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Falling into the Middle-Income Trap? A Study on why economies of developing countries stagnate through the case of Turkey, Brazil and Vietnam

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ABSTRACT

This study investigates the phenomenon of the middle-income trap through a comparative analysis of Vietnam, Brazil, and Turkey. By examining the experiences of these countries, the research aims to identify common patterns, challenges, and potential strategies to overcome this development hurdle.

A comprehensive review of literature, statistical data, and case studies is used to explore the key factors contributing to the middle-income trap in each country, determining structural weaknesses, institutional constraints, technological innovation, education, and human capital development as critical determinants.

KEY WORDS: middle-income trap, Vietnam, Brazil, Turkey, comparative analysis, challenges, strategies, economic growth, development.

RESUMEN

Este estudio investiga el fenómeno de la trampa de ingresos medios a través de un análisis comparativo de Vietnam, Brasil y Turquía. Al examinar las experiencias de estos países, la investigación tiene como objetivo identificar patrones comunes, desafíos y posibles estrategias para superar este obstáculo al desarrollo.

Se utiliza una exhaustiva revisión de literatura, datos estadísticos y estudios de casos para explorar los principales factores que contribuyen a la trampa de ingresos medios en cada país, determinando las debilidades estructurales, las limitaciones institucionales, la innovación tecnológica, la educación y el desarrollo del capital humano como determinantes críticos.

PALABRAS CLAVE: trampa de ingresos medios, Vietnam, Brasil, Turquía, análisis comparativo, desafíos, estrategias, crecimiento económico, desarrollo.

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SECTION I: INTRODUCTION

Much of economic research during the past decades has been devoted to understanding prolonged high growth of developing states around the globe (see, for instance, (Sergi, Popkova, Bogoviz, & Ragulina, 2019). Countries have long fought for the bettering of their economy, through changes in social, economic, and technological aspects.

Some of these developing countries been able to escape being in this category of middle-income country, becoming high-income countries (HICs), such as the so called 'Asian Tigers', while others' growth has stagnated or even decreased. These Asian tigers (Singapore, Hong Kong, South Korea, and Taiwan) have been considered models to follow because they were all able to achieve a real interannual per capita gross domestic product (GDP) of approximately 6% from 1960 to 1995 (Barro, 1998).

On the other hand, there are also countries that, after evolving from low-income countries to middle-income ones (MICs), have had their growth stagnated or even decreased such as Brazil during the 1980s, even while using a similar blueprint as the former. For example, both Singapore and Brazil followed an import substitution industrialization strategy and, where the former has a current GDP per capita of 72,794 thousand $ USD, the latter only amounts to 7,518.8 thousand $ USD as can be observed in Figure 1. This is an almost tenfold increase from one country to another, when in 1970, this Asian Tiger's GDP per capita was merely double of Brazil's.

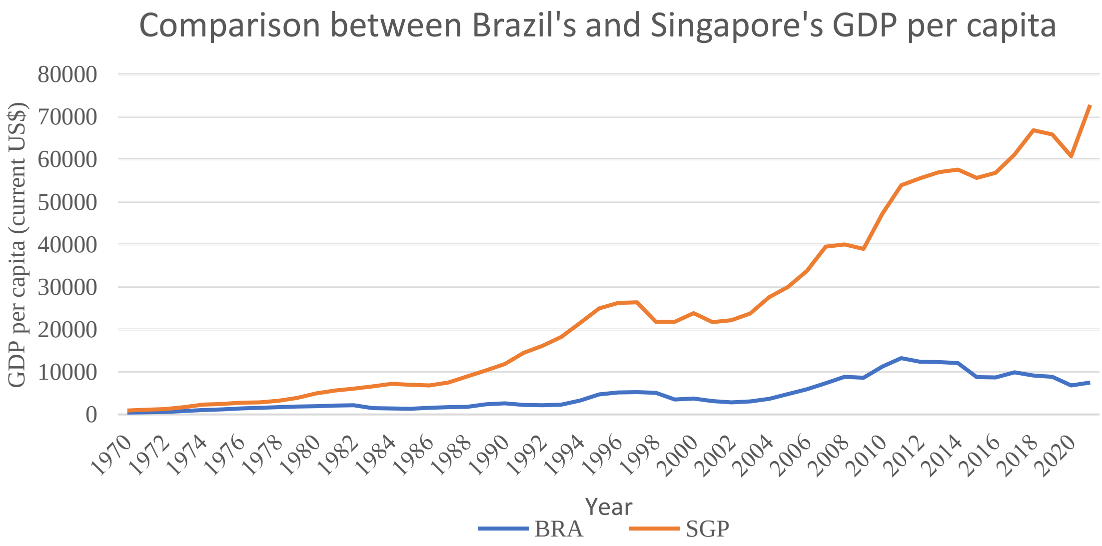

Figure 1. GDP per capita, at current US Dollars 1970-2021(World Bank Open Data series), of Singapore and Brazil.

Figure 1 graphically portrays the evolution of GPD per capita in both Brazil and Singapore during the past five decades. While having a similar initial point, the difference between annual levels seems to grow further apart with the passing of time, reaching its maximum distance apart in 2022. This seems to suggest that Singapore has been able to create a more efficient model which supports a high constant economic growth, whereas Brazil has not succeeded in attaining such high levels of growth per capita.

This is not an isolated case. Figure 2 compares how the GDP per capita has evolved during the past 50 years in three countries which have been able to escape their condition of middle-income countries (Singapore, Greece and Israel) (Bulman, Eden, & Nguyen, 2017) in comparison to those of other three which have not (Brazil, Vietnam and Türkiye).

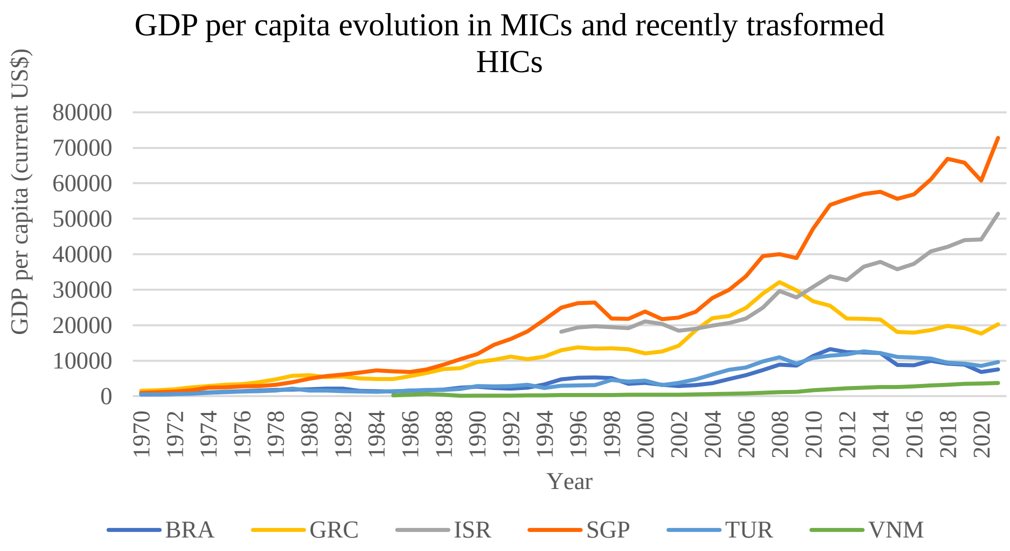

Figure 2. GDP per capita, at current US Dollars 1970-2021(World Bank Open Data series), of Brazil, Greece, Israel, Singapore, Türkiye, and Vietnam.

Figure 2 shows how at least four out of six of these countries had a GDP under 1,495 $ USD in 1970, and have since evolved in divergent manners, creating a wider distance as time goes by between those who escaped the middle-income trap and those who are still under its influence.

There are three different growth patterns to be observed in Figure 2. Singapore and Israel have had a relatively constant positive growth trend, which has currently positioned them as the 2nd and 35th country by GDP per capita (World Population Review, 2022) with

$72,794 and $51,430. Surprisingly, unlike the rest of the countries represented in the graph, COVID did not reduce Israel's GDP per capita.

Greece's trajectory until the year 2000 is globally positive but less so than Singapore's evolution. From then until the 2008 crisis, its GDP per capita increases exponentially, reaching $32,127, and then proceeding to fall until 2015, and apparently plateauing around the $20,000 threshold.

Türkiye and Brazil's growth has been akin through these last fifty years. Maintaining an extremely low growth tendency which accelerated during the early 2000s, dropping slightly between 2008 and 2010, then reaching levels above those achieved before 2008. Subsequently, their GDP per capita falls, without ever exceeding $12,614 in Türkiye's case and $13,245 in Brazil's.

Vietnam (see Figure 2 and 3) has multiplied its GDP per capita by sixteen in the period between the year 1985 ($231,5) and 2021 ($3,694).

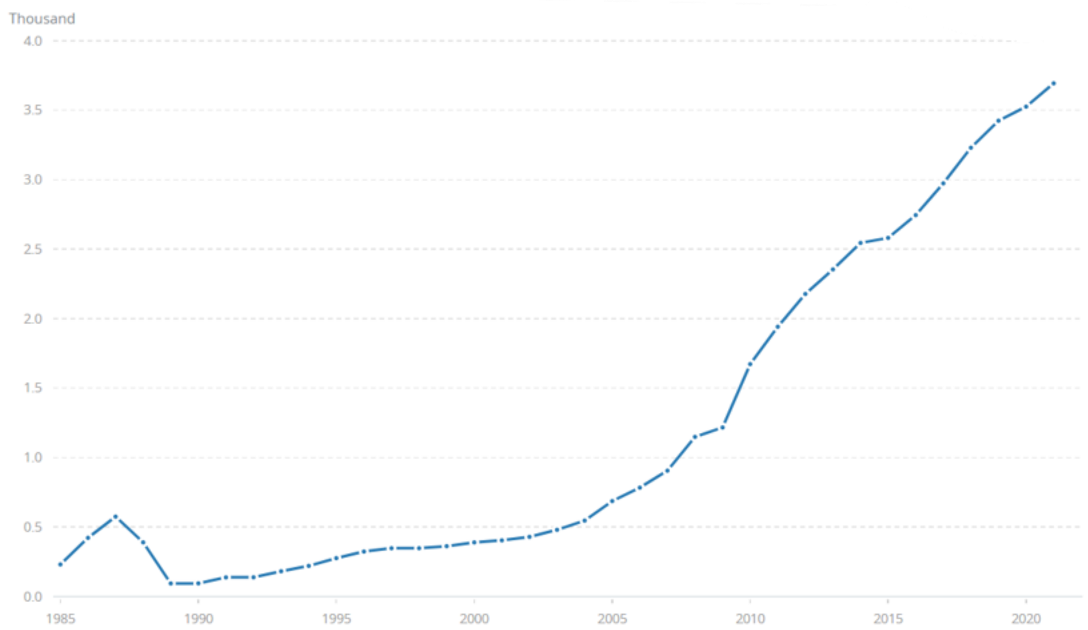

Figure 3. GDP per capita, at current US Dollars 1985-2021(World Bank Open Data series), of Vietnam.

During the past thirty-six years, this indicator has fallen twice in relation to the previous year (1988 and 1989). This situation is superseded by a slow growth which dramatically speeds up from 2004 on, merely slowing down in 2009 and 2015. It has however, not yet been able to transform into a high-income country.

By understanding how, when and why these transformations from MICs to HICs do or do not happen, transferring key skills and measures from success cases to other countries will be possible, allowing for them to take the leap and become high-income countries. This transition will entail a more prosperous future: a better standard of living for the local population, an increase in market opportunities (both quality and quantity-wise) and a gradual reduction of global inequality.

It is essential to note that this is not merely an economic question, as Lionel Robbins said in 1935 "Economics is a science which studies human behaviour as a relationship between ends and scarce means which have alternative uses" (Robbins, 1932), meaning policies and politics are crucial, with the combination of other factors, explaining why some countries prosper when others don't (Acemoglu, D., Robinson, J. A., 2012).

In this paper, I will attempt to explain what impedes these countries from escaping the middle-income trap and becoming high income countries.

This dissertation is structured as follows. In Section II, contains the objectives of this research paper. Section III introduces the theoretical framework and literature reviewed on the middle-income trap, growth patterns and policy decisions. Section IV describes the methodology used to obtain the results presented in Section V, through the cases of Brazil, Türkiye, and Vietnam. Section VI puts forward a series of policy recommendations, based on the results previously found. Finally, Section VI summarizes the conclusions of this dissertation.

SECTION II: OBJECTIVES

This paper has two main objectives. Firstly, it aims to

1. Use economic, political, and social data and trends to understand why countries fail to overcome the middle-income trap.
2. Identify which factors are preventing MICs from reaching their full potential.
3. Offer policy proposals to enable the transition from middle-income to high income.

In order to do so, theory will be translated into measurable variables based on dimensions to calibrate the middle-income trap in the areas.

Secondarily, this dissertation also aims to find out the risks derived from the existence of a middle-income trap (social, political, economic).

SECTION III: METHODOLOGY

The methodology used in the elaboration of this final degree project encompasses an initial and thorough literature review of the middle-income trap through the consultation of economic books, press articles, international organisations' databases and scientific journal articles. The purpose of this undertaking is to establish a comprehensive theoretical framework that provides a solid foundation for the subsequent stages of the research project.

From there, the specifics of each country to be studied will be delved into through case studies, examining a range of factors that could play a relevant role in both the positive and negative growth tendencies and lead to recurring situations that have a significant impact on the economic situation of each of these nations. Most of the data in this section is obtained or provided by international organisations, particularly the World Bank database. In any case, this study does not attempt, nor does it succeed, in carrying out an exhaustive analysis, which would be too vast and complex.

Case studies are “the illustration of a concept, a claim, or even a theory, as instantiated in a concrete case” as culmination of an investigation. The aim of this tool is the achievement of a comprehensive understanding of a context by acquiring familiarity with it, interpreting situations developed and using this information to predict and potentially modify social outcomes. The analysis is an accumulation of local knowledge developed through rich descriptions and local knowledge instrumental in achieving an impact (Ruzzene, 2014).

Scholars have recently directed their attention towards case studies with renewed vigor, making this approach a growing trend during the past decades in the social sciences domain. This shift is evidenced by the increasing volume of methodologically informed publications in this field (Bennett and Elman, 2006).

In this paper, the previous questions will be answered through the cases of Brazil, Vietnam and Türkiye, middle-income countries that have failed to meet economic growth expectations. Multiple case studies are understood to increase the external validity of research because of the strengthening the stability of the findings ((Miles and Huberman,

1994) on the one hand, and because the "evidence from multiple cases is often considered more compelling (Yin, 1994, pp. 45) on the other. The selection of said cases was done based on the maximum variation strategy (Patton, 1990), which promotes the choosing of cases based on their exhibition of common patterns (being a middle-income country which appears to be trapped in the MIT) but have diverse variations between them.

These three countries have contrasting political and social features, are located in different global regions and have historical trajectories that are not necessarily linked to each other. Brazil is a constituent member of the BRICS, a group of emerging economies that have historically been at the forefront of global economic growth expectations. Similarly, Türkiye's economy possesses a significant amount of untapped potential. Nevertheless, the country's growth trajectory has been slowed by a series of political and financial crises. Brazil is part of the BRICS, the group of emerging countries that used to lead the world's economic growth expectations. On the other side of the world, Türkiye has an economy with a significant untapped potential, but its growth has been slowed by political and financial crises. Finally, Vietnam, despite its geographical proximity to the Asian Tigers, has yet to replicate the exponential growth achieved by the latter.

After analysing the reality of these states, the study will proceed to present the conclusions attained, focusing on the slowdowns or threats to growth detected that could be the cause of stagnation in the middle-income trap. Finally, based on the conclusions, policies will be proposed that could be followed by authorities of the trapped middle-income countries, with the ultimate goal of sustaining the pace of growth and giving these countries a better chance of taking the leap and transitioning into a high-income country.

Case studies are a pertinent and valuable tool in policy making as they provide policymakers with detailed and nuanced information about real-world situations, if comprising both internal and external validity (Ruzzene, 2014). They allow these actors to gain a profound understanding of the characteristics and intricacies of the issue at hand, the factors that contribute to it, and the ramifications of potential actions. This aids policy makers identify patterns which may not have been apparent through other research methods. By analysing case studies, potential challenges associated with specific policy interventions can be identified, tailoring the evidence-based policy recommendations to the specific context (Yin, 2018) and serving as a valuable input in the establishment of alternative strategies.

Furthermore, these studies bridge the gap between theory and practice, illustration examples of previous experiences and impacts of particular policies. By examining the evidence provided, policymakers can test and refine their assumptions about the effectiveness of policy interventions and anticipate unintended consequences.

SECTION IV: THEORETICAL FRAMEWORK

1. The middle-income trap concept

Garrett (2004) was the first to speak about “globalization’s missing middle” and the potential stagnation of its members. Middle-income countries are faced with the task of discovering approaches to incorporate technological advancement and become part of the worldwide knowledge economy to evade the conundrum of having to conform (or, in his words, “dumb down”) to standardized manufacturing and services.

The main emphasis was on the distribution of the advantages of globalization and exploring the measures that wealthy nations could take to assist middle-income countries such as regulating free trade and capital account liberalization.

Notably, through Garrett’s research, theoretical concepts in political economy, which suggested that democracy would lead to better economic outcomes (Rodrik, D. & Wacziarg, R., 2005), appeared to be contradicted by empirical data. The switch to democracy did not itself provide the essential stimulus to ensure a sufficient economic growth.

The concept known as the middle-income trap was however coined in the report ‘An East Asian Renaissance’ by Gill and Kharas in 2007, three years later. Countries who had fallen in the trap were those which were more economically developed than low-wage poor states which had a strong presence in mature industries but could not be considered rich countries with a focus on innovation in technological industries. According to them, both Latin America and the Middle East were examples of regions which had been unable to escape the trap and had plateaued economically before becoming high-income regions.

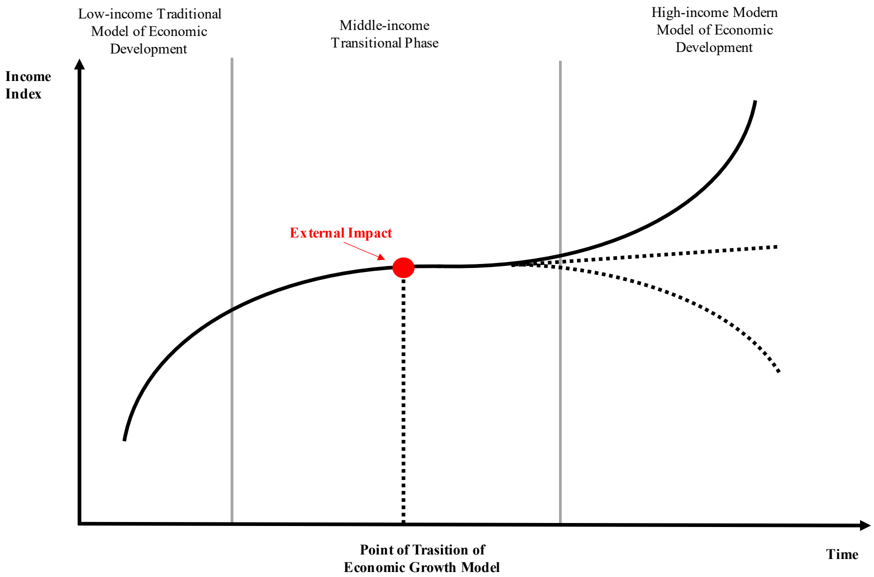

Figure 4. The theoretical model for the "Middle Income Trap" (Zhou and Hu, 2021).

2. Interpretations of the middle-income trap concept

The term middle-income trap does not have a universal definition. The existing divergence in the exact meaning given to the term by different researchers has led to confusing and contrasting opinions on whether some countries should be considered to be trapped or not. For example, Poland belongs to this category of ‘trapped countries according to some authors such as Woo et al (2012), whereas others such as Spence (2011) and Islam (2015) consider it to have escaped said trap.

Pruchnik and Zowczak (2017) classify existing interpretations of the term into five main groups: descriptive understanding, fixed income thresholds, relative income thresholds, time thresholds and indices.

2.1 Descriptive understandings of the MIT

The first set defines the middle-income trap as the inability of a state of sustaining growth. The trap makes countries unable to compete both against states which base their competitive advantage on innovation and high quality of products (mainly due to the lack of investment towards innovation), and those which base the competitiveness of their exports on price competitiveness made possible because of low wages. There is no specific level of income or index to determine whether a country is trapped or not. According to this definition, the People’s Republic of China (PCR) is stuck.

2.2 Fixed income thresholds

There is no consensus between authors which follow this line of thought on where exactly the challenges to growth and likelihood of slowdowns are pinpointed.

The paper by Eichengreen, Park and Shin (2013) established three conditions that an apparent slowdown had to meet in order to be considered as such. Firstly, the country in question must have a GPD per capital over 10,000 USD in 2005 constant international prices. Secondly, said country must have had an immediately preceding period where growth was at least 3.5% per year. Thirdly, the difference between current and previous growth has to be equal or over 2% per year.

The paper concluded countries are the most likely to fall into the trap or slowdowns which comply with the definition above when between 10,000 and 11,000 USD per capita and when between 15,000 and 16,000 USD per capita (both in in 2005 constant international purchasing power parity).

On the contrary, Islam (2015) proposes fixed income threshold based on GNI per capita development patterns (information offered annually by the World Bank) for four moments in time: 1980, 1990, 2000 and 2010. Although no specific number of years was established in order to be categorized as stuck, those unable to rise from middle-income to high-income in thirty years are considered trapped. Notably, Islam offers no conclusions in relation to those who rise and then fall back into this category such as Argentina.

Ayiar et al. (2013) establish a different fixed income theory in order to investigate the potential relationship between the MIT and growth slowdowns, investigating the elements that contribute to these decelerations. Drawing on this interpretation, they put forward two thresholds in constant 2005 prices as a means of understanding the determinants of growth slowdowns. These points are located at 2,000 USD per capita in the case of low income countries and 15,000 USD per capita for middle-income countries.

2.3 US' GDP as a catch-up benchmark for relative income levels

Pruchnik and Zowczak (2017) use the US' GDP as a catch-up benchmark for relative income levels. The reason behind using the United States of America as a reference is due to the fact that it is a high-income country which is perceived both to have a stable long-term growth and to be the forefront of technological advancements globally (Jones, 2002).

2.4 Historical income transitions

The fourth category defines the trap in relation to the years it takes for a country to evolve from lower-middle-income to upper-middle-income to high-income. This definition was proposed in 2012 by Felipe, Abdon and Kumar in their working paper: 'Tracking the middle-income trap: What is it, who is in it, and why?'. The cut off or thresholds presented are the "median number of years that countries spent in the lower-middle-income and in the upper-middle-income groups, before graduating to the next income group" based on those who transitioned after 1950.

In the case of countries who become low-middle-income, meaning they secure $2,000 USD per capita GDP levels, the threshold is set at 28 years. Consequently, in order to avoid the lower-middle-income trap, it is imperative that these countries attain an average annual growth rate of no less than 4.7 percent in terms of per capita income. This way, the $7,250 USD level associated with the upper-middle-income category will be achieved before the 28 years are over.

Upper-middle-income countries graduate from this category to high-income in a median of 14 years. In order to avoid being caught in the upper-middle-income category and to reach the threshold of high-income level ($11,750), it is imperative for the country to achieve an average annual growth rate of at least 3.5 percent in terms of per capita income.

A country surpassing the threshold numbers of years, will (according to this definition) be categorized as trapped in this economic situation.

2.5 Indices

The final type of definition is based on the use of indices in order to measure the middle-income trap, by quantifying it using various metrics and indicators. Due to the diversity of the variables used, it is not uncommon for certain countries to be classified differently depending on the index. The ESCAPE Index and the Catch-up Index (CUI) are the most commonly used.

The CUI was proposed in 2012 by Woo et al, where vales were expressed as a percentage of the per capita income of the United States, by utilizing data on population and GDP. The conclusions reached established that middle-income countries have a CUI ranging between 20 percent and 55 percent. Unless these middle-income countries are capable of achieving living standards equivalent to that of the United States in approximately half a century, they are perceived to be ensnared in the middle-income trap.

In 2014, PwC put forward the ESCAPE Index which is a more intricate method of assessing emerging markets that are poised to break free from the middle-income trap and their potential. A group of economists headed by Hawksworth (2014) developed the ESCAPE Index as a means of providing insight how effectively emerging markets could avoid being caught in the trap. The index comprises of 20 critical indicators across five areas, namely economic growth and stability, social progress and cohesion, communication technology, political, legal, and regulatory institutions, as well as environmental sustainability.

2.6 Criticisms

Certain studies have been conducted with the aim of demonstrating that the middle-income trap does not have a factual basis. Common arguments include the perception of how the rate of transition from middle- to high-income is often viewed as lethargic, evidence suggests that this process is not on average any slower than other transitional phases (Im and Rosenblatt, 2014). It is also notable that "escapees" grew at a faster pace, even when they were at lower income levels, suggesting speed of growth is more in determining a country's capacity to achieve high-income status than the time it takes to transition (Bulman, Eden, and Nguyen, 2014).

As a historical concept, the middle-income trap may not be fully applicable to the current economic landscape. Countries that had problems before the beginning of this century are frequently referred to as cases of being stuck in the middle-income trap and although some have performed well in the past decade, it is uncertain if they have made the necessary adjustments to truly overcome the middle-income trap. Additionally, there is uncertainty regarding whether countries that heavily depend on resource exports and the growth of primary industries, driven by strong demand resulting from China's economic growth, will have sustainable growth to achieve high-income status. In the past, there have been cases where a country has attained a high-income status in a temporary manner, only to subsequently revert to a lower income level such as Venezuela (Cai, 2012).

The middle-income trap faces criticism not just concerning its existence but rather pertains to the lack of consensus over its definition and the methods used to explore and comprehend it. Although certain studies strive to address these concerns with increased rigor and precision, the parameters utilized often exhibit a degree of arbitrariness, and on occasion, it appears that methodological and definitional choices are influenced by the research objectives (Larson et al., 2016).

3. Policy proposals to escape

Analogous to the unsettled debate on the precise definition of the middle-income trap, the inquiry into the reasons why countries succumb to it remains unresolved. Scholars identify a wide range of diverse factors that may contribute to the phenomenon.

Gill and Kharas (2007) proposed six factors: trade and technology, ideas and innovation, finance and risk management, cities and liveability cohesion and equality, and corruption and accountability. In 2015, three new factors which had not originally been paid sufficient attention according to the authors were added: demography and aging, entrepreneurship and startups, and external commitment and regionalism.

Regarding trade and technology, it is argued that middle-income countries are more probable of maintaining their competitiveness in a select number of sectors where they can benefit from economies of scale when exporting. These economies of scale can be realized in specific product categories or through the provision of services such as efficient logistics, which are crucial for companies' global value chains. Furthermore, such services often derive further benefits from agglomeration effects in urban centers.

The aforementioned proposition appears to be true; the level of international trade continues to rise and there exists a strong correlation between trade and economic growth. Despite the imposition of increased trade barriers by leading economies, global trade continues to grow each year, as can be seen in the graph below (World Trado Organization, 2022).

World merchandise trade volume, 2015 Q1 to 2023 Q4.

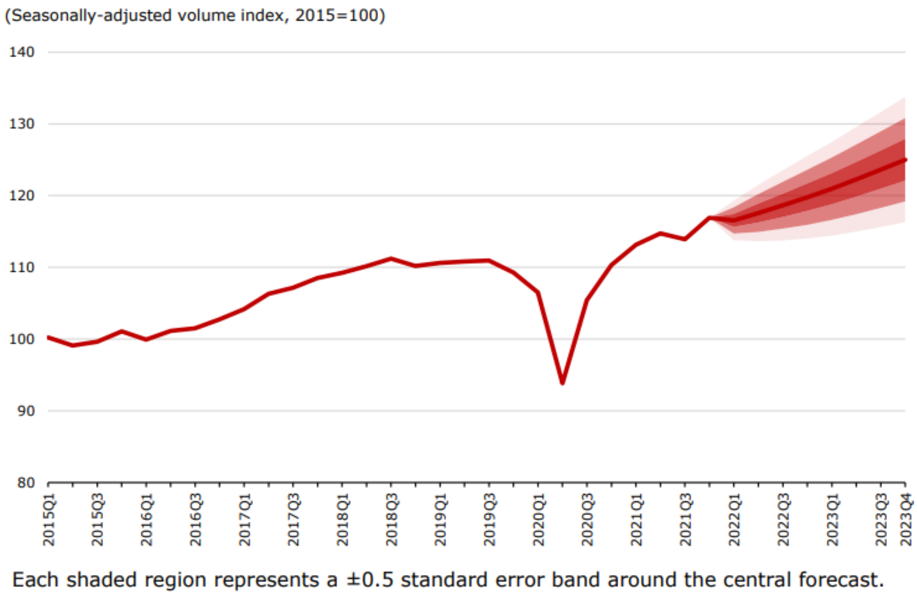

Figure 5. Quarterly world merchandise trade volume from 2015 to 2023 (World Trade Organization, 2022).

Moreover, diversifying the export basket and producing more sophisticated products that require a higher level of skills and capabilities are among the most direct paths towards achieving high-income status (Felipe et al. 2012)

The link between the MIT and ideas and innovation, emphasizes the significance of new capital investments and research and development (R&D) in the domestic spread of technology. A consistent rise in the middle-income nations' interest can be observed towards obtaining and spreading innovative technologies. Korea and Israel, both countries which escaped the trap, spent 4.8% and 5.8% respectively of their GDP on R&D in 2020. Despite this, it is crucial to acknowledge that investment does not necessarily entail results in this sector. For example, Japan ranked 7th in the world in relation to the percentage of GDP spent in 2019 (OECD, 2022) but was in that same year 26th in entrepreneurship (Szerb, Lafuente, Márkus, & Acs, 2019) and 16th in global innovation index (Cornell University, INSEAD, & WIPO, 2019).

Gill and Kharas proposed middle-income countries should strive towards more flexible exchange rates and developing local financial markets to allow firms more opportunities to hedge forex risk. The IMF has observed many countries revising prudential requirements to improve financial sector liquidity, solvency, and risk management. While there have been bouts of volatility, there has been a trend towards liberalization of capital transactions.

Cities and urban agglomerations are deemed essential for development by many. On the one hand, they create social and economic opportunities for individuals and companies alike (Fuller and Romer, 2014). Benefits include a greater exchange of ideas (which feeds into innovation), a reduction of transport costs when transferring goods and a larger pool of skilled individuals.

The implementation of fiscal transfers to expand access to social services for a larger segment of the population in order to reduce the global trend of inequality (Hung, 2021) stemming from changing growth and urbanization strategies is another policy proposed.

The last proposal is a reinforcement on the fight against corruption. In MICs, this challenge is, in many cases, complicated by the existence of a parallel transition towards democracy and decentralization, without strong institutional structures to support these changes.

SECTION V: RESULTS

1. Vietnam

Vietnam's economic transformation since the 1980s has been characterized by a series of comprehensive reforms and strategic initiatives that have played a pivotal role in propelling the nation towards sustained economic growth and enabling it to transcend the middle-income trap.

1.1 GDP & GDP per capita in current USD

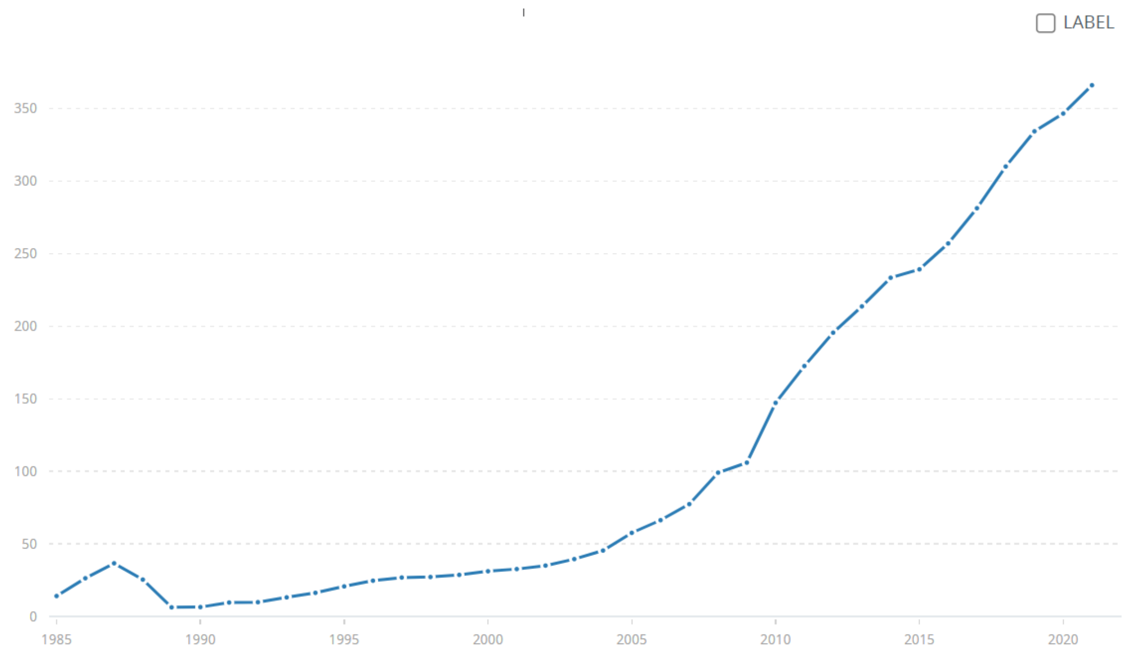

Figure 6. Historical evolution of Vietnam's GDP in current USD (The World Bank, 2021).

The graph above shows the evolution of Vietnam's GDP during the last 38 years. During this period, GDP has followed a generally positive slope, with the exception of 1988 and 1999, where after some years of growth, this value dropped 82% from over $36 billion to $6.29 billion in two years.

Subsequently, the data shows a slow but steady growth which allows for 1987 levels to be exceeded in the year 2003. From there on, GPD levels have continued soaring until today. Notably, Vietnam's GDP growth was relatively unaffected by the 2008 global financial crisis, with the country experiencing double-digit growth rates in 2010. However, the COVID-19 pandemic had a significant impact on Vietnam's economy, with GDP growth dropping to 2.9% in 2020, which constituted a noteworthy deceleration in the rate of economic expansion that had been observed in this country during the preceding decades.

Vietnam's economy has grown at an extraordinary rate. The country's GDP reached $366 billion by 2021, representing an average annual growth rate from 2000 until 2021 of 6.27% over the past two decades (Trading Economics, 2023).

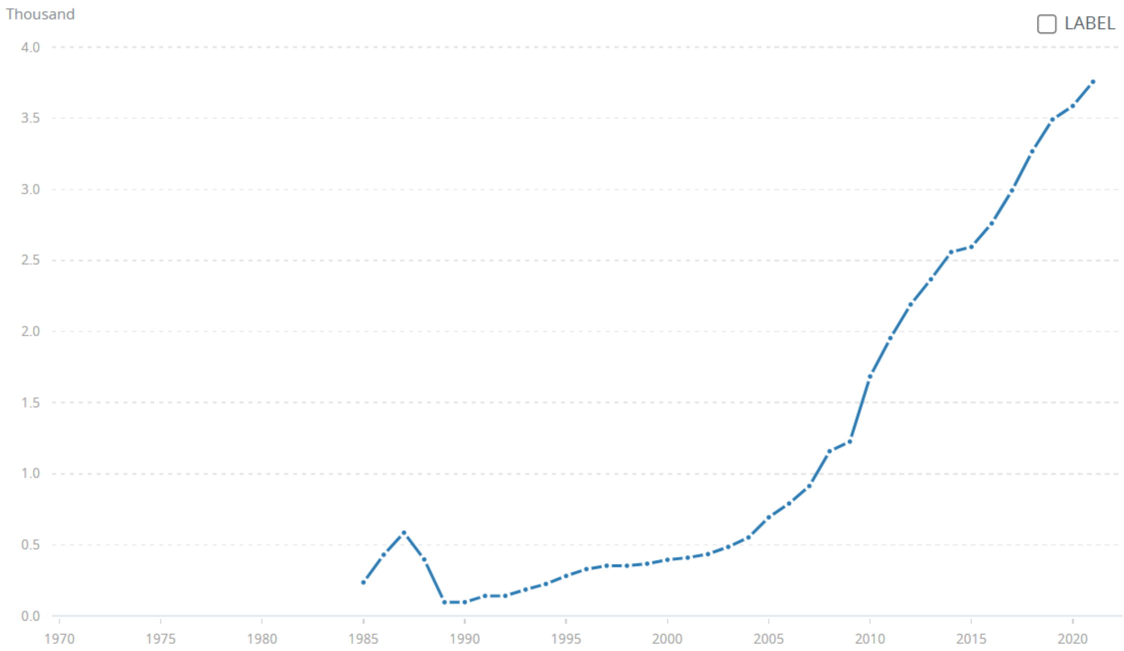

Figure 7. Historical evolution of Vietnam’s GDP per capita in current USD (The World Bank, 2021)

The chart above displays the GDP per capita of Vietnam from 1970 to 2021 in current US dollars. The line graph shows a general steady increase with inconsistent growth rates.

In 1970, Vietnam's GDP per capita was $94.1, this number remained relatively stagnant until the middle of the 1980s, when it began to increase, rising from $96.7 in 1990 in to $394.6 in the year 2000.

During the first five years of the millennium, growth in Vietnam’s GDP per capita slowed down slightly, to then increase in the following years significantly. From 2005 to 2019, Vietnam's GDP per capita increased by over 250%, rising from just under $700 to over $3,500.

Notwithstanding, despite the overall upward trend and seemingly notable figures, Vietnam's GDP per capita is still relatively low compared to other countries in the region. For example, its GDP per capita is significantly lower than that of Thailand and Malaysia (International Monetary Fund, 2023).

1.2 Đổi Mới policy

During the 1980s, Vietnam embarked on the Đổi Mới policy, which initiated a series of economic and political reforms by the Vietnamese Communist Party as a response to the economic stagnation and social challenges faced by the country after the Vietnam War such as low productivity, and widespread poverty. The policies implemented transformed the economy from a centrally planned model to a market-oriented vision, without dismissing the values and structure of the socialist political system (Tsuboi, 2007).

Key reforms were put in place in various sectors as a result, notably in agriculture, foreign investment, public spending, and finance.

There was a transition from collective[1] to individual farming, thanks to which farmers had a greater autonomy, secure access to lands thanks to the introduction of long-term rights, and agricultural cooperatives were established to facilitate collective actions. There was also a diversification of crops, encouraging the cultivation of high-value cash crops, and moving beyond traditional crops. These changes increased agricultural productivity and enabled a shift from subsistence farming to commercial agriculture, improving the livelihood of farmers (Kien & Heo, 2008).

Foreign investment under the Đổi mới policy played a pivotal role in transforming Vietnam's economy (Tan & Fukushima, 2010). Investment promotion agencies dedicated to make the process of investing in the country seamless were established to attract and retain foreign investors, while opening the economy to international actors through incentives such as tax reductions, and the streamlining of bureaucratic procedures (Dollar, 2002).

As a result, a significant increase in FDI inflows was witnessed (Tan & Fukushima, 2010), particularly from East-Asian, European, and North American companies focusing on manufacturing, textiles, electronics production; accompanied by an influx of advanced technologies, production techniques, and managerial know-how, which enabled knowledge spillovers and the transfer of technologies and skills to local firms (Beresford, 2008).

In the case of state-owned companies, the Đổi mới policy various transformations took place such as their partial privatisation and professionalization (Andres-Hoang, 2019). These entities were encouraged to adopt market-oriented practices to become more efficient, better respond to customer needs and align their production and services with market forces. This way, they would be able to contribute to the country’s overall economic growth.

[1] Land and resources were owned and managed collectively.

Trade liberalization was a significant aspect of the Đổi mới policy (Tan & Fukushima, 2010). Key developments in this included a reduction of trade barriers, regional and international trade agreements actively pursued to expand market access and promote trade[2], and the adoption of export-oriented policies. As a result, Vietnam became truly integrated into global value chains, increasing export volumes, and facilitating contributing to a more integrated and interconnected economy.

The financial sector reforms aimed to foster a more efficient and competitive environment which enhanced capital mobility (Thanh, 2011). The objective was achieved through the enhancement of the banking sector through mechanisms such as the merging of banks, the establishment of the Ho Chi Minh City Stock Exchange (HOSE) and the Hanoi Stock Exchange (HNX) during the 1990s, and the strengthening of financial institutions (Leung, 2009).

The comprehensive set of reforms encompassed in the Đổi mới policy had numerous long- and short-term effects, laying the foundation for Vietnam's exponential long-term economic growth and positioning as one of the fastest-growing economies in the region.

In the short term, one of the immediate outcomes was the acceleration of the economic growth (Diez, 2016), stemming from this shift from a centrally planned to a market-oriented economy. Moreover, the combination of GDP growth rate the agricultural reforms and the increase of job opportunities, contributed to lifting millions of Vietnamese citizens out of poverty (Gaiha & Thapa, 2007), specially through their employment in export-oriented industries.

This movement also accelerated urbanisation and industrialisation in the country (Drakakis-Smith & Dixon, 1997), while creating industrial parks which led to a development of industrial clusters and urban centres (Van Thuy, 2020). This process also reinforced a further creation of employment opportunities, attracted rural migrants to urban areas, and fuelled urban infrastructure development.

1.3 Structural Transformation

Overall, Vietnam's structural transformation over the decades has been characterized by a shift from an agrarian economy to a more industrialized and globally integrated

[2] ASEAN (1995), AFTA, CPTPP/EVFTA (desarrollar primeros dos y uno de los últimos dos en pie de página)

economy. As seen in the previous subsection, the Đổi mới policy in the 1980s was at the origin of the revitalisation of the Vietnamese economy, as well as promoting and increase in the industrial sector in detriment of agriculture, forestry, and fishing.

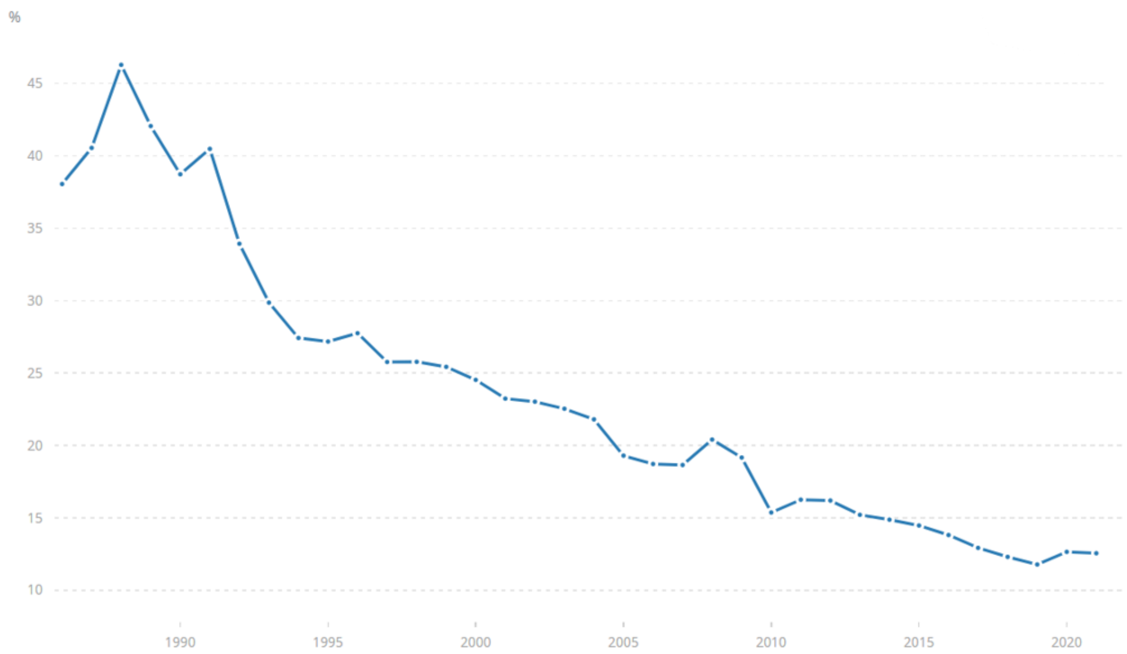

Figure 8. Agriculture, forestry, and fishing, value added (% of GDP) – Vietnam (The World Bank, 2021).

Vietnam has seen a gradual decrease in the relevance of agriculture, forestry, and fishing, as well as livestock production.

Throughout the 1980s, the primary sector constituted a considerable portion of Vietnam's gross domestic product (GDP). This importance was exemplified by a notable peak in 1988, where these activities accounted for a substantial 46.3% of Vietnam's GDP. However, this peak served as a turning point, as a subsequent declining trend became apparent. The primary sector gradually began to relinquish its share in the country's economic output, marking a shift in the composition of Vietnam's GDP during that period.

Despite experiencing a significant reduction in the 1990s, the decline in the primary sector's contribution to Vietnam's GDP has eased in the 21st century. As of 2021, the primary sector still constituted 12.6% of Vietnam's GDP, indicating a relatively stabilized position within the country's economic output.

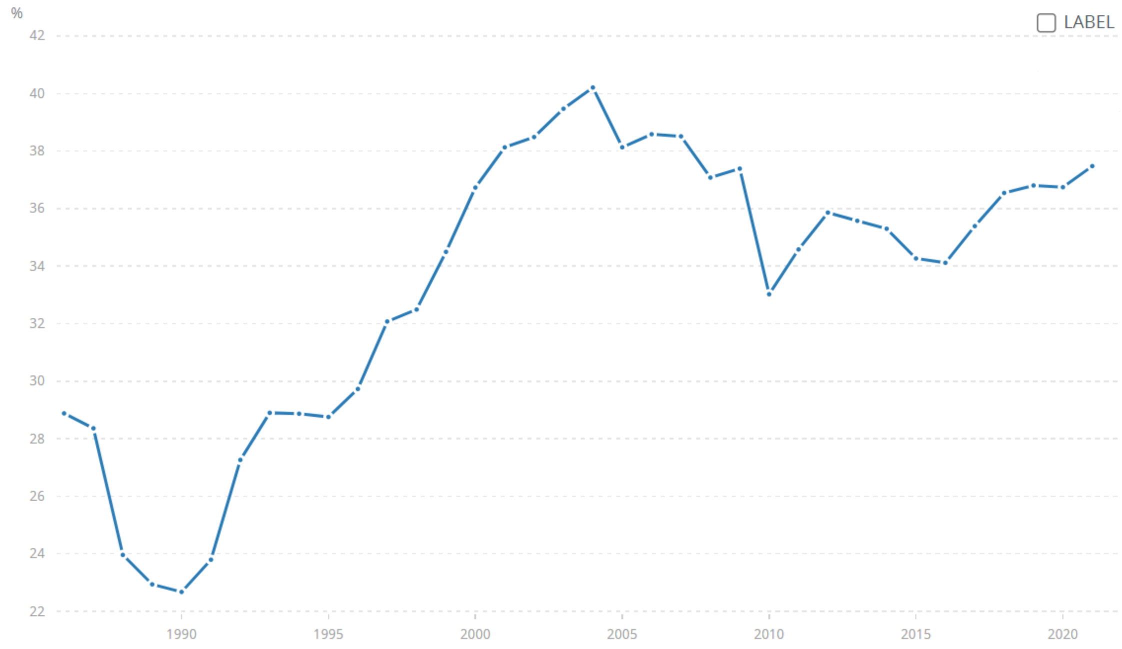

Figure 9. Industry (including construction), value added (% of GDP) – Vietnam (The World Bank, 2023).

The industrial sector in Vietnam has had more fluctuations in its evolution than the primary sector during the past decades. Although it represented a 28.9% of GPD in 1986, it experienced a significant downturn in the second half of the 1980s, reaching its all-time low in 1990 where industry represented 22.7% of GPD.

The implementation of the Đổi mới policy brought about a series of extensive changes aimed at transitioning Vietnam from a centrally planned economy to a more market-oriented system. These changes included the introduction of market mechanisms and the dismantling of state-owned enterprises that had long dominated the industrial sector (Andres-Hoang, 2019). However, these disruptive measures led to a sharp decline in the industrial sector during the latter half of the 1980s. This decline reflects the complexities and difficulties associated with the transition process.

The industrial sector rebounded after 1990, achieving 1986 levels by 1993. Although there was a slight stagnation period of two years after this, the value added of these activities continued to grow until 2005, where Vietnam's industry reached its historical maximum, becoming 40.2% of GDP.

There was a marginal decrease observed in the subsequent years following the peak, and a dramatic fall in 2010. This mainly occurred due to the global financial crisis that started in 2008, which had a profound impact on economies worldwide and led to a decrease in global demand for goods and services, causing a contraction in Vietnam's industrial production and exports.

The following years have been characterised by moderate fluctuations, where the proportion of GDP represented by the industrial sector has varied between 34% and 37%.

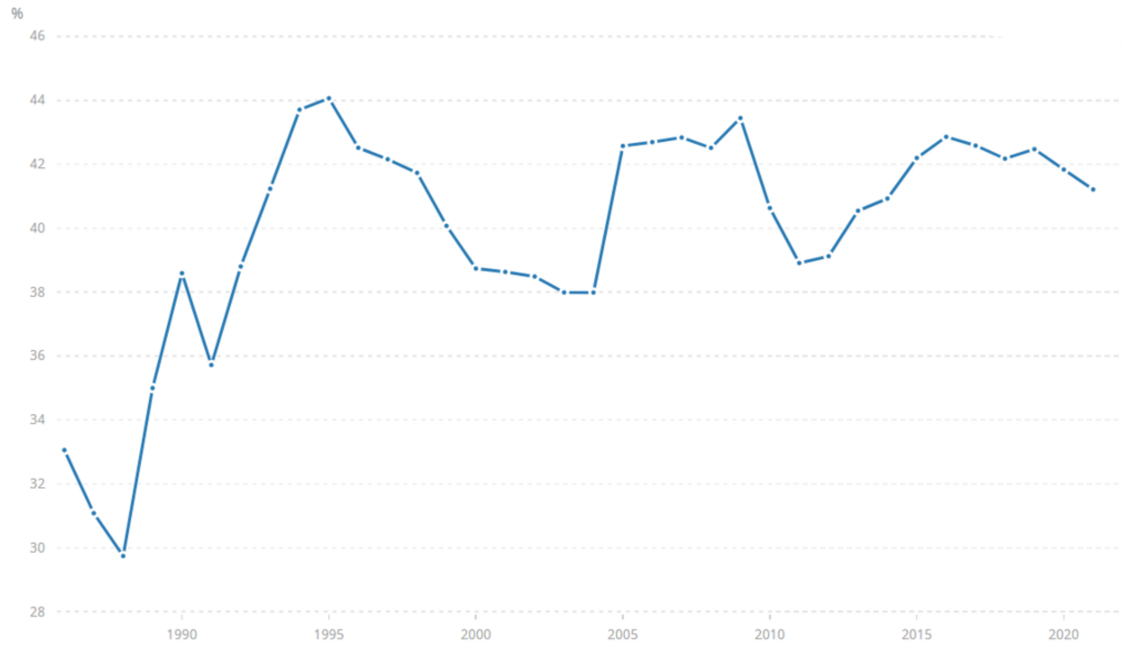

Figure 10. Services, value added (% of GDP) – Vietnam (The World Bank, 2023).

The services sector in Vietnam exhibited substantial fluctuations during the latter half of the 1980s. It underwent a remarkable transformation, progressing from comprising less than 30% of the country's GDP to reaching 38.6% within a span of two years. Following a transient downturn in 1991, the sector resumed its trajectory of exponential growth, attaining a share of 44% in 1995.

Since then, the proportion of this sector has fluctuated, consistently remaining between 38% and 44%. Notably, the remarkable expansion observed in 2005 can be attributed, among other factors, to a significant influx of tourists and foreign visitors (Mitchell & Phuc, 2007). This surge in tourism played a pivotal role in propelling the growth of service-related industries, including hospitality, travel agencies, and restaurants.

Conversely, it is worth highlighting the subsequent decline following the global financial crisis of 2008, decreasing 5% in two years. As of 2021, the services sector accounted for 41.2% of Vietnam's GDP.

The shift in the sector's contribution to Vietnam's GDP exemplifies the country's overall economic advancement and the evolving composition of its economy. Vietnam has achieved significant strides in expanding its economic foundations, fostering the growth of manufacturing sectors, and cultivating a service-centric economy. Nonetheless, the government appears to acknowledge the significance of upholding the stability and sustainability of the agricultural sector, which plays a crucial role in guaranteeing food security, generating employment prospects, and sustaining the livelihoods of rural communities.

1.4 Human Capital Development

Human capital development in Vietnam has undergone significant evolution over the past decades.

Vietnam has made remarkable progress in expanding access to education, especially during the 1980s and 1990s (London, 2006). The government implemented policies to increase enrolment rates at all levels. This led to a significant increase in literacy rates and a higher percentage of the population with formal education. The current literacy rate in Vietnam is 97.75%. (Global Data, 2022)

In the 2000s, Vietnam underwent reforms in higher education to align with global standards and enhance the quality of tertiary institutions (Doan, Tuyen, & Quan, 2016). The government invested in upgrading university infrastructure, promoting research and innovation, and strengthening collaborations with foreign universities. This resulted in improvements in the quality and reputation of Vietnamese universities.

Vietnam has acknowledged the significance of entrepreneurship and innovation in enhancing human capital development. In response, the government has initiated measures and initiatives to encourage entrepreneurship, bolster startup ventures, and stimulate innovation-focused sectors. Notable examples include Project 844, an endeavour initiated by the Ministry of Science and Technology (UNESCO, 2020). This has led to a growing startup ecosystem (Phan, 2021)and increased emphasis on creativity and critical thinking in education.

Alongside educational advancements, Vietnam has made progress in improving healthcare and public health. The government has invested in healthcare infrastructure, expanded healthcare coverage, and implemented disease prevention and control programs

(Ekman, Liem, Duc, & Axelson, 2008). As a result, life expectancy has increased to 71 years of age, infant mortality rates have declined, and overall health indicators have improved (The World Bank, 2021).

1.5 Trade Integration and Globalization

By embracing the globalisation process, Vietnam has been able to enhance its economic competitiveness, mainly through foreign investment & the integration of its economy in global value chains.

Foreign investment played a crucial role in establishing export-oriented industries in Vietnam. During the 1980s, with the establishment of the Đổi mới policy, the country opened its economy to foreign actors in order to attract foreign investors. The establishment of the Vietnam-Singapore Industrial Parks in 1996 is a notable example of how this fostered the creation of industrial parks where manufacturing facilities were established, and foreign know-how was introduced (Yeoh, How, & Leong, 2005).

During the following decade this type of investment played a pivotal role in the development of the garment and textile industry in the country. Companies from regional countries heavily invested in textile factories, expanding exports, and establishing Vietnam as a competitive player in the global textile market (Smith, 1996).

With the turn of the century, foreign investment also shifted its main destination. Despite the fashion industry remaining strong with the establishment of footwear factories, a portion of FDI shifted towards technology (Tran, 2008). Electronic companies such as Samsung, LG, and Intel established their semiconductor and mobile phone factories in this country. Once again, the introduction of foreign know-how, along with the characteristics of the Vietnamese reality at the time, positioned the country as a global player, in this case, in the technology sector.

Vietnam has also actively participated in regional and global trade agreements to foster economic growth, expand market access, and strengthen its position in the global trading system such as the ASEAN Free Trade Area (AFTA) (Malaysian Government, 2023) which aims to “eliminate tariff barriers among the Southeast Asian countries with a view to integrating the ASEAN economies into a single production base and creating a regional market of 500 million people” (ASEAN Secretariat, 2002).

Furthermore, Vietnam has also engaged in bilateral and multilateral agreements to broaden its trade relations. These include the Comprehensive and Progressive Agreement for Trans-Pacific Partnership (CPTPP) (Australian Government Department of Foreign Affairs and Trade, 2023) in 2019 and the European Union-Vietnam Free Trade Agreement (EVFTA) in 2020 (European Commission, n.d.) among others. These agreements have played a vital role in Vietnam's economic growth and integration into the global economy.

In conclusion, the integration of Vietnam into global value chains has played a pivotal and indispensable role in the country's trade integration and overall economic development. Through active participation in these value chains, Vietnam has successfully expanded its manufacturing base, gained access to global markets, acquired valuable technological advancements and knowledge, and effectively attracted substantial foreign investment. Combined with the adhesion or creation of international agreements, this integration has yielded tangible outcomes, augmenting Vietnam's trade competitiveness and fuelling substantial economic growth and transformative changes across various sectors of the economy.

1.6 Institutional Reforms and Policy Shifts

Institutional reforms and policy shifts are ongoing processes on which the government continues to work on, improving the business environment and promoting economic development in Vietnam. Key reforms mainly include modifications of the administration, law and financial services.

In regard to administrative reforms, the main focus of these changes is the simplification of procedures, while enhancing the efficiency of public administration. Steps have been taken to streamline processes (Dollar, 2002), such as licensing and permits, though the establishment of one-stop shops and the digitalisation of certain government services (Blunt, Davidsen, Agarwal, Pfeil, & Schott, 2017).

Public sector reforms are also aimed at strengthening the professionalism and accountability of public agencies (Blunt, Davidsen, Agarwal, Pfeil, & Schott, 2017). Anti-corruption measures, such as the establishment of anti-corruption agencies[3]

[3] Various agencies are responsible for fighting against corruption. The Central Committee for Internal Affairs (CCIA), the Government Inspectorate, the State Audit, or the Party Inspection are some examples.

(Tromme, 2016), stricter enforcement, and the promotion of ethical standards, have been put in place. Despite progress, challenges remain in ensuring consistent implementation, addressing inefficiencies, and promoting transparency. The country currently scores a 44/100 in the Corruption Perceptions Index (CPI)[4] (Transparency International, 2022). Sustained dedication to administrative reforms is crucial for cultivating a business-friendly environment and facilitating sustainable economic development in Vietnam.

Legal reforms have also been implemented to create a favourable business environment. These modifications have focused on various areas of the legal framework, including land, intellectual property rights, competition, commercial law, and investment.

Land law reforms have been implemented since the early 1990s in order to reduce the inherent challenges to the modification of the land regime with the Đổi mới policy during the 1980s. Significant revisions were introduced in the 2003 Land Law on land use, allocation, leases, compensations and use planning. Further amendments have been made in subsequent years to address emerging land-related issues and improve land management practices (Kirk & Tuan, 2009).

Reforms on Intellectual Property regulation (IPR) began in the early 2000s with the Law on Intellectual Property, enacted in 2005 and subsequently revised. It serves as the primary legal framework for IPR protection. Amendments and revisions are periodically undertaken to harmonize with international standards and bolster the efficacy of enforcement mechanisms, although there is still a long way to go in the enforcement of these measures (Bosch, 2009).

In an effort to improve IPR enforcement and enhance compliance, Vietnam has also established specialized IPR units within the police force, customs, and market management agencies to combat infringement activities (Kenfox IP, n.d.).

Vietnam enacted its first competition law in 2005, establishing the legal framework where actors could operate in fair competition and prevention of anti-competitive practices would also exist (Le & Harvie, 2016). The Vietnam Competition and Consumer Protection Authority is the regulatory authority responsible for enforcing competition law

[4] The CPI ranks countries by their perceived levels of public sector corruption. The scale ranges from 0 (highly corrupt) to 100 (very clean).

in Vietnam. It investigates complaints, conducts inquiries, and takes legal action against anti-competitive practices (Ministry of Industry and Trade, 2020).

The financial sector has also been subject to reforms through the past decades in this country which initiated during the last twenty years of the 20th century with the Đổi mới policy. These modifications focused on the improvement of the supervision over bank entities and promoting risk management through actions such as the establishment of commercial banks, the implementation of prudential regulations, and the adoption of international accounting standards (Nguyen & Gong, 2012).

With the turn of the century, the focus shifted towards addressing non-performing loans and improving asset quality, as well as continuing to pursue the previous objectives (Do, Ngo, & Phung, 2020). Moreover, moving into the 2010s, Vietnam prioritized the growth and advancement of non-banking financial institutions and liberalising its foreign exchange market as the focal points of their efforts.

Currently the emphasis still rests on strengthening the financial regulatory framework but includes new methods to achieve this such as the development of microfinance institutions (Chau, 2011), the promotion of mobile banking, and initiatives to enhance financial literacy. An example of the latter in the integration of financial literacy education into the national curriculum for primary and secondary schools in Vietnam (Quyen & Thu, 2022).

This is how Vietnam has implemented reforms in different areas, aiming to create a better business environment that supports private sector engagement and encourages entrepreneurship.

1.7 Challenges & proposals

However, there are still challenges which persist and might affect the county’s future prospects. These challenges include income inequality, environmental sustainability, and the need to upgrade its industrial structure.

Although progress has been made in decreasing poverty rates, there remains a notable inequality in the distribution of income and inequality (KÊ, TỔNG CỤC THỐNG, 2012). To tackle this issue, efforts should be focused on promoting more inclusive growth and ensuring a more equitable allocation of resources. This can be achieved by enhancing social protection programs, improving access to quality education and healthcare, and reducing the disparity between rural and urban areas.

Vietnam is faced with the urgent challenge of environmental sustainability. rapid economic growth has brought about issues such as air and water pollution (Hoi, 2020) or deforestation. In order to address these risks and secure enduring economic and social prosperity, Vietnam must implement sustainable development practices related to cleaner energy use, environmentally friendly technologies, and addressing the root causes of these problems (Hoi, 2020).

Additionally, the role of institutional quality and governance cannot be understated when it comes to the creating of a flourishing business environment. Taking measures to strengthen the rule of law and improve transparency and regulatory frameworks will foster fair competition and further stimulate the expansion of the local and foreign private sector.

Vietnam's evolution from the 1980s to today is a testament to its resilience, determination, and strategic policy reforms. The country's sustained GDP growth, structural transformation, human capital development, trade integration, macroeconomic stability, institutional reforms, and focus on innovation have enabled it to escape the middle-income trap. Nevertheless, there are still obstacles to overcome, and Vietnam must persist in its reform endeavours to effectively tackle these challenges, ensuring that future development is inclusive, sustainable and socially responsible.

2. Brazil

2.1 GDP & GDP per capita in current USD

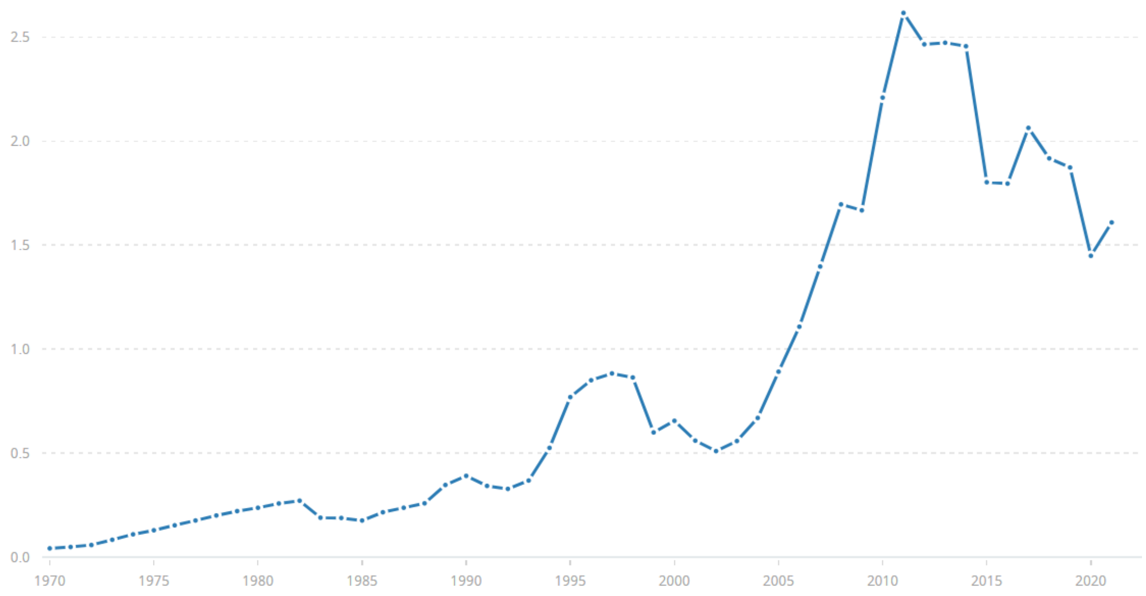

Figure 11. GDP (current US$) – Brazil. World Bank national accounts data, and OECD National Accounts data files.

The provided chart displays the evolution of Brazil's gross domestic product (GDP) in current US dollars from 1970 to 2021.

Upon examining the provided graph above, it becomes apparent that Brazil's Gross Domestic Product has been subject to an overall upward trend, although it has encountered periods of stagnation and contraction. Beginning in 1970 and continuing until the mid-1980s, Brazil underwent a phase of robust economic growth, with its GDP experiencing a rapid expansion. Notwithstanding, the country underwent a severe economic downturn in the late 1980s and early 1990s, marked by a confluence of high inflation rates, external debt, and economic stagnation. Consequently, Brazil's GDP witnessed a sharp decline during this period.

The critical situation reached its peak in the mid-1980s when Brazil was forced to suspend its debt payments and underwent a period of hyperinflation. The government's initial response proved to be ineffective in addressing the underlying causes of the crisis.

By the end of the 1980s, reforms aimed at stabilizing the economy began to be implemented, including the introduction of a new currency, the Real, in 1994 (Global Exchange , n.d.). The plan successfully reduced inflation and restored economic growth.

Brazil's economy recovered in the mid-1990s and continued to grow until the early 2000s.

However, in the late 2000s, the global financial crisis hit Brazil's economy, causing a decline in GDP. From the mid-2010s to 2020, Brazil's economy experienced another period of general decline in growth. and stagnation, largely due to political instability, corruption scandals, and weak economic policies. The COVID-19 pandemic also had a significant impact on Brazil's economy in 2020, causing a sharp decline in GDP (OECD, 2020).

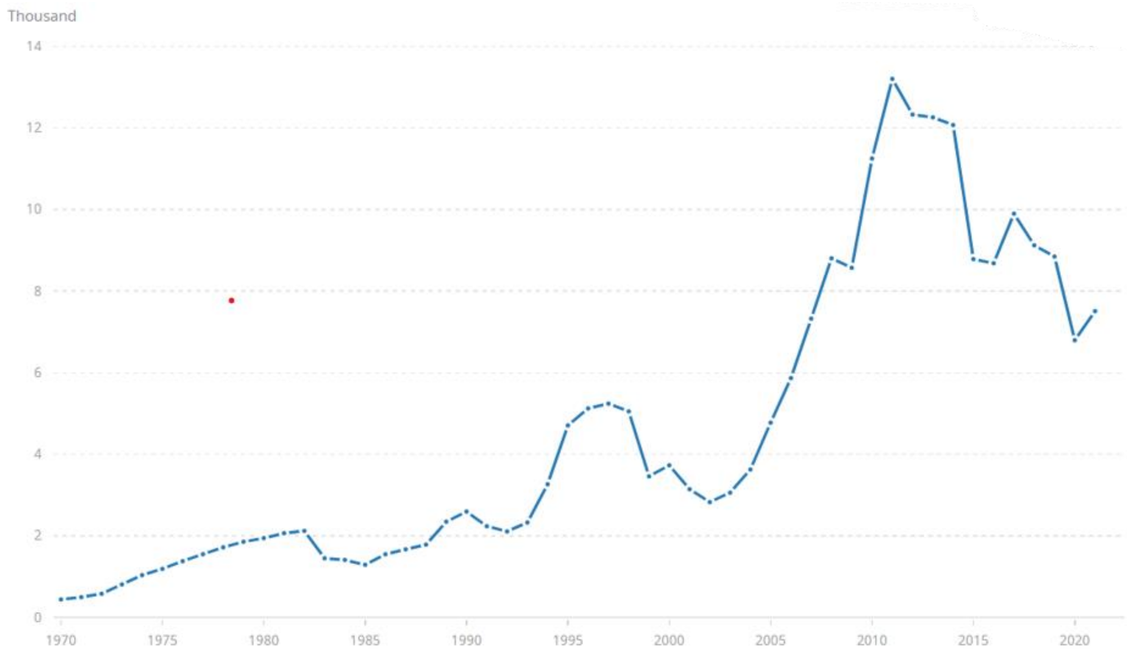

Figure 12. GDP per capita (current USD $) – Brazil (The World Bank)

The graph of Brazil's GDP per capita in current US dollars reveals some significant fluctuations over the past few decades.

From 1970 to the early 1980s, this variable grew slightly but remaining low, ranging between $1,000 and $2,000. After this, GDP per capita fell, remaining in a similar range, until surpassing 1983 numbers only in 1990.

A slight contraction during the first years of the 1990s was followed by exponential growth from 1992 to 1997, having achieved an increase of over 100%, (from $2,105 to $5,240). However, the aforementioned economic expansion proved to be non-sustainable, ultimately resulting in a decline in the Gross Domestic Product figure until the year 2002.

The most substantial increase in GDP per capita occurred in the early 2000s, with a peak of approximately $13,200 in 2011. However, since then, the GDP per capita has experienced a steady decline with some severe fluctuations. The GDP per capita reached a low of around $6,794 in 2020, indicating a considerable economic downturn.

2.2 Economic reforms

During the 1980s, Brazil suffered a period of hyperinflation due to numerous factors such as fiscal imbalances, excessive government spending, a large public debt, and external shocks such as oil price increases (Bittencourt, 2012). In 1986, the Cruzado Plan, was launched by the government in order to curb this situation through the freezing of prices and wages while introducing a new currency: the Cruzado (Baer & Beckerman, 1989).

The plan's positive impact was short lived and led to an increase in the presence of the black market, shortage of certain goods, amongst other while creating distortions and imbalances in the national economy. Consequently, inflation rose again (Baer & Beckerman, 1989).

A new plan was introduced in Brazil by President Fernando Collor de Mello to palliate the effects but also failed in the sense that it faced, as it disproportionately affected small savers and the middle class, leading to significant backlash, widespread protests, and political turmoil (Mérette, 2000).

The turning point in the Brazilian fight against hyperinflation came in 1994 with the Plano Real. This plan established yet another currency, the Real, to replace the Cruzeiro. The Real was introduced at a fixed exchange rate, backed by a currency board system which ensured a full convertibility to the U.S. dollar (Global Exchange, n.d.).

Other measures implemented through the Plano Real include inflation control through strict monetary policies, fiscal discipline, structural reforms to enhance economic efficiency, the stabilisation of prices (Sachs & Zini Jr, 2020). In regard to the social impacts of the Plano Real, on the one hand, it negatively impacted individuals with fixed incomes and savings denominated in the previous currency. On the other, the stabilization of prices and the reduction of inflation contributed to improving general purchasing power and economic conditions of the population in the long term (Modenesi & L., 2012).

Also in the 1990s, a wave of privatisation took over the country. The generalisation of the sale of state-owned enterprises in various sectors to private investors through auctions and public offerings reduced the burden on the state as well as its intervention, attracted both national and foreign investment and thus also improved efficiency in what would become key industries for Brazil[5] (Anuatti-Neto, Barossi-Filho, De Carvalho, & Macedo, 2003).

2.3 Structural transformations

The process of structural transformation in Brazil over the decades has been defined by the relevance of the value added to the country’s GDP percentage by the industrial sector until the early 1990s, which then drops in favour of the increase in the value added by services.

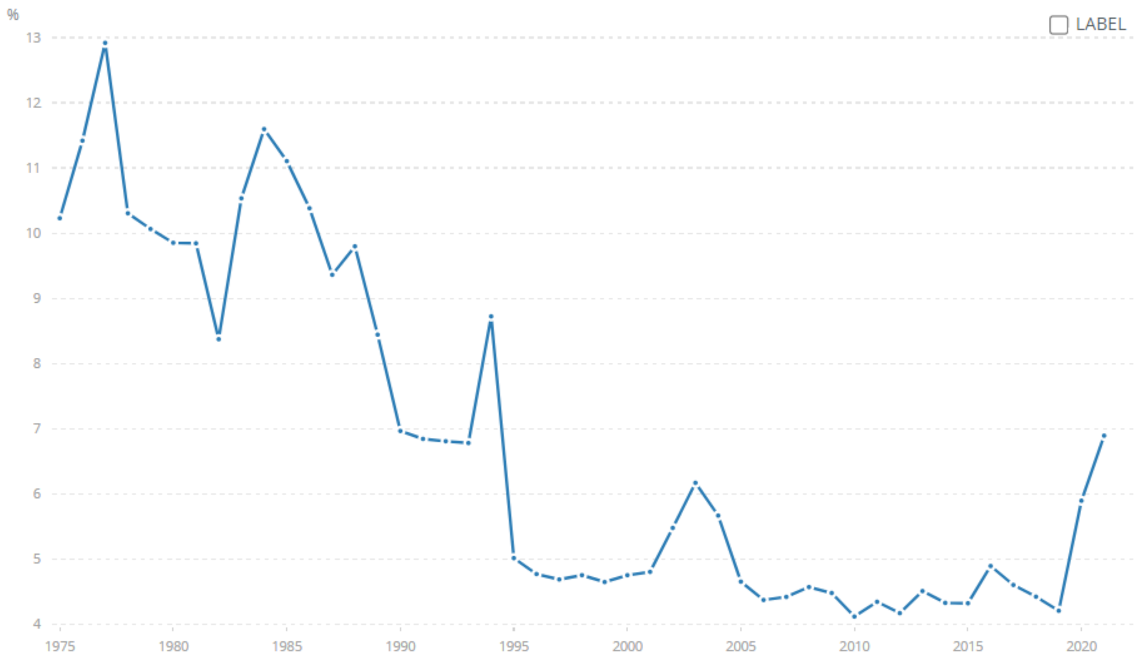

Figure 13. Agriculture, forestry, and fishing, value added (% of GDP) – Brazil (The World Bank, 2021).

As in most countries in the middle-income trap, Brazil has seen a progressive decline in the significance of the value added to its GDP from agriculture, forestry, and fishing, as well as livestock production. It is important to note that while the relative importance of the primary sector has declined, agriculture and other primary activities have been and remain crucial components of Brazil's economy today.

Since the year 1975, the maximum reached by these activities was 13% of GDP in 1977. After this, the figure dropped in the subsequent years, reaching a mere 8.4% of Brazil's GDP in 1982.

[5] Examples include the company now known as Companhia Energética de Minas Gerais S.A. which, although still controlled partly by the government of Minas Gerais, is responsible for managing the largest network of electricity distribution in South America (CEMIG , n.d.).

The following two years saw a new increase, reaching 11.6% in 1984, only to fall again until 1990. During the first three years of this decade, the contribution of the primary sector remained stable at 7%.

After a temporary increase in 1994, the figure dropped again to previously unseen levels. After these significant fluctuations since 1995, there was a relative stabilization in the contribution made by the primary sector. The figure remained between 4% and 5% from 1995 to 2019, with the exception of a peak between 2001 and 2005 when it reached 6.2%.

During the years 2020 and 2021, there has been an increase in the value added by these activities.

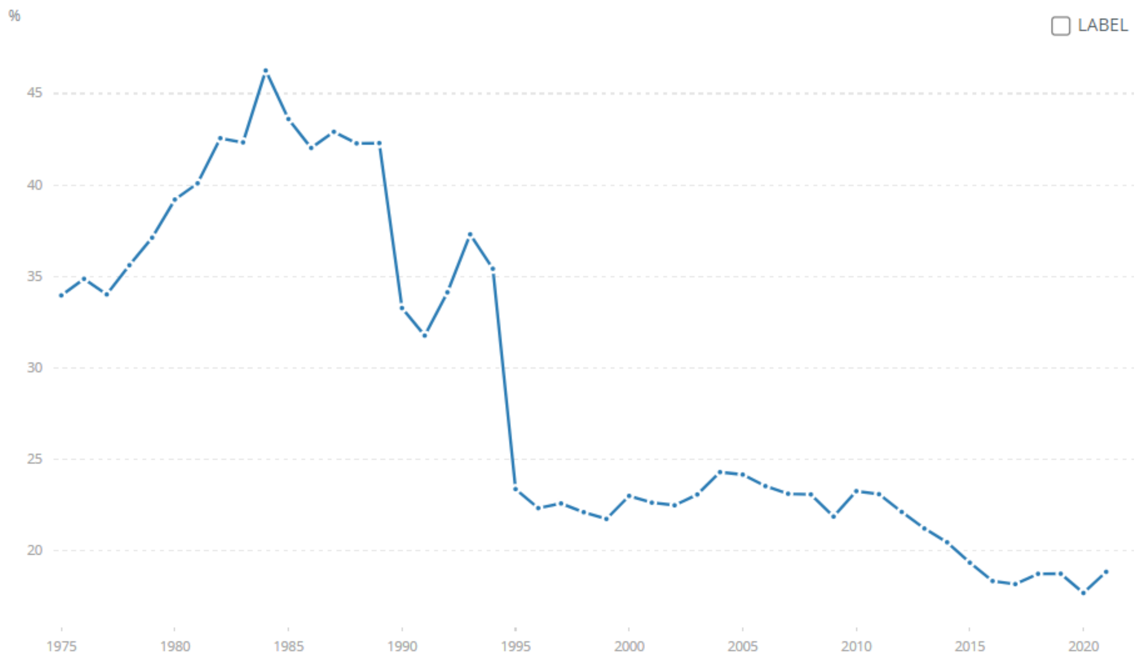

Figure 14. Industry (including construction), value added (% of GDP) – Brazil (The World Bank, 2021).

During the period of analysis, the industrial sector underwent notable transformations. It experienced significant growth until 1984, primarily attributed to the implementation of the Import Substitution Industrialization (ISI) Policy. This policy aimed to reduce the country's reliance on imported goods by fostering domestic production. To achieve this, the government introduced measures such as imposing high tariffs and implementing import restrictions to protect and stimulate domestic industries. Consequently, the industrial sector expanded considerably, leading to a substantial increase in its value added to the GDP (Cardoso, 2009).

Following the peak period, however, the value added to the GDP by the secondary sector witnessed a relatively consistent decline until 1995. Several factors contributed to this downward trend. Firstly, there was a gradual shift away from the ISI policy, as the government sought alternative strategies for economic development. Additionally, the appreciation of the Real currency and its impact on export competitiveness played a role in the sector's decline. Moreover, global events, such as the oil crisis, also had repercussions on the Brazilian industrial sector (Cardoso, 2009).

Despite these challenges, after 1995, the value added to GDP by the secondary sector stabilized within the range of 21% to 24% until 2014. This stabilization can be attributed to various factors, including the implementation of economic reforms aimed at liberalizing trade and attracting foreign investment. The government's focus shifted towards promoting an open market economy and enhancing competitiveness.

During the early 2000s, there was an increase in infrastructure investment in Brazil, characterized by the implementation of large-scale projects. There was a heavy government investment in transportation networks to expedite and foster economic growth and regional integration and communication (Sampaio & Daychoum, 2017) through projects such as the creation of the Trans-Amazonian Highway.

A gradual decrease and stabilisation can once again be observed from 2010 to today. In the early 2010s, although the focus was still on infrastructure, the main projects take on were related to major international events which were to take place in Brazil such as the 2014 FIFA World Cup and the 2016 Olympic Games.

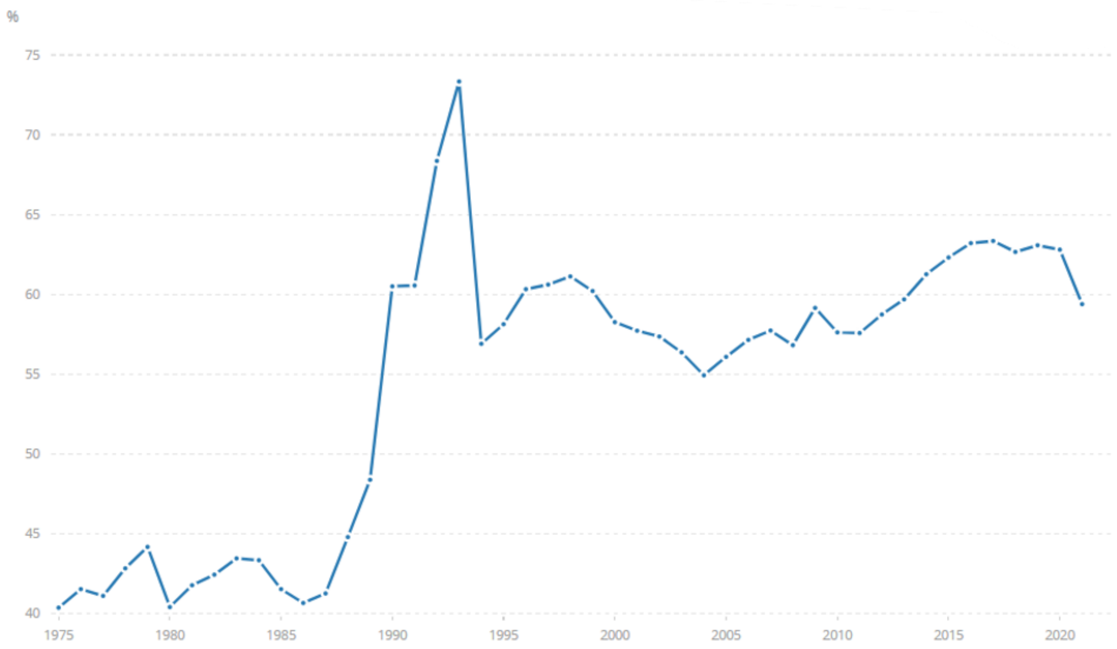

Figure 15. Services, value added (% of GDP) – Brazil (The World Bank, 2021).

The services sector in Brazil has exhibited different patterns of stability and growth over the years. During the 1970s and early part of the following decade, the services sector remained relatively stable at around 40% of GDP. The previously mentioned focus on the secondary sector and ISI policies during this time period (Cardoso, 2009) limited the importance of services. Data indicates the industrial sector played a dominant role in driving economic growth, while the services sector remained relatively stable.

However, after 1986, this sector skyrocketed from 40% to 73.3% in seven years. The 1990s witnessed rapid advancements in technology, particularly in information and communication technologies (ICT), facilitating the growth of service-based industries such as telecommunications, information technology, and financial services.

Moreover, this growth and its subsequent high value, although the figure declined after 1993, also has its origin in the changing of consumer patterns due to a process of urbanization and expansion of the middle class. These realities led to a greater demand from the general population for services such as education, healthcare, and entertainment.

Since 1994, the value added to GPD percentage by these activities has remained relatively stable, fluctuating gradually between 55% and 63%.

2.4 Human Capital Development

Brazil has made significant strides in human capital development during the past decades.

In terms of the education system, efforts were made to increase enrolment rates and improve literacy through the expansion of access to primary and secondary education during the 1980s. In the following decade, efforts in this area were greatly focused on que quality of education, which led to the establishment of the National Education Plan at the beginning of the next century (Kauko, Centeno, Candido, Shiroma, & Klutas, 2016).

Higher education also experienced notable transformations. During the 1980s, Brazil witnessed a growth in the number of universities and colleges present in its territory, leading to an increased access to tertiary education (Kauko, Centeno, Candido, Shiroma, & Klutas, 2016). In the 2000s, the government implemented affirmative action policies, including the establishment of quotas for racial and socioeconomic diversity, aimed at promoting access to higher education and addressing longstanding historical inequalities (Schwartzman & Paiva, 2016).

Bolsa Família, the conditional cash transfer program in Brazil, is closely linked to human capital development and the combat against poverty in the country since its implementation in 2003. President Luiz Inácio Lula da Silva's federal government brough together pre-existing cash transfer programs, and in their consolidation, created Bolsa Família (Inter-American Development Bank, n.d.),

The primary goal of Bolsa Família is to provide financial support to families living in poverty or extreme poverty conditions. Beneficiary families receive financial assistance on the condition that they fulfil certain obligations related to education and health such as regular school attendance or up-to-date vaccinations.

By incentivizing and promoting school enrolment and attendance, the program helps combat child labour, increases the chances of children completing their schooling, contributes to the development of a more educated and skilled workforce and aims to break the cycle of poverty and create positive long-term effects. This program has helped alleviate poverty and improve social conditions for millions of Brazilians (Inter-American Development Bank, n.d.).

2.5 Trade Integration and Globalisation

Since the 1980s, Brazil has experienced significant developments in terms of trade integration and globalization, trade policies and participation in international trade negotiations have evolved, reflecting the country's growing importance as a relevant actor on the global stage.

The economic challenges of the 80s translated into a promotion of domestic industries through import substitution industrialization (Cardoso, 2009). The protectionist approach limiting imports through high tariffs and trade barriers reduced dependence on foreign powers and encouraged domestic production.

However, there was a gradual transformation of the negative image of international trade during the following decade, when Brazil began to embrace a more open and outward-oriented approach to trade (Our World in Data, 2020). With the reduction of tariffs and the expansion of market-oriented economic reforms, benefits of international trade such as the transfer of technology and knowledge, access to new markets and the increase of competition were acknowledged.

During this time, Brazil actively engaged in trade negotiations through regional and international initiatives. The establishment of the World Trade Organization (WTO) in 1995 marked a significant milestone for Brazil, providing a robust platform for the country to actively engage with other nations in shaping and influencing global trade rules and allowing for the country's participation in key discussions which shaped the international trade landscape (World Trade Organization, 1992).

On the regional level, Brazil played a pivotal role in the creation of Mercosur ((eds.), Lorenzo, & Vaillant, 2003), a regional trade bloc comprising Brazil, Argentina, Paraguay, and Uruguay with the objective of promoting economic cooperation, increasing intra-regional trade, and strengthening ties among member countries.

Brazil has encountered economic challenges in recent years, including a slowdown in economic growth and political uncertainties, which have had an impact on its trade and globalization endeavours. However, despite these obstacles, Brazil has demonstrated a persistent commitment, reflecting the determination to maintain and strengthen trade partners and market expansion.

2.6 Institutional Reforms and Policy Shifts

The process of democratization in Brazil since has brought about substantial political reforms, paving the way from a military dictatorship to a more inclusive and participatory democratic political system (Mainwaring, 1986).

The democratization process empowered local governments and promoted citizen engagement, aiming to bring decision-making closer to the general population and address regional disparities in governance. It allowed municipalities and states to have a higher degree of autonomy in managing local affairs (Boschi & Diniz, 1983).

Electoral reforms, including the introduction of electronic voting in the 1990s, significantly bolstered democratic processes in Brazil. The adoption of electronic voting machines revolutionized the electoral system by streamlining vote counting and ensuring greater accuracy, while also enhancing transparency and achieving a reduction of the risk of fraudulent activities. In addition, campaign finance regulations have played a pivotal role in mitigating the impact of money in politics and fostering fair competition among candidates. Implementing stricter rules on campaign financing and spending limits has created a more equitable environment, diminishing the influence of affluent individuals and interest groups and promoting a level playing field for all participants.

Brazil has implemented several anticorruption measures throughout the years as part of its efforts to combat corruption and promote transparency.

Firstly, the Brazilian Constitution of 1988 provided a basic legal framework by establishing the principles of transparency, accountability, and public participation as the foundations of democratic governance. Moreover, laws have been enacted to further tackle the issue at hand such as the Administrative Improbability Law (Law No. 8,429/1992) (Adams, Sancovski, & Kanazawa, 2021) or The Anti-Corruption Law (Law No. 12,846/2013) (Magliarelli & Braga, 2022).

Brazil also created institutions responsible for preventing and investigating corruption which have been key in the fight against it. Notably, the Office of the Comptroller General (CGU) was created in 2001 to promote transparency, prevent corruption, and monitor public expenditures (Office of the Comptroller General, 1989).

At the international level, Brazil has actively engaged in international cooperation to combat corruption through the signature and ratification of international agreements such as the United Nations Convention against Corruption (UNCAC) (United Nations Convention Againsts Corruption, n.d.).

Financial sector reforms have also been implemented over the span of the past decades. Banking sector liberalization, financial market regulations and capital market development initiatives, such as the Novo Mercado segment, were introduced during the 1990s (Weschenfelder & Mazzioni, 2014). Further strides in aligning its risk management practices ensuring compliance with international standards were achieved through the Basel Accords (Bergess, 2012).

Additionally, efforts to promote financial inclusion and foster fintech development gained momentum in the 2000s and continued to evolve thereafter.

2.7 Challenges & proposals

Brazil has experienced periods of economic growth but has struggled to achieve sustained and inclusive development.

Corruption has been a persistent issue, eroding public trust, deterring investment, and diverting resources away from public services and infrastructure projects. Brazil scores a 38/100 in the Corruption perceptions index, placing it in the 94th position in the global ranking (International Transparency, 2022).

Inclusive development remains a pressing concern as Brazil grapples with income inequality, limited access to quality education and healthcare, and uneven distribution of resources. While progress has been made in reducing poverty, the gap between the rich and the poor persists. Targeted policies that address the true root causes of inequality, unlike the Bolsa Família, and promote inclusive development are essential to maximise the impact of programs.

Policy effectiveness poses another hurdle for Brazil's development. The nation has frequently encountered difficulties in effectively implementing and executing policies, leading to suboptimal outcomes and a squander of national resources (Salazar-Xirinachs, Nübler, & Kozul-Wright, 2014). To improve the effectiveness of policies, it is crucial to strengthen how policies are developed, implemented, and evaluated and use evidence-based decision-making, enhance coordination among public and private institutions and involve a wider variety of stakeholders. government entities and involving stakeholders.

Addressing these challenges is crucial for Brazil's sustainable development and its ability to overcome obstacles, foster societal progress, build a more equitable and prosperous future for its people in order to unlock the country's full economic potential.

3. TÜRKIYE

Türkiye's economic evolution since the 1980s has been marked by a sequence of wide-ranging reforms and strategic initiatives, which have played a crucial role in driving the country towards economic expansion.

3.1 GDP & GDP per capita in current USD

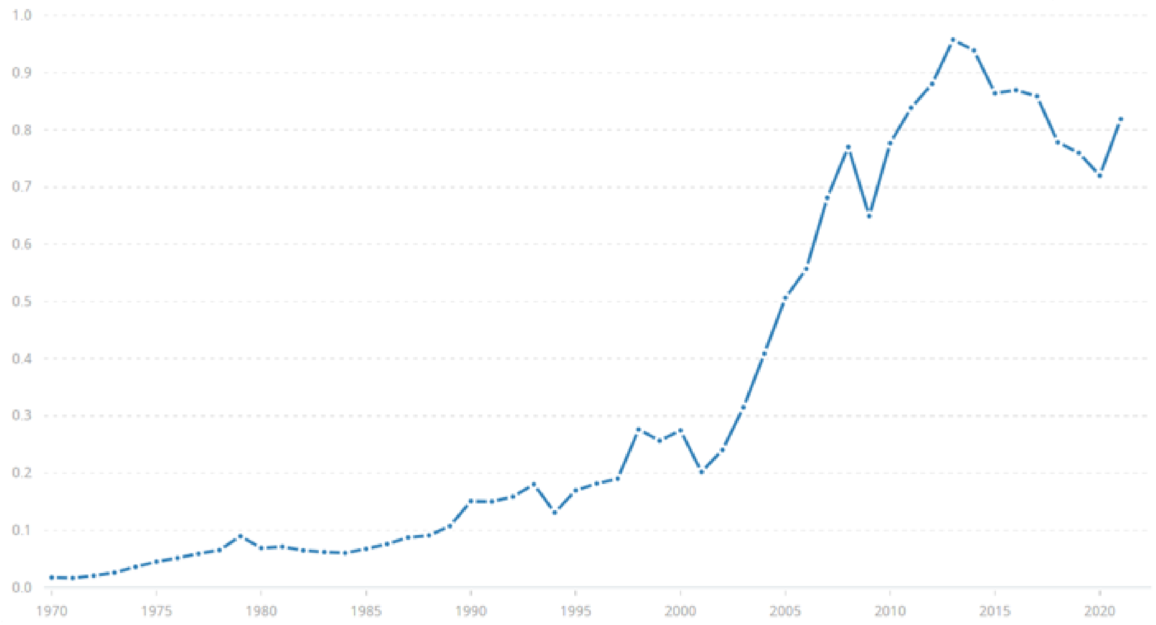

Figure 16. Historical evolution of Vietnam's GDP in current USD (The World Bank, 2021)

The graph above shows Türkiye's GDP historical progress. It illustrates a long-term trend of growth, with some fluctuations due to external factors. In 1970, GPD was $17.09 billion dollars. With minor fluctuations, it achieves $180.17 billion twenty-three years later, in 1993. In 1994 this figure decreased by 28% but then continued to rise until 1998.

Türkiye achieved an exponential growth from 2001 to its peak in 2013, with only the only decrease in 2009. During these 13 years, GDP went from 201.75 billion to 957.78 respectively, in other words, it more than quadrupled the amount.

However, the country's GDP experienced a dip from this year to 2020, dropping to a value of around $720 billion. Despite this setback in 2013-2019, the data points indicate that Türkiye's GDP has been increasing again since 2020. The GDP value for 2021 is estimated to be over $800 billion, demonstrating that the Turkish economy has been recovering from the earlier setback.

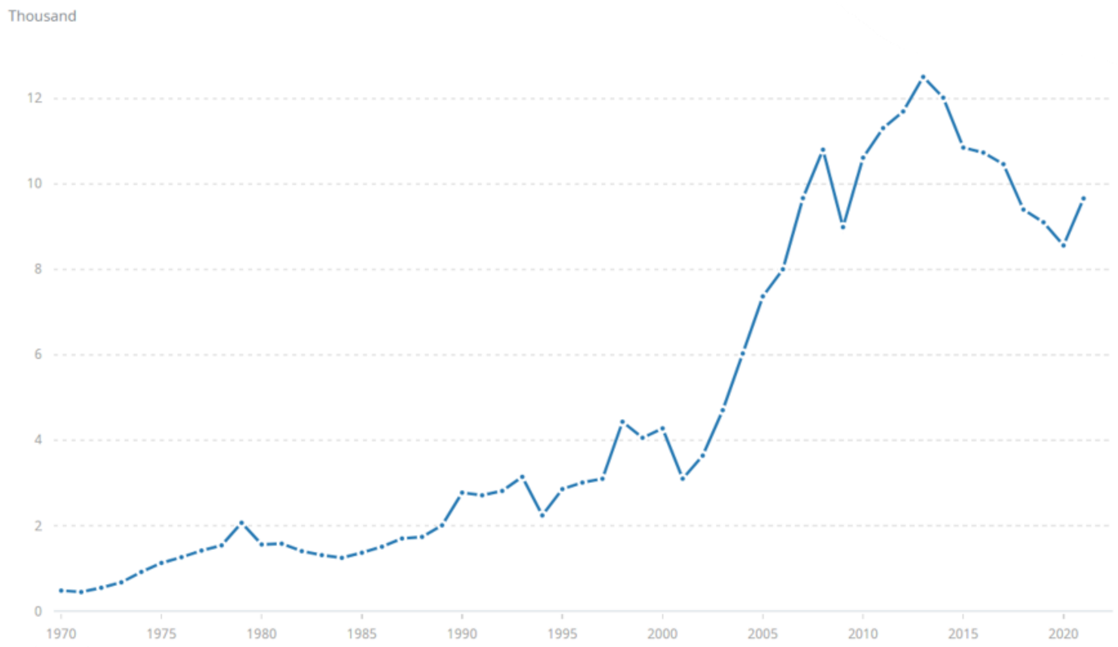

Figure 17. Historical evolution of Vietnam's GDP per capita in current USD (The World Bank, 2021)

During the 1970s-decade, growth increased steadily, reaching its peak in 1979, to then gradually enter a negative tendency during the next five years and then slowly improve. 1979 per capita GDP levels were surpassed for the first time in 1991. Throughout the 1990s and early 2000s, although following a rising tendency, economic growth suffered many fluctuations which led to a soar in growth from 2001 to 2008. During this period, GDP increased threefold, from $3,100.4 to $10,802.8.

With the 2008 crisis, the amount fell during the next year, but continued to rise until 2013, achieving the highest number recorded in Türkiye's history. However, the period between 2014 and 2017 was characterized by slower economic growth, which led to a decline in GDP per capita. In 2018 and 2019, Türkiye's economy faced significant challenges, resulting in a sharp decline in GDP per capita. Despite this setback, Türkiye's economy recovered in 2020 and 2021, with GDP per capita increasing once again.

3.2 Economic reforms

Before the 1980s, Türkiye's economy was characterised, like Brazil, by its generalised use of the highly regulated and protectionist approach of import-substitution strategy (Amelung, 1988). As in the South American country, the goal was to reduce dependence on imported goods by promoting domestic industries and shielding them from foreign competition.

Towards the end of the 1970s, Türkiye encountered notable economic difficulties, such as elevated inflation, a substantial public sector deficit, and imbalances in external trade. These challenges, compounded by mounting external debt and restricted entry to global markets, culminated in a severe economic crisis in 1980.

The crisis prompted a shift in economic policy, and Türkiye adopted a series of structural reforms to address these challenges and foster economic growth by opening the economy to global markets.

However, since then Türkiye’s economy has been characterised by a high level of inflation rates, achieving a record 105.21 % in 1994. In 2022, the Turkish inflation rate was 72.31%, which strongly contrasted with the global inflation rate that same year of 8.31% (World data, 2023).

Impacts of this include but are not limited to a reduction in purchasing power and real income, reduced investments due to uncertainty and unpredictability of future costs and revenues, and depreciation of the currency.

In Türkiye's case, sustained high inflation has historically contributed to the depreciation of the Turkish lira (Trading Economics, 2023). This has had both positive and negative effects. On the positive side, high inflation generally boosts exports by making (in this case) Turkish goods more competitive in international markets. However, it has also makes imports more expensive, leading to higher costs for businesses and triggering a trade deficit.

To mitigate the negative effects of high inflation, the government and central banks generally employ various measures, such as a tight monetary policy, adopting inflation targeting frameworks, pursuing fiscal discipline, or implementing structural reforms to improve productivity. However, since 2018 this has not been the case in Türkiye.

The Turkish Lira crashed by over 40% in 2022 due to the economic policies placed. Türkiye’s president Recep Tayyip Erdoğan. On the contrary to what economist around the globe have been doing to combat inflation (such as the Federal reserve) (Sherman, 2023), Erdoğan has taken the opposite approach and reduced interest rates under the premise that “The lower the interest rates, the lower the inflation will be” while vowing to continue to reduce these rates if re-elected (Dmitracova, 2023).

3.3 Structural Transformation

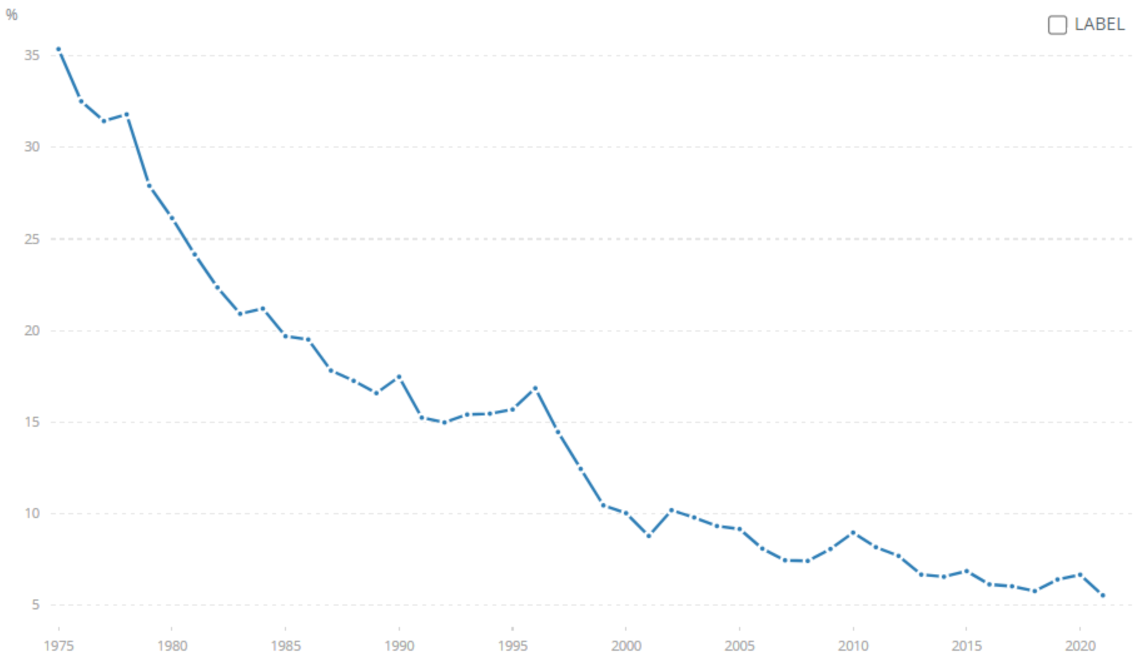

Figure 18. Agriculture, forestry, and fishing, value added (% of GDP) – Turkiye (The World Bank, 2022).

Similar to what was observed in the case of Vietnam, Türkiye’s primary sector follows a clear declining tendency.

In 1975, agriculture, forestry, fishing and livestock production represented a more than half of the country’s GPD, contributing a 54.9%. However, even before that, a declining trend in the relevance of this sector for Türkiye’s GDP was obvious.

The importance of these activities for Türkiye has undergone a dramatic decline over the years, indicating a shift in the country's economic structure. This transformation reflects the changing dynamics of the Turkish economy and its transition towards a more diversified and service-oriented model.

However, it is noteworthy that the pace of decline in the relevance of these activities has slowed down since the year 2000. With the turn of the century, the primary sector accounted for 8.8% of GDP and was 5.5% of GDP in 2021. This moderation in the pace of decrease suggests the sector has reached a level of stability nationally.

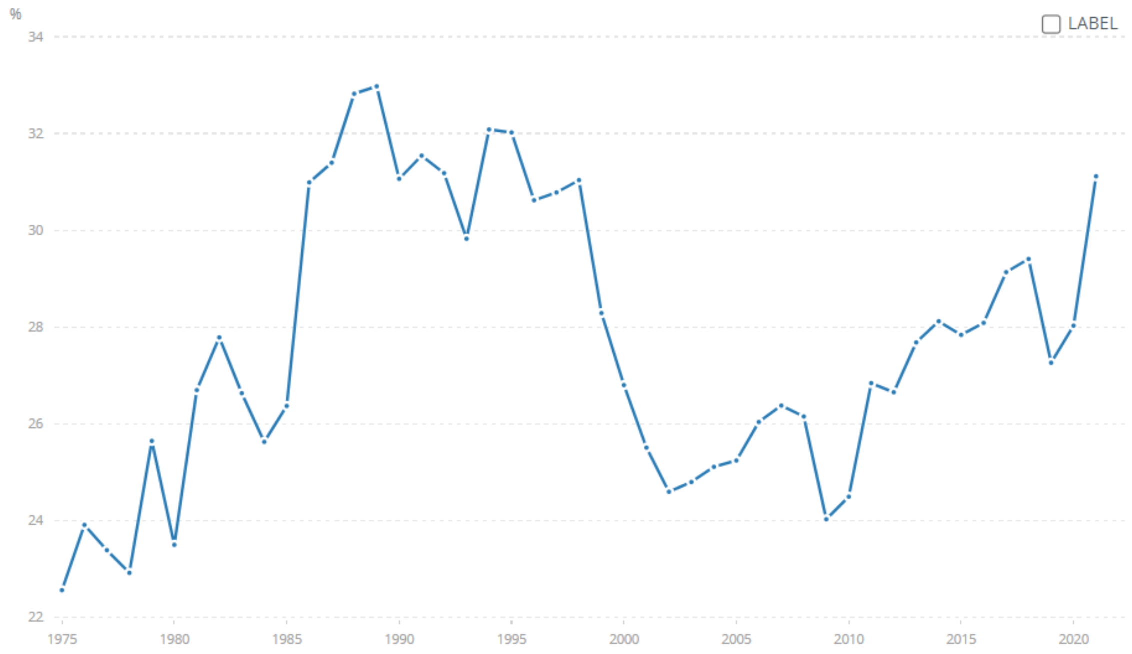

Figure 19. Industry (including construction), value added (% of GDP) – Turkiye (The World Bank, 2022).

Türkiye's industrial sector has had a greater number of fluctuations than the primary sector through its evolution during the past decades although the variations in absolute numbers are less than variations are less than Türkiye's primary and tertiary sector.

During the late 1970s and the first half of the 1980s, the contribution of the industrial sector to GDP in Türkiye was unstable, increasing and decreasing from year to year but overall showing a positive trend. For instance, in 1980, the value represented was 23.5%, increasing to 27.8% two years later, then falling to 25% two years after that, and reaching 31% in 1986.

Over the following 12 years, there was a certain level of stability, with the value added by these activities remaining between 30% and 33%. However, 1998 marked the beginning of a significant decline that lasted for four years; the industry's representation dropped from 31% to 24.6%. This was primarily due to the 2001 Turkish economic crisis and its prelude. Depreciation, high inflation rates, and the collapse of the stock market and Turkish Lira significantly impacted the industrial sector, leading to a contraction in production, thus decreasing the value added to GDP (Dufour & Orhangazi, 2009).

After this decline, there was a recovery that was subsequently disrupted by the 2008 crisis. Nevertheless, the recovery was swift, and in less than two years, the levels of 2008 were surpassed.

In recent years, the value added to Türkiye's GDP by the industrial sector has been growing, with the exception of a temporary decrease in 2019, followed by one of its highest year-on-year growth rates between 2020 and 2021. In the latter year, the figure reached 31.1%, surpassing the 30% threshold for the first time since 1998.

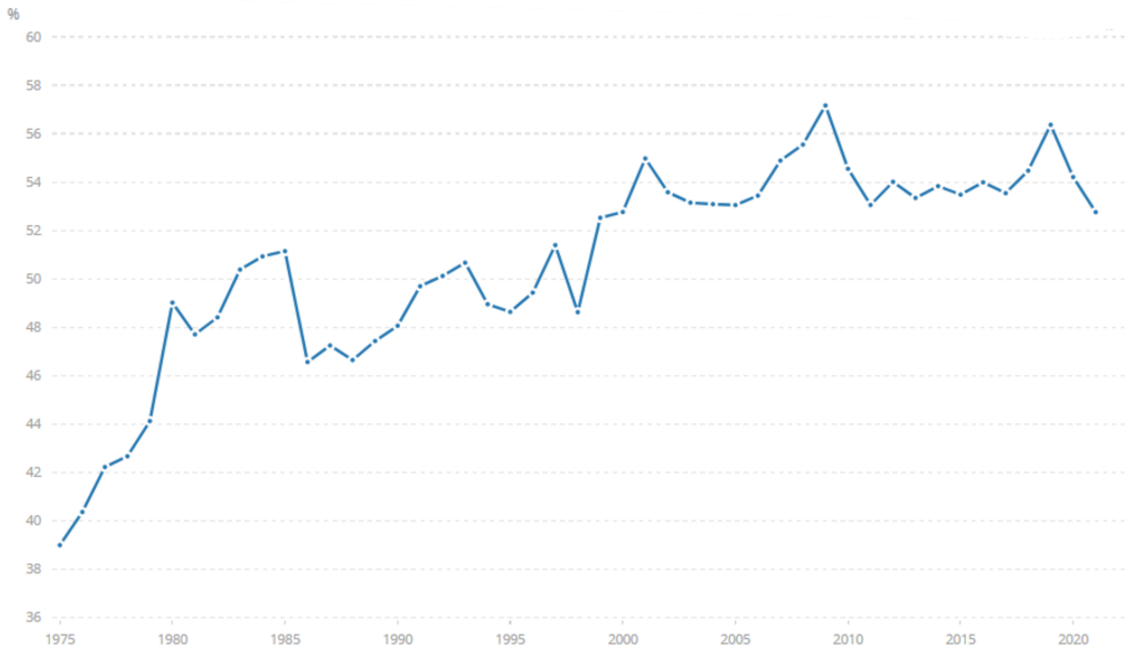

Figure 20. Services, value added (% of GDP) – Turkiye (The World Bank, 2022)

In the late 1970s, the services sector in Türkiye experienced a remarkable period of exponential growth. It witnessed a substantial increase from 39% of GDP in 1975 to 49% in 1981. This upward trajectory reflected the expanding role and contribution of services to the country's economy during that time period.

However, this growth was followed by a relevant downturn in 1986, causing a temporary setback for the services sector. Nevertheless, despite the setback, the sector gradually resumed its upward trajectory, albeit at a slower pace, with minor fluctuations along the way.

As the new millennium began, a notable shift in the stability and strength of the services sector became evident. It achieved a higher level of stability, consistently representing a substantial portion of the national economy. The contribution of services to GDP remained within the range of 52% to 55% (with the exception of 2009 and 2019), showcasing its significant and resilient role in driving Türkiye's economic growth and development.

3.4 Human Capital Development

During the 1980s Türkiye prioritized expanding access and improving the quality of education. Reforms were implemented to increase school enrolments and reduce illiteracy rates such as compulsory education (European Commission, 2023)subsidised by the government. The establishment of new schools and universities has led to an expansion of the education system, ensuring more widespread educational opportunities. In 2019, Türkiye's literacy rate was 96.74% of the total population[6] (O'Neill, 2023).

In 2002, the country adhered to the Bologna process, implementing a credit-based system in order to increase transparency and familiarity, and allow for an easier recognition of qualifications and mobility levels (European Commission, 2022). Today, Türkiye is ranked second in having the highest number of students in higher education in the European Higher Education Area.

During the 2010s, Türkiye implemented several significant efforts and reforms in the education sector to further enhance human capital development such as the Vocational Education and Training (VET) Reforms. A strong emphasis was placed on vocational education and training programs to address the skill gaps in the labour market and align training programs with industry needs (European Commission, 2023).

During this time period, the government also increased budget spending on education. In 2021, 344 billion 341 million TRY were spent on education, which was a 27.1% increase in comparison to 2020. This amount is approximately 4.8% of the Turkish GDP that year (Turkish Statistical Institute, 2022).

The legal reforms in Türkiye play a significant role in fostering human capital development, ensuring gender equality, and eradicating discrimination, particularly for women. These reforms foster an inclusive society where individuals, irrespective of their gender, are empowered. For example, the Turkish Labour Law prohibits gender-based discrimination in employment and related aspects such as equal pay, opportunities, and protection against harassment in the workplace (article 5 of the Labour Act of Turkey, Law No. 4857).

[6] However, it is worth noting that there is a notable difference in levels depending on gender. While men's literacy rate was 99.08%, women only had a literacy rate of 94.42%.

Another reform which has greatly contributed to the over-all wellbeing of the population and thus human capital development is the universal health coverage system whereby all registered residents have the right to access free healthcare. However, a national shortage of doctors means that the effectivity of this system is reduced, pushing individuals to recur to private healthcare entities (European Observatory of Health Systems and Policies, n.d.).

3.5 Trade Integration and Globalization

Overall, Türkiye's relation to trade integration and globalization since the 1980s has resulted in increased trade volumes, greater foreign investment inflows, and integration into global value chains.

The path towards economic liberalization and market-oriented reforms taken during this decade reduced the presence of the state in key industries, encouraging private sector participation in the economy. The removal of trade barriers, along with the implementation of investment incentives such as custom duty exemptions and investment support and promotion agencies attracted FDI in sectors such as manufacturing, services, telecommunication and agriculture.

Moreover, Türkiye has gradually expanded trade partners and agreements. Türkiye became a state member of the WTO in 1995 (World Trade Organization, n.d.), easing its access and true integration in the international trade system.

Bilateral free trade agreements have also been signed with countries such as Israel and Korea (Republic of Türkiye Ministry of Trade, n.d.)among others. In 1995, negotiations between the EU and Türkiye culminated with a customs union agreement between both parties (European Commission, n.d.). This accord aimes to eradicate trade barriers and tariffs and successfully boosted the trade between EU member states and Türkiye, facilitating the access to foreign markets for national and international companies.

Turkish firms engage in global sourcing and subcontracting activities, providing services and components to multinational companies. For example, Türkiye has been a key actor in the global automotive supply chain. Through the measures previously mentioned, the country has attracted major international companies in this sector such as Ford, Toyota, Honda, Hyundai, and Fiat, which have established production plants in Türkiye.

The robust participation of Turkish suppliers has had a substantial impact on cost efficiency and the timely delivery of automotive products (Wasti & Wasti, 2008), thereby facilitating Türkiye's seamless integration into the global automotive supply chain. This integration has been facilitated by the ability of local suppliers to offer competitive pricing and ensure efficient production processes.

The Turkish apparel industry has had a strong long-standing tradition. Turkish manufacturers have established partnerships with international retailing companies such as Zara, H&M or Marks & Spencer, functioning as reliable suppliers and subcontractors. These exporters actively engage in global markets, supplying a diverse range of textile products to fashion brands and retailers across the globe (Okur & Ercan, 2022).

In summary, the integration of Türkiye into global value chains has played a pivotal and irreplaceable role in the country's trade integration and overall economic advancement. Through active engagement in these value chains, Türkiye has effectively expanded its manufacturing capabilities, gained access to new global markets, acquired valuable technological advancements and knowledge, and successfully attracted substantial foreign investment. Trade competitiveness has bolstered, and significant economic growth and transformative changes have taken place across diverse sectors of the economy.

3.6 Institutional Reforms and Policy Shifts

Administrative reforms in Türkiye have aimed to enhance the overall functioning of the public sector, promoting good governance principles, and improving service delivery. An integral component of this endeavour involves the delegation of authority to local governments, aiming to foster decentralized decision-making processes led by individuals possessing a deeper understanding of the respective regions or issues at hand. Initiatives addressing this imperative were set in motion and have persisted to the present day (Akilli, 2014). In the year 2000, these initiatives shifted their focus towards optimizing operational procedures, minimizing bureaucratic hurdles, and cultivating a more conducive business environment through heightened transparency and accountability within the public sector.

However, as with the previous two case studies analysed, (perceived) corruption is still a problem. Türkiye is ranked 101/ 180 in the corruption perceptions index, scoring a

36/100. Moreover, 8% of public service users said to have paid a bribe during the past year in 2016 (Transparency International, 2022).

To fight this, as well as to create a more business-friendly environment and expand economically, legal reforms have been put into place.

Contract and company reforms have been implemented in order to reduce bureaucratic hurdles such as company registration procedures and provide a more predictable legal framework for business transactions. These initiatives have focused on promoting fair practices, enforcing contractual obligations, and enhancing diverse dispute resolution mechanisms such as arbitration (Büyüksagis, 2016).

The IPR framework has also been updated in order to keep up with international standards such as those established by the World Intellectual Property Organization (WIPO) treaties. Specialized courts have been put in place to ensure an effective enforcement procedure and the penalties for infringing IPR regulations have increased in order to deter illegal activities (Özdağıstanli & Tağa, 2023).

Fair competition has also been protected through legal reforms. The Act on the Protection of Competition (1994) sets out the principles and rules governing competition in the country. It prohibits anti-competitive agreements, abuse of dominant market position, and unfair trading practices, among other fraudulent activities. Said act also established the creation of the Competition Authority with the goal of it minimising risks to competition in the goods and services market such as cartels or market domination through the competences granted. These competition reforms in Türkiye have focused on levelling the playing field, encouraging market entry and innovation, and protecting consumer interests as the more vulnerable part of commercial contracts (Laws Turkey, 1994).

The financial sector has also been subject to numerous reforms through the years. With the economic liberalisation during the 1980s there was a reduction in the restrictions to foreign banks and a relaxation of capital controls.

With the 1990s banking crisis, the government intervened and restructured the sector, promoting transparency, the implementation of better risk management practices and restructuring and recapitalisation of banks to restore confidence in the system. Risk-based capital adequacy requirements were implemented in line with the Basel Accords (Basel International, 1992), strengthening the resilience of banks as well as their reputation.

The banking supervision was further strengthened through the establishment of the Banking Regulation and Supervision Agency (BRSA), headquartered in Istanbul since the 2000s, as an independent regulatory authority which enforced prudential regulations and plays a crucial role in regulating the banking sector (Presidency of the Republic of Türkiye Finance Office, n.d.).

3.7 Challenges & proposals

Although Türkiye has witnessed a relevant economic expansion during the past decades, it still faces a series of significant challenges in order to achieve its true potential and escape the middle-income trap.

Firstly, there is a need to shift the industrial sector from low-value-added industries such as construction of apparel to high-value-added sectors. Deviating from the current path in order to embrace a more diverse activity is crucial in limiting economic vulnerability to external shocks.

This issue is closely tied to the prevailing educational landscape in Türkiye, where the number of university students is substantial; however, there is a pressing concern regarding the alignment of educational outcomes with market demands. This discrepancy becomes evident when considering the insufficient number of doctors in the country, which indicates a significant gap in meeting the healthcare sector's workforce needs (European Observatory of Health Systems and Policies, n.d.). Moreover, the stark contrast in literacy rates between men and women is another pressing matter that necessitates attention and action.

To maximize the return on investment in education, it is imperative to address these critical challenges. Efforts must be undertaken to bridge the gap between the skills and knowledge imparted through education and the skills demanded by the job market.

Furthermore, tackling the gender disparity in literacy rates is essential for promoting inclusivity and empowering women in the educational sphere. Providing equal opportunities for education and ensuring that both genders have access to quality education is not only a matter of social justice but also a strategic move for societal progress. By addressing this issue, Türkiye can unlock the untapped potential of its female population, allowing them to actively participate in the workforce, contribute to the economy, and play a crucial role in shaping the country's future.

Finally, governance challenges also present significant obstacles to Türkiye's economic development. Weak institutional frameworks, lack of transparency, and corruption undermine the country's business environment and hinder investor confidence, thus reducing the amount of foreign and local investment received. A strong rule of law is vital for a stable and predictable business environment.

SECTION VI: CONCLUSION

The phenomenon of the middle-income trap has proven to be a persistent challenge for countries striving to transition from middle-income to high-income status. While it is important to note that this particular study does not purport to offer a comprehensive analysis encompassing all variables pertinent to countries ensnared in this predicament, it has gleaned valuable insights from the cases of Brazil, Vietnam, and Turkey, which can be partially extrapolated to other contexts.

One of the key factors contributing to the prolonged middle-income status of these countries is the presence of structural weaknesses. Brazil, Vietnam, and Turkey all confront inherent structural impediments that impede their capacity to effectively compete and innovate within the global marketplace. Lack of transparency, bureaucratic red tape, and limited access to finance, slow down economic transformation.

Institutional constraints also play a significant role in perpetuating the middle-income trap in these countries. Weak governance, corruption, and inadequate legal systems hinder effective policymaking and the implementation of reforms which are not only attractive for private local and foreign investment, but necessary for sustained economic growth. Throughout the three case studies developed, it has become obvious that none are immune to political instability, governance issues, and weak rule of law, which have eroded investor confidence and hindered long-term development.

Technological innovation and human capital development are critical drivers of economic advancement, yet these countries have faced challenges in these areas. Transitioning to innovation-driven economies due to limited investment in research and development, appears to be a common denominator, as well as the need to improve education systems to produce a skilled workforce capable of driving technological advancements.

Trade dependence has been another factor constraining these countries' path to high-income status. Depending excessively on a limited range of exports exposes countries to external shocks, rendering them vulnerable to economic fluctuations. In the cases of Brazil, Vietnam, and Turkey, the struggle to diversify their export portfolios and venture into higher value-added industries has posed considerable challenges. This susceptibility to global economic volatility has slowed their overall progress down.

A pertinent example highlighting the potential benefits of investing in higher value-added sectors, such as technology, can be observed in the case of Vietnam. Notably, the country has experienced remarkable profitability and a noteworthy increase in GDP due to its strategic focus on these sectors, coupled with other contributing factors.

Furthermore, income inequality and social disparities should not be underestimated. While these countries have experienced economic growth, the benefits have not been evenly distributed, resulting in persistent inequality. Unequal access to basic services such as education, healthcare, and social services creates barriers to upward mobility and social inclusion as well as reducing the potential national human capital force.

Despite these challenges, it is important to recognize that Brazil, Vietnam, and Turkey have made substantial progress in various aspects of their development through the implementation of reforms in various dimensions and attracted foreign direct investment.

To break free from the MIT, these countries must prioritize structural reforms to enhance competitiveness, remove bureaucratic obstacles, and foster innovation. Strengthening institutional frameworks, tackling corruption, and improving the rule of law are crucial for creating a conducive environment for long-term development. Furthermore, allocating resources towards research and development, enhancing educational systems, and fostering skill development will play a pivotal role in driving technological progress and nurturing human capital growth.

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