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Technology adoption and the middle-income trap: Lessons from the Middle East and East Asia

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Abstract

This paper documents the existence of a "middle-income trap" for the Middle East and North Africa region and contrasts the evidence with that of the East Asia and Pacific region. The results are twofold. First, nonparametric regressions show that the average rate of economic growth in the Middle East and North Africa has not only been significantly lower than that in the East Asia and Pacific region, but has also tended to drop at an earlier level of income. Second, econometric results point to the Middle East and North Africa having experienced a relatively slow pace of technology adoption in general-purpose technologies and that a slower adoption pace of technology is associated with significantly lower economic growth. The paper concludes that barriers to the adoption of general-purpose technologies related to the lack of contestability in key sectors constitute an important channel of transmission for the middle-income trap.

KEYWORDS

middle-income, growth, technology adoption

JEL CLASSIFICATION

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1 | INTRODUCTION

The term "middle-income trap" refers to the possibility that economies could get stuck at a certain level of income. The debate on the trap has thus far focused mostly on the East Asia and Pacific (EAP)

