

- Thank you for the opportunity to contribute to the discussion on development challenges and opportunities in middle income countries.
- The World Bank's 2024 World Development Report – is titled the Middle-Income Trap and focuses on these very questions.
- Middle-income countries **are in a race against time**. Since the 1990s, many of them have done well to escape low-income levels and eradicate extreme poverty, leading to the general perception that the last three decades have been good for their development.
- With that in mind, the ambition of the current 108 middle-income countries is to reach high-income status within the next two or three decades.
- And yet when assessed against this goal, **the record is weak: only 34 middle-income economies transitioned to high-income status over the last 34 years.**
- Moreover, **during the last decade their prospects worsened**. With rising debt and aging populations at home, growing protectionism in advanced economies, and escalating pressures to speed up the energy transition, today's middle-income economies are growing into ever tighter spaces.
- *World Development Report 2024* identifies pathways for emerging market economies to avoid what has become known and feared as the “middle-income trap.”
- We point to the need for **not one but two transitions during the middle-income period**. The first is to transition from a “1i” strategy for accelerating *investment* – which brought them from low income to middle income -- to a “2i” strategy focusing on both *investment* and *infusion*.
- Here, a country would need to bring technologies from abroad and diffuse them domestically (and this applies primarily to lower-middle-income countries).
- For countries to make the most of new technologies, they **need technically skilled workers in large numbers** and a sufficient supply of engineers, scientists, managers, and other highly skilled professionals.
- Countries that are relatively open to economic ideas from abroad and have instituted strong secondary education and vocational training programs at home tend to perform better than those that have not.
- They also need to ensure that the entirety of their working age population is able to contribute especially creating opportunities for women and disadvantaged groups.
- Once a country has succeeded here, it can switch to a “3i” strategy in which *innovation* joins *investment* and *infusion*—that is, the country begins to not just borrow ideas from the global frontiers of technology, but also push the frontiers outward (which would apply primarily to upper-middle-income countries).
- These transitions are not automatic.
- Success depends on how well MICs:
  - discipline powerful large corporations and powerful citizens
  - reward merit to develop every talent;

- Further, success also depends on how developed nations scale back protectionism and enable MICs to access modern technologies and join global value chains.