ESCAPING THE MIDDLE-INCOME TRAP

Wednesday, 20 July 2016, 11.30 a.m.–1 p.m., room Tsavo 2
Kenyatta International Convention Centre, Nairobi

DESCRIPTION

Attention has been devoted in recent years, in both academic and public debate, to what has been described as a middle-income trap. Most countries in Latin America, as well as in the Middle East and North Africa, reached middle-income status in the 1960s and 1970s, and have remained there. Even in East Asia, the second tier of new industrializers, such as Malaysia and Thailand, has experienced growth slowdowns in recent years that have prevented their graduation to high-income country status. This evidence raises concerns about the validity of the standard growth theory, which predicts a relatively smooth growth path with fluctuations around a stable trend ultimately leading to income convergence between rich and poor economies.

Real-world growth dynamics appear more complex than depicted. Structural changes that are needed to sustain economic growth become increasingly challenging as countries climb the development ladder, with the most binding constraints generally arising from inadequate or inappropriate educational provision (particularly at higher levels) or weak technological support.

This round table will take stock of the lessons learned from the experiences of those few catch-up economies that successfully managed to upgrade their productive structures and climb the development ladder. It will discuss the policy decisions and institutional instruments key to their success and present the new policy challenges faced by developing countries in an increasingly interdependent world economy where national and international divisions of labour are interconnected.

KEY ISSUES

Although economic growth over the last half century has allowed many low-income countries to cross income thresholds and reduce levels of poverty, very few among them have been able to close the per capita income gap with the advanced economies. Such lack of convergence is related to the significant slowdown in productivity growth experienced by many economies as they move to middle-income status. It therefore raises important policy questions on both the specific development strategies adopted domestically and the influence exerted by the external environment. The round table will focus on the following issues:

- Identification of effective domestic policy measures to avoid productivity and growth slowdowns and sustain catch-up growth;
- How to adapt international economic institutions/rules to the needs of middle-income economies;
- Challenges and opportunities offered by global firms and international production networks.
PARTICIPANTS
- Mukhisa Kituyi, Secretary General, UNCTAD
- Richard Kozul-Wright, Director of the Globalization and Development Strategies Division, UNCTAD
- Lutchmeenaraidoo Seetanah, Minister for Foreign Affairs, Regional Integration and International Trade of Mauritius
- Rob Davies, Minister for Trade and Industry, South Africa
- Nathalie Cely-Suarez, President, Centro Competitividad e Innovación, Ecuador
- Mario Pezzini, Director, Development Centre, Organization for Economic Cooperation and Development

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