1. The Importance of Public-Private Partnership

Studies have confirmed the importance of integration between the public and private sectors, affirming the need to align industrial development with the various stages of structural transformation in order to foster export diversification and enhance economic growth. Public-Private Partnership (PPP) play a vital role in financing economic activities by entrusting the implementation of certain projects to the private sector.

Arab countries have been keen to develop legal frameworks and regulatory policies to these partnerships, with the goal of generating added value and promoting social welfare. PPP projects are considered investments that yield financial, economic, and social returns. They also contribute to enhancing the efficiency and sustainability of infrastructure, supporting development efforts, rationalizing public spending, boosting the competitiveness of the private sector, and attracting both domestic and foreign investment.

To ensure the success and sustainability of the partnership projects, focus should be given to several key foundations, including:

- **A strong political and institutional framework** for assessing public financial risks.
- **The selection of bankable projects** based on feasibility studies and prioritization.
- **Robust project preparation capacities**, including risk allocation and government support.
- **Effective contract management** to ensure project implementation and the achievement of the objectives.

Well-designed PPP frameworks are expected to facilitate the mobilization of financing for infrastructure projects, ensure optimal risk-sharing, and promote sound management of public investments.

2. The State of Public-Private Partnership (PPP) in Arab Countries

Public-private partnership (PPP) is a strategic tool for supporting economic and social development in Arab countries. They contribute to improving the quality and efficiency of public services by leveraging the capabilities of the private sector in financing and managing infrastructure projects, through:

- **Enhancing the efficiency of public services** by drawing on private sector expertise.

- **Reducing the financial burden** on governments by attracting private investment.
- **Stimulating economic growth** by implementing development projects and generating employment opportunities.

Arab countries are working to foster a supportive environment for public-private partnership by developing legislative, regulatory, and institutional frameworks, as well as enhancing human capacities to ensure effective strategic partnerships based on the principles of transparency and accountability. Many countries have adopted this model to finance and develop infrastructure, driven by the desire to benefit from the technical capabilities of the private sector in improving expertise and performance in key sectors such as transportation and energy.

Section Three: The Role of Social Dialogue in Supporting Diversification Policies

Social dialogue is a fundamental pillar for achieving economic and social development. It fosters cooperation among governments, employers, and workers, contributing to labor market stability and the improvement of the business environment. Moreover, it plays a key role in supporting **economic diversification** policies by providing flexible mechanisms to address challenges and promote the sustainability of labor markets.

1. Social Dialogue and Economic Development

Social dialogue is defined as the participation of workers, employers, and governments in decision-making on labor and institutional issues through negotiation, consultation, and the exchange of information on economic and social policies. It contributes to strengthening economic stability and social cohesion, as it facilitates conflict resolution and builds consensus around major economic policies, thereby positively impacting the work environment and productivity.

Contrary to classical economic theories, modern studies emphasize the importance of social dialogue in improving managerial decisions and enhancing economic sustainability. Arab countries need a social consensus that includes all economic and social actors without exception, in order to strengthen their resilience to crises.

2. Conditions for the Success of Social Dialogue and the Transition to Sustainable Development Models

Social dialogue is a fundamental tool for promoting stability, as it brings together governments, employers, and workers around the same table to craft consensual solutions that support sustainable development. It has proven effective in addressing

developmental challenges by strengthening social relations and facilitating the search for mutually agreed solutions—making the social contract the ideal framework for achieving such understandings.

The Arab Labor Organization (ALO) plays a pivotal role in establishing and supporting social dialogue, particularly through the New Arab Social Contract, which provides a common ground for all parties by aligning visions and defining commitments. This requires transitioning to a comprehensive social dialogue system depending on international human rights conventions, Arab and international labor standards, and the imperatives of sustainable development.

Institutionalizing social dialogue is essential to realizing these goals. Such institutionalization serves as a driver for achieving social justice and sustainable development, and it is a necessary condition for transitioning toward an inclusive and equitable development model.

3. Social Dialogue as a Pathway to Economic Diversification and Transition to Emerging Economies

Social dialogue contributes significantly to promoting economic diversification policies by bringing together governments, employers, and workers for consultation and negotiation on economic and social issues. It serves as an effective mechanism for addressing economic and financial crises, as the success of reforms depends on the participation of the tripartite actors to ensure a balance between macroeconomic stability and the protection of workers and vulnerable groups.

Furthermore, social dialogue supports decent work, equitable income distribution, and facilitates fair digital and green transitions. Respect for freedom of association, trade unions, and collective bargaining is fundamental to the success of these efforts.

Social dialogue is also essential for improving the business and investment climate, as it enables a just transition toward emerging economies. This is achieved by developing strategic investment plans in the digital economy and adapting to climate change through green and blue economies in partnership with the tripartite stakeholders. During the COVID-19 pandemic, Arab countries benefited from the digital shift; however, the digital divide remains a major challenge.

Part Four: Prospects for Economic Diversification in Arab Countries, Modern Industrial Policies and Promising Economies

Section One: Modern Industrial Policies as a Tool to Support Economic Transformation and Achieve Sustainability

Arab countries face multiple developmental challenges that necessitate the adoption of modern industrial policies to strengthen economic diversification and achieve sustainability. These policies aim to develop high value-added sectors and enhance competitiveness.

1. Modern Industrial Policies and Economic Diversification

Arab countries previously adopted development strategies focused on import substitution and the development of industries such as food processing, textiles, and petrochemicals. However, these strategies did not yield the desired growth, resulting in low productivity, balance of payments pressures, and high structural unemployment. Therefore, there is now an urgent need to implement modern industrial policies that support the diversification of the productive base and promote high value-added activities. These policies require an efficient institutional environment, high-quality education, and integrated plans to overcome obstacles and achieve comprehensive economic transformation. Diversification also calls for smart and targeted economic policy interventions to stimulate both domestic and foreign investment in line with clear visions and strategies.

2. Areas of work for Modern Industrial Policies

To achieve economic diversification and enhance sustainability, Arab countries should focus on modern industrial policies that encompass the following:

- **Achieving macroeconomic balance** through controlling public expenditure, redirecting subsidies toward productive activities, and formulating fiscal and monetary policies aimed at achieving economic stability and creating a conducive investment environment.
- **Strengthening institutions and developing governance** by combating rentierism and ensuring a transparent and equitable business environment that supports the effective implementation of industrial policies.
- **Capacity Building and Knowledge Localization** by supporting technological innovation, reforming education systems, fully utilizing human capital, and developing a national innovation system grounded in research to enhance productivity and competitiveness.

- **Developing Infrastructure and Logistics** through modern infrastructure development should be supported through public-private partnerships and innovative financing strategies to overcome financial challenges.
- **Sectoral policies and selective measures** that support specific sectors with competitive advantages through protectionist policies, financial support programs, and the establishment of special economic zones.

The success of these policies requires **accurate information** on markets and national products. Additionally, stimulating small and medium-sized enterprises (SMEs) through financial assistance and improved infrastructure is essential to enhance their competitiveness and ensure their integration into regional and global economies.

Section Two: Promising Economies in the Arab Region

Investing in promising economies, such as the digital economy, green economy, blue economy, circular economy, orange/creative economy, social and solidarity economy, and the Purple/ care economy, represents a fundamental step toward economic diversification, promoting sustainable development, creating new opportunities, and contributing to income diversification and enhanced economic competitiveness.

1. Digital Economy

Digital transformation is an urgent necessity for diversifying Arab economies and boosting productivity and competitiveness. According to a World Bank report, digital technologies could generate substantial social and economic benefits in the Middle East and North Africa, amounting to hundreds of billions of dollars annually. Estimates suggest that full digitization could increase per capita GDP by 46% over a 30-year period. However, a significant digital divide persists between urban and rural areas, underscoring the need to enhance investment in telecommunications infrastructure to ensure access to digital services for all populations.

1-1 Digital Transformation as a Growth Catalyst and Job Creation

The information and communications technology (ICT) sector in Arab countries has witnessed significant growth, driven by substantial government investments. This has led to the expansion of internet access, market growth, and increased competitiveness.

Strategic digital planning plays a vital role in supporting economic diversification and generating new job opportunities. However, a survey conducted by the Arab Monetary Fund revealed disparities in digitalization levels: oil-exporting countries

generally show advanced digital capabilities, whereas oil-importing countries still need to intensify their efforts to advance digital transformation across their economic sectors.

1-2 The Digitalization Challenge in Arab Countries

Arab countries have yet to achieve full digital transformation, which calls for directing digital efforts across various economic sectors to boost productivity and support economic diversification. Digital technologies offer opportunities to accelerate growth by expanding trade, increasing capital productivity, and enhancing competitiveness. To develop the digital economy, comprehensive strategies should address both supply and demand dimensions. On the supply side, this involves upgrading telecommunications infrastructure and strengthening the ICT sector to enable its integration into global markets. On the demand side, it is essential to expand e-government services—particularly in health, transportation, and education—encourage businesses to adopt information technologies, and focus on developing digital skills to enhance competitiveness and global economic integration.

2. The Green Economy

The green economy seeks to achieve sustainable development by balancing economic growth, environmental protection, and social justice. It promotes the efficient use of resources and the reduction of carbon emissions. Its application varies based on national circumstances—there is no one-size-fits-all model, but rather multiple models tailored to the specific characteristics of each economy.

2-1 Catalysts for Green Economic Transformation.

The transition to a green economy is a comprehensive process that requires activating several key drivers to ensure the achievement of sustainable development. These include:

At the national level, governments play a pivotal role in driving the green transition by:

- Reforming legislation and updating regulatory frameworks.
- Investing in research and development and fostering innovation in green technologies.
- Promoting public awareness of sustainable environmental practices and providing green skills training for the workforce.

At the international level, efforts include:

- Building international partnerships and cooperation to exchange knowledge and technologies.
- Securing sustainable financing through international institutions to support green projects.

2-2 Challenges and Obstacles

Many Arab economies face structural challenges that have hindered their effective transition to a green economy. This requires a thorough review and redesign of government policies to stimulate shifts in production, consumption, and investment patterns. Despite the commitment of Arab countries to green transformation, several key challenges persist, including:

- **Labor Market Impact:** Transitioning to a green economy creates new jobs but reduces employment in traditional sectors, necessitating strategies for worker reskilling and retraining.
- **Water Challenges:** The Arab region suffers from water scarcity, making it essential to adopt sustainable agricultural and industrial practices to conserve water resources and maintain environmental balance.
- **Financing Constraints:** Many Arab countries face limited financial resources for green projects, requiring the attraction of private investment and the development of innovative financing mechanisms.
- **Enhancing Research, Development, and Innovation:** There is a pressing need to invest in scientific research and innovation to develop sustainable solutions, while strengthening partnerships between universities, research centers, and the private sector.

2-3 The Role of Green Small and Medium Enterprises (SMEs)

Green small and medium enterprises play a vital role in promoting sustainable development by creating jobs, reducing poverty, lowering social inequality, and economically empowering women. They also contribute to environmental protection and sustainable growth through the following:

- **Adoption of Green Practices and Technologies** helps reduce resource and energy consumption, thereby lowering operating costs and increasing profit margins. For example, clean production technologies improve efficiency and minimize waste.
- **Obtaining Environmental Certifications** enhances product appeal in markets and opens up new business opportunities.

- **Implementation of Strict Environmental Standards** leads to safer and healthier working environments, increasing employee satisfaction and productivity.
- **Integration of Informal Activities into the Formal Sector** supports the inclusion of marginalized groups.
- **Growth of Green Enterprises** contributes to economic diversification and delivers long-term benefits across various sectors.

2-4 Green Economy as a Tool for Economic Diversification in Arab Countries

The green economy is a strategic tool for economic diversification in Arab countries, as it promotes sustainable growth while preserving the environment and natural resources. By adopting sustainable production and consumption practices, Arab countries can develop new sectors that strengthen the local economy and generate employment opportunities.

To ensure a successful transition, it is essential to establish effective regulatory frameworks, define supportive policies and legislation, and direct investments toward sectors with positive environmental impact. This also involves reducing expenditures on activities that deplete natural capital, enhancing public-private partnerships, and investing in education and training to build a qualified workforce capable of supporting the green transition.

3. Blue Economy

The blue economy is a promising domain that contributes to diversifying income sources through the sustainable use of water resources—including oceans, seas, and rivers—to achieve sustainable economic growth while preserving the environment and biodiversity.

3-1 Blue Economy Sectors

The blue economy covers various areas, including:

- Marine fishing and aquaculture
- Coastal and eco-tourism
- Maritime transport
- Marine renewable energy
- Marine biotechnology

3-2 Requirements for the Blue Economy

Developing the blue economy requires the adoption of comprehensive and sustainable national strategies that take into account each country's specific context. These strategies should focus on strengthening traditional sectors such as marine fishing, tourism, and maritime transport, while also promoting emerging sectors like aquaculture, eco-tourism, marine biotechnology, and shipbuilding.

Research and innovation are essential pillars for identifying and leveraging marine potential, particularly in the field of biotechnology. It is also crucial to adopt policies aimed at reducing pollution and curbing the overexploitation of marine resources. This includes restructuring traditional sectors, encouraging new economic activities, developing sustainable tourism, investing in scientific research and innovation, and ensuring an ecological transition that safeguards marine resources for future generations.

3-3 The Blue Economy as a Tool for Economic Diversification in Arab Countries

The blue economy serves as a strategic tool for diversifying Arab economies by reducing reliance on traditional sectors and investing in water-based resources to achieve sustainable growth and generate employment opportunities. It also plays a key role in strengthening food security through the development of aquaculture and sustainable fishing, thereby supporting self-sufficiency. Additionally, investment in marine renewable energy contributes to diversifying energy sources and reducing carbon emissions, in alignment with the 2030 Sustainable Development Goals, particularly Goal 14, which focuses on conserving and sustainably using marine resources.

4. The Circular Economy

The circular economy aims to achieve sustainability by minimizing waste and reusing resources through recycling, renovating, and repairing. This approach preserves the value of products and reduces the consumption of natural resources and the generation of waste. It is a global model for achieving economic, environmental, and social sustainability.

4-1 Circular Economy Processes:

The circular economy promotes efficient resource use and relies on sustainable solutions. Its processes can be categorized into:

- **Reducing the use of primary resources** through recycling, improving material and energy efficiency, and utilizing renewable sources.
- **Maintaining the highest value of materials and products** by remanufacturing, renovating, and reusing, as well as extending product lifespans through sustainable design.
- **Changing usage patterns** by encouraging resource sharing, shifting from product ownership to service-based models, shifting consumer habits, and raising environmental awareness.

Transitioning to a circular economy requires political commitment, appropriate policies, effective governance, sustainable financing, and capacity building.

4-2 Circular Economy and Sustainable Development in the Arab Region

The circular economy represents a comprehensive shift in values and behaviors, requiring integration across sectors and society to address the environmental and economic challenges facing the Arab region, such as resource scarcity, biodiversity loss, food insecurity, and climate change.

The transition from a traditional linear economy to a circular one is an urgent necessity to promote sustainability, as it contributes to achieving several of the 2030 Sustainable Development Goals. Arab countries hold significant potential to activate circular economy mechanisms and leverage their outcomes to confront challenges and advance sustainable development.

4-3 The Circular Economy as a Catalyst for Economic Growth and Job Creation

The circular economy is one of the key drivers for promoting economic growth by fostering the development of new industries that contribute to diversifying income sources and increasing employment opportunities.

Arab countries have shown growing interest in adopting circular economy principles, incorporating them into:

- Nationally Determined Contributions (NDCs) under climate agreements
- National development strategies and plans aimed at enhancing sustainability
- National adaptation plans to address climate change
- Sustainable consumption and production (SCP) plans to improve resource efficiency

The success of the transition to a circular economy in Arab countries depends on strong collaboration between the public and private sectors, support for innovation, infrastructure development, and increased public awareness, making this model a core component of future economic strategies in the region.

5. The Orange/Creative Economy

The creative economy is an economic model based on transforming creativity, culture, and technology into products and services with both economic and social value, making it a key pillar of sustainable development.

This economy has expanded with technological advancement and digitalization to include digital fields such as software development, video game production, and interactive media; leveraging technologies like artificial intelligence, virtual reality, and blockchain.

5-1 The Orange/Creative Economy: A Concept in Progress

Definitions of the creative economy vary across international organizations. For instance, the Inter-American Development Bank (IDB) defines the creative economy as: **"A set of activities that enable the transformation of ideas into cultural and creative products and services that have value and are protected—or can be protected—by intellectual property rights."** Meanwhile, UNCTAD, in its first report issued in 2008, defined the creative economy as: **"A pattern of economic activity based on the exploitation of creative assets that can generate economic growth and lead to economic development."**

5-2 The Orange Economy and Development

The orange (creative) economy is a key driver of sustainable development, as it promotes economic growth, creates job opportunities, and supports cultural diversity. Cultural and creative industries receive global support due to their economic and social impact—contributing 6.2% of global employment and 3.1% of global GDP.

In the **Arab countries**, the orange economy is a valuable economic asset, particularly given the region's rich cultural heritage and intellectual creativity. To harness this potential, it is essential to strengthen intellectual property protection and develop commercial tools that enable creatives to market their cultural innovations.

In recent years, this sector has witnessed notable growth, with several countries adopting strategies aimed at increasing the contribution of creative sectors to GDP, developing cultural industries, and supporting entrepreneurship in creative fields. This growing interest, both regionally and globally, highlights the importance of investing in culture and creativity to achieve economic diversification, sustainable development, and strengthen cultural identity.

5-3 Difficulties and challenges

The creative economy in Arab countries holds significant potential to enhance economic diversification, owing to the availability of natural and human resources, including a skilled population that combines talent and academic education, experience in cultural industries, traditional crafts and industries, and archaeological and touristic sites. Despite these potentials, the creative economy faces challenges that hinder its growth, most notably: the lack of data and statistics, the complex nature of creative production, weak infrastructure and institutional support, difficulty in agreeing on unified definitions for the sector, in addition to challenges related to technology, digitalization, and intellectual property protection.

5-4 The Orange (Creative) Economy is a Tool for Economic Diversification

The **creative economy** is one of the strategic solutions for diversifying Arab economies and promoting sustainable growth, especially in light of the challenges facing traditional sectors. It offers new opportunities to develop innovative industries based on knowledge, culture, and creativity, while providing sustainable alternatives that enhance national economic competitiveness and foster entrepreneurship. **Arab governments** are increasingly supporting this shift through public policies that strengthen the creative business environment. Integrating the creative economy into development strategies contributes to achieving a more sustainable economic balance and creates new job opportunities for various social groups, particularly youth and women, thus promoting economic inclusion and reducing gaps between different productive sectors.

6. The Social and Solidarity Economy

The social and solidarity economy is an economic model that integrates economic efficiency with social objectives, balancing profit-making with public interest. It places emphasis on **human capital** as a means to serve the community. This model offers an alternative to traditional economic systems by combining economic, social, and environmental dimensions, making it a key mechanism for advancing social justice and achieving development that safeguards the interests of the most vulnerable groups.

6-1 The Social and Solidarity Economy as a Mechanism for Achieving Social Justice and Equality

The social and solidarity economy helps address economic and social challenges by integrating vulnerable groups, reducing informal employment, and promoting environmental sustainability through the fair and responsible use of natural resources. This model is based on principles of voluntary cooperation, democratic governance, and autonomy, prioritizing social objectives in the distribution of profits.

It also supports social and economic inclusion, provides decent job opportunities, and enhances economic empowerment and gender equality—making it an effective tool for achieving sustainable development.

6-2 Components of the Social and Solidarity Economy: Key Actors

The key actors in the social and solidarity economy can be categorized into the following groups:

- **Community-based associations, cooperatives, and mutual societies:**

The cooperative fabric constitutes the core of the social and solidarity economy sector in many countries, both in terms of the number of jobs it creates and its contribution to economic development and the promotion of social inclusion.

- **Social enterprises:**

These represent a hybrid economic model that combines commercial activity with social and cultural objectives. The goal of generating profit does not contradict social aims; rather, revenues and profits are reinvested to improve social conditions, support community development, and empower vulnerable groups; while also delivering returns to investors.

6-3 State Social Policy: The Role of Governments and Social Partners

The need for effective social policies has become increasingly pressing within market economies, in order to reduce social disparities, ensure economic and political stability, and promote justice, equality, and improved quality of life. This can be achieved by involving social partners in the development of public policies.

6-4 The Social and Solidarity Economy in the Arab Region

The Arab region has witnessed growth in social and solidarity economy initiatives, particularly through cooperatives and social enterprises that contribute to job creation and poverty reduction—most notably in the agricultural sector. However, these initiatives face several challenges, including weak government coordination, limited access to finance, lack of incentives for women's participation, and insufficient partnerships with public institutions. In recent years, social entrepreneurship has increased, especially in sectors such as education, health, and social development, making it an effective alternative for achieving social justice and sustainable development. To strengthen the role of the social and solidarity economy, it is essential to improve legislative frameworks, provide financial and technical support, and enhance public-private partnerships to ensure the sustainability of this sector.

6-5 The Social and Solidarity Economy is a Tool for Economic Diversification

The social and solidarity economy contributes to diversifying national economies and promoting sustainable development by integrating informal sectors into the formal economy, thereby improving working conditions and enhancing productivity. It also supports agricultural cooperatives, helping to diversify and improve production quality while ensuring food security; especially in rural areas. Additionally, it fosters social entrepreneurship and strengthens the sharing economy through crowdfunding and resource-sharing, creating a more inclusive and sustainable economic environment.

7. The Purple Economy / Care Economy

The care economy, also referred to as the purple economy, is one of the most promising sectors globally. It encompasses healthcare, education, social care, domestic work, and volunteer activities. It is a major source of employment, with over 215 million workers engaged worldwide. The need for a robust care economy has grown with the increasing complexity of modern life and the rising participation of women in the labor market. This calls for policies that strengthen both direct care (such as childcare and eldercare) and indirect care (such as domestic tasks). The **care economy** is essential for achieving sustainable economic development and decent work, and it is supported by four main institutions: the state, the private sector, the non-profit sector, and households.

The care economy significantly impacts the global economy. Unpaid care work accounts for more than half of all working time, with women contributing approximately 6.6% of global GDP through unpaid care labor. As such, this economy is a key driver of sustainable development, gender equality, and women's economic empowerment. Moreover, population growth, aging societies, and changing family structures present challenges that require proactive efforts from governments, employers, and labor unions to enhance and expand care services.

7-1 Types of Care Work

Care work is generally divided into two main types:

Unpaid, which includes childcare, eldercare, care for persons with disabilities, and household tasks performed without monetary compensation. In the Arab region, women bear the overwhelming majority of these responsibilities.

Paid, which covers professions such as nursing, teaching, personal care services, and paid domestic work.

7-2 Women and the Care Economy

Women globally and in the Arab region shoulder the majority of care work, whether paid or unpaid, which negatively impacts their economic and social empowerment. Globally, women perform 75% of unpaid care work, while in Arab countries the figure rises to 80–90%. Additionally, women represent 65% of the paid care workforce. This unequal distribution significantly limits women's participation in the labor market, largely due to traditional gender roles.

7-3 The Care Economy and Sustainable Development

The care economy is a fundamental pillar of achieving sustainable development, particularly in promoting gender equality (SDG 5). Women bear the largest share of unpaid care work, which limits their economic participation. The ESCWA report emphasizes the role of the care economy in creating new job opportunities and enabling better work-life balance. Similarly, ESCAP highlights the importance of investing in care infrastructure and social protection to support sustainable development. Achieving SDG 5 requires recognizing care work, providing public services, and promoting the sharing of responsibilities; steps that contribute to women's empowerment and the overall well-being of societies.

7-4 The Care Economy as a Tool for Economic Diversification in Arab Countries

The care economy is an effective tool for diversifying Arab economies, as it generates new job opportunities and supports the economic empowerment of women. This sector also contributes to transforming unpaid care work into paid employment, thereby enhancing women's participation in the labor market and advancing sustainable development. Arab countries need to adopt national strategies that include improving maternity and paternity leave policies, expanding early childhood care services, and enhancing job quality in the care sectors.

Section Three: Declaration of Principles on "Promoting Economic Diversification and the Transition to Promising Economies"

This declaration aims to establish a strategic framework for advancing economic diversification by transitioning toward promising, multi-source economies that ensure sustainable growth, align with global economic transformations, and strengthen regional integration and cooperation among Arab countries.

It represents a **collective commitment** by the tripartite constituents (governments, employers, and workers) to work together toward a just transition to promising economies, guided by the principles outlined in this declaration and implemented in accordance with the specific context of each country.

First: Justifications

This Declaration of Principles is based on a set of justifications that underscore the urgent need to adopt more diversified and flexible economic policies to ensure sustainable development, enhance economic competitiveness, and empower the Arab workforce to keep pace with global transformations. These justifications include:

- The importance of integrating efforts among the tripartite constituents and all relevant stakeholders, and the need to adopt a joint approach to ensure a just and sustainable economic transition that promotes diversification and supports balanced and inclusive growth.
- The role of social dialogue among the tripartite constituents in facilitating the path toward economic diversification and an effective transition to promising economies, while formulating fair economic policies that protect workers rights and mitigate the impacts of economic shifts on the most vulnerable groups.
- The need to adopt a comprehensive approach to diversifying sources of income through the development of innovative economic sectors and the strengthening of economic resilience.
- Keeping pace with global transformations in the economy and labor market to ensure that Arab economies are not left behind.
- Alleviating the economic and social challenges resulting from structural transformations and the implications of transitioning to new economics.

Second: Foundational Premises

This Declaration of Principles is founded on a consensus among the tripartite partners (governments, employers, and workers) to cooperate in promoting economic diversification and transitioning toward promising economies, based on the following foundational premises:"

- **In recognition of** the importance of adapting to global economic transformations and adopting flexible, adaptive strategies that respond to emerging challenges and opportunities related to the shift toward promising economies.

- **With an awareness of** the critical role of human resource development as the primary engine of economic transformation and the need to qualify these resources to ensure that skills match the requirements of development and the changing labor market.
- **In recognition of** the importance of providing a skilled workforce as a fundamental component in enhancing institutional competitiveness and productivity in line with international standards, which contributes to attracting investments, growing the private sector, and fostering entrepreneurship and innovation.
- **In the firm belief that** achieving sustainable growth represents a shared challenge for Arab economies, requiring a just transition to new and diversified economic models that generate job opportunities, promote sustainable development, and are grounded in productive and effective social dialogue among the tripartite partners.
- **Drawing upon** the charters, agreements, and recommendations of the Arab Labor Organization, including:
 - Arab Convention No. (3) of 1971 on Minimum Standards of Social Security
 - Arab Convention No. (5) of 1976 on Working Women
 - Arab Convention No. (6) of 1976 on Work Standards (Amended)
 - Arab Convention No. (8) of 1977 on Trade Union Freedoms and Rights
 - Arab Convention No. (11) of 1979 on Collective Bargaining
 - Arab Convention No. (20) of 2024 on New Patterns of Work
 - Arab Convention No. (21) of 2024 on Vocational Guidance and Training
 - In addition to other relevant Arab conventions such as Nos. (1), (2), and (17)
- **Guided by** relevant international charters, conventions, and recommendations, along with the 2030 Sustainable Development Goals (SDGs), particularly: Goal 8: Promote sustained, inclusive, and sustainable economic growth, full and productive employment, and decent work for all. Goal 9: Build resilient infrastructure, promote inclusive and sustainable industrialization, and foster innovation. Goal 12: Ensure sustainable consumption and production patterns. Goal 17: Strengthen the means of implementation and revitalize the global partnership for sustainable development.

- **With a clear understanding of** the need to stimulate economic growth and restructure economies toward diversity and innovation, particularly through enhancing competitiveness in promising sectors such as the digital economy, green economy, blue economy, and circular economy.... This necessitates the adoption of comprehensive strategies that ensure the sustainability of this transformation and strengthen the readiness of the Arab workforce.
- **In recognition of** the potential implications of economic transformations on labor markets and employment, and that a successful and just transition to these new economic models requires the active participation of social partners in formulating transformation strategies and policies through a constructive and sustainable social dialogue mechanism.

Third: Principles and Commitments

In line with the commitment of Arab countries to adopt economic policies based on innovation, sustainability, and social justice—aimed at enhancing economic diversification and ensuring a fair and effective transition toward promising economies in light of global economic challenges and rapid transformations—and within the context of the joint efforts of the tripartite partners (governments, employers, and workers) to achieve these goals, the parties agree on a set of fundamental principles that will serve as a foundation for the transition toward promising economies and establish the pillars upon which future policies and strategies will be built. Economic diversification and innovation are the keys to building strong, competitive, and sustainable Arab economies.

Based on the justifications and foundational premises presented in this Declaration, the tripartite partners in Arab countries are called upon to reach consensus on implementing the following principles and embedding them within national policies and strategies.

1. Developing Human Capital and Promoting Scientific Research and Innovation

1.1 Enhancing the Quality of Technical and Vocational Education and Training

- Aligning educational outcomes with labor market needs through curriculum updates and a strong focus on digital and technological skills.
- Promoting lifelong learning and supporting workers and employers in developing the skills necessary to engage in emerging economies.
- Adopting policies that encourage scientific research and technological development, and strengthening the connection between educational institutions and the industrial sector.

1.2 Supporting Entrepreneurship and the Knowledge Economy

- Launching business incubators and accelerators to support startups in promising sectors.
- Providing financial and tax incentives for innovative projects and technology-based industries.
- Developing intellectual property systems to protect innovation and foster an enabling environment for entrepreneurship.

2. Strengthening the Role of the Private Sector and Stimulating Investments

2.1 Improving the Business Environment and Investment

- Streamlining administrative and legal procedures for business establishment and enhancing the protection of investors' rights.
- Promoting transparency and good governance in licensing and legislation processes to ensure a competitive business environment.
- Enabling small and medium-sized enterprises (SMEs) to access financing by facilitating credit guarantees and concessional funding.

2-2 Strengthening Public-Private Partnerships

- Develop innovative investment models for infrastructure and public service projects.
- Expand collaboration among financial institutions, factories, and technology firms to strengthen local value chains.
- Encourage private sector investment in research and technological development through tax incentives and co-financing schemes.
- Promote public-private partnerships in the design and implementation of vocational training and technical education programs.

3. Supporting a Just Transition to Promising Economies

The transition toward emerging and promising economies requires the development of supportive policies, including:

- **Digital Economy:** Develop digital infrastructure, promote the adoption of smart technologies in productive sectors, and expand e-commerce as part of the national digital transformation strategy.

- **Green Economy:** Stimulate investment in renewable energy, support environmental industries, and foster innovation in natural resource management.
- **Blue Economy:** Harness marine resources for sustainable fishing, eco-tourism, and renewable ocean energy.
- **Circular Economy:** Adopt recycling policies, reduce resource waste, and enhance production efficiency.
- **Orange (Creative) Economy:** Support cultural and creative industries as a new source of economic growth and foster sectors driven by creativity and innovation.
- **Social and Solidarity Economy:** Promote cooperatives, social enterprises, mutual societies, and community-based initiatives as tools for sustainable development.
- **Care (Purple) Economy:** Strengthen healthcare and social services, and invest in the education and health sectors.

4. Enhancing Export Competitiveness and Diversification

4-1 Supporting Manufacturing Industries and Advanced Technologies

- Develop manufacturing industries based on advanced technology and innovation.
- Support local manufacturing in high value-added sectors such as renewable energy, pharmaceuticals, and digital technologies.
- Adopt policies to enhance the competitiveness of Arab products in regional and global markets.

4-2 Enhancing Arab Economic Integration

- Facilitate intra-Arab trade by reducing tariff, administrative, and regulatory barriers.
- Establish regional mechanisms for the exchange of information and expertise among Arab countries on best practices for economic diversification.

5. Strengthening Social Dialogue and the Role of the Tripartite Partners

5.1 Activating Social Dialogue to Support Economic Diversification Policies

- Engage workers' and employers' organizations in the formulation of economic and industrial policies to ensure a just and equitable transition to emerging economies.

- Strengthen negotiation and social dialogue mechanisms to ensure that diversification policies align with the interests of both workers and employers.
- Develop a unified Arab framework that supports fair economic transitions, guarantees fundamental labor rights, and fosters a stable, growth-oriented business environment.

5.2 Developing Labor Policies to Support Promising Economies

- Modernize labor legislation to align with the digital economy, future professions, and new forms of work.
- Strengthen social protection systems to support workers during economic transitions, including effective mechanisms for vocational training and upskilling.
- Enhance the role of trade unions and labor federations in supporting economic transitions through strategies that uphold social justice and ensure a fair balance between economic and social rights.

By adopting these principles, we reaffirm our strong belief that the future of Arab economies fundamentally depends on implementing structural reforms and undertaking substantial economic transformations based on innovation-driven and sustainable development policies.

The future pathway for Arab economies should therefore include:

- **Economic diversification** as a strategic necessity, not a mere option, for achieving stability and sustainable development.
- **Integration between the public and private sectors** as the foundation for building resilient economies capable of adapting to global transformations.
- **Investment in human capital and innovation** as a cornerstone for enhancing competitiveness and driving economic growth.
- **A just and equitable transition** toward promising economies, which requires effective social dialogue, updated national legislation, and comprehensive support for both workers and employers.

The effective implementation of this Declaration requires **consensus among the tripartite partners** to ensure its principles are embedded within comprehensive national policies and strategies that support economic diversification, sustainability, and social justice.

It stands as an **open call** to all relevant stakeholders to work together in shaping a better future for our economies and societies.

Conclusion

Economic diversification is a strategic choice to ensure the sustainability of growth and enhance the competitiveness of Arab countries. Despite the available potential to achieve it, disparities in economic structures and development policies call for the adoption of an integrated and flexible approach that **takes into account the specificities of each country**, while benefiting from successful global experiences in this field.

Countries that have adopted well-designed economic reforms and redirected their investments toward non-traditional sectors have demonstrated their ability to reduce dependence on natural resources, enhance income diversification, and increase economic stability. However, the success of this transformation requires **targeted government intervention** based on clear strategies that support innovation, provide a competitive business environment, and promote local and foreign investment.

To ensure a successful transition to a more sustainable and resilient economic model, Arab countries should move forward in diversifying their economies by focusing on a set of core requirements, most notably: strengthening technological infrastructure, developing education and vocational training systems to equip the workforce with skills aligned with the needs of promising economies, and improving economic governance by enhancing transparency, combating corruption, and increasing the efficiency of economic institutions. This would boost investor confidence and support entrepreneurship.

Productive base diversification through innovation, expansion of manufacturing industries, support for small and medium-sized enterprises, and integration between traditional sectors and promising economies such as the green, orange, circular, and digital economies.... means reducing dependence on a single economic sector and adopting a flexible development model that supports growth while taking into account the economic and social dimensions of this transformation. This ensures a just transition that does not marginalize any segment of the workforce or society. Here comes the role of **tripartite social dialogue** institutions (governments, employers, and workers), which play a key role in coordinating productive transitions and designing industrial policies that stimulate economic diversification and the shift toward promising economies. These institutions contribute to building national consensus on economic reforms by strengthening partnerships among different economic and social actors, ensuring the implementation of more inclusive and sustainable policies, supporting a fair transition toward new sectors, and enhancing social and economic stability through negotiation on labor policies, wages, and

decent work conditions; thereby strengthening social cohesion and peace, and stimulating innovation and productivity by creating a work environment based on effective social dialogue.

Therefore, **Arab countries are called upon to accelerate the adoption of effective national strategies for economic diversification**, based on investment in human resources, technology, innovation, and high-potential non-traditional sectors, while integrating the principles of social dialogue into the economic decision-making process. Achieving this balance between economic reforms and social justice will make economic diversification a key driver of inclusive and sustainable growth in Arab countries, ensuring a more stable and prosperous economic future.