

Middle Income Countries: A Long Journey to UN Institutionalization

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Executive Summary

- ▶ Middle-Income Countries (MICs) represent a diverse group of around 100 countries as classified by the World Bank's income per capita criteria. The active discourse on MICs, including in the United Nations, emerged in the middle of the past decade due to certain global political and economic developments. MICs very vigorously advanced their agenda for a few years in the second half of the past decade, bringing forth their specific interests and challenges. They were, however, thwarted in their drive by the global economic and financial crisis. Since 2013, in an atmosphere of growing momentum for sustainable development agenda, MICs managed to bring their agenda back into discourse. What at present is of a particular importance for Middle-Income Countries is to institutionalize their cooperation with the United Nations system through the establishment of a strategic document.

General Context: Globalisation and Digitalisation

The topic of Middle-Income Countries got to the center of global policy debate relatively recently, namely, a bit more than a decade ago. Indeed, the issue was discussed in-depth for the first time in March 2007, at the first international conference on co-operation with Middle-Income Countries held in Madrid, Spain.

Since the very beginning, the concept of Middle-Income Countries has been based on the World Bank's classification of countries by income per capita. Countries are currently considered as having a middle income when they have a Gross National Income (GNI) per capita in the range of US\$1,026 and \$12,235 (see www.worldbank.org). Currently, more than one hundred countries fall within that range, including many countries in Latin America, Asia, Eastern Europe and

Africa (see UN Secretary General's report on "Development cooperation with middle-income countries" (A/72/329)).

It follows that the world's Middle-Income Countries are a very diverse group by size, population, and income level. Countries that have a GNI per capita between \$1,006 and \$3,955 are considered as lower middle-income economies, whereas those with a GNI per capita between \$3,956 and \$12,235 fall in the sub-category of upper MICs (see www.worldbank.org).

The Middle-Income countries are home to five of the world's seven billion people and to 73 percent of the world's poor population. Therefore, they face significant challenges in their domestic development. At the same time, the Middle-Income countries represent about one third of global GDP and are currently viewed as major engines of global growth.



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MICs Emerge on the Global Scene

In the mid 1990s, political analysts began speaking about the emergence of a “third” force that somewhat blurred the traditional “North-South” divide, which had been particularly characteristic for international relations since the end of the Cold War. Moreover, the emergence of this new force was notable because it appeared on the scene exactly at a time when it was becoming increasingly clear to the world that unilateral policies associated with the US Presidency of George W. Bush failed, thereby heralding an end to the “Unilateral Moment”.

The “third” force emerged, above all, because a number of developing countries have significantly reduced levels of domestic poverty, accumulated substantial foreign currency reserves, and began providing increasing assistance to other developing countries along the “South-South” cooperation pattern. Interestingly enough, some of these emerging countries, due to their foreign currency reserves, began playing an important role in supporting economic development in the United States of America and other advanced countries by means of buying their financial assets such as the US Federal Reserve’s Treasury bonds.

Simply put, there was a widespread feeling around the globe that some new unconventional and influential player had come onto the stage. In conceptual terms, the emerging phenomenon was well captured by the Indian-American political scientist Parag Khanna in his seminal book “The Second World” (2008). What Parag Khanna subsumes under the notion of the Second World is a string of the so-called second-tier countries like Turkey, Brazil, Saudi Arabia, Venezuela, Kazakhstan and many others, which, in his view, constitute a specific group located between the First World of advanced countries and the Third World of developing ones. This middle group, according to the author, wields quite substantial human and resource potential, and will play a key role in determining the future of global politics.

Parag Khanna contends that the Second World will play an increasingly vital dual role in the world, as its own evolution will have a large impact on both the power configurations in the First World, as well as on the development path of the Third World. What is also interesting in his analysis is that the Second World simultaneously exhibits features inherent to the First and to the Third Worlds, as it has as glaring cities as there are in the former, while it also has as entrenched pockets of poverty as exist in the latter.

Around the same time, a similar process associated with the institutionalization of a new force began at the United Nations giving way to a category of countries called Middle-Income Countries. The process was spurred, above all, by Latin American countries, which were supported by many developing states from other regions, but initially also by some advanced countries like Spain and Poland. The objective of the newly born group seem to have been to gain more political clout *vis-à-vis* other groups of countries functioning in the United Nations, as well as to advance common economic interests.

The emergence of the MICs or the Second World on the global agenda should be viewed as a very positive development. Many drew from this trend positive parallels with domestic politics in terms of the role played there by the middle class. Indeed, it is certainly a conventional wisdom that if a country has a significant middle class the fact is usually taken as an indicator of domestic peace, stability and prosperity. Thus, it is every country’s objective to have a sizeable and robust middle class.

In a similar vein, the argument goes that if Middle-Income Countries constitute the majority of the world’s countries, this majority, with its proclivity to peace and stability both domestic and foreign, will produce a benign stabilizing effect on the whole world.

MICs Begin Advancing Their Course

The year of 2007 marked the beginning of collective action on the part of the Middle-Income Countries in advancing their common interests. Indeed, two international conferences on MICs took place that year. The first was hosted in Madrid in March, the second took place in El Salvador in October.

Both conferences featured participation of high-level delegations from close to one hundred states. The conferences were also attended by international agencies – the United Nations secretariat, UNDP, IMF, World Bank, UNCTAD. The topics discussed during the conferences included, among others, the UN system’s cooperation with MICs, financial stability in MICs, MICs’ trade integration, technologies and MICs. The El Salvador conference ended with a document titled “Consensus of El Salvador”, which in general terms urged the international community to develop cooperation with Middle-Income Countries.

The momentum for MICs’ rise in the world created in 2007 has carried over into 2008. In August 2008 Namibia’s capital Windhoek hosted the Third international conference on development cooperation with Middle-Income Countries. Belarus participated in that conference at the level of a deputy minister of foreign

affairs and was actively involved in the preparatory work pursued in New York.

The discussion relative to the challenges faced by MICs and proposals for advancing their interests was more extensive in Namibia than the discussions pursued in Madrid and El Salvador. It was well reflected in the conference's outcome document – Windhoek Ministerial Declaration on Development Cooperation with Middle-Income Countries. In addition to thoroughly outlining various challenges and their solutions, the document stated in paragraph 22 its participants' agreement to "prepare a comprehensive, time-bound, resource-oriented Action Plan for the next MICs Conference".

MICs: Challenges and UN Response

The three international conferences on MICs organized in rapid succession in 2007-2008 were very important in that they firmly brought the issue of Middle-Income Countries onto the global agenda. Moreover, the conferences provided a strong momentum for relevant action by the MICs in the United Nations General Assembly, which, in 2008 and 2009 adopted resolutions on co-operation with middle-income countries (63/223 and 64/208). The conferences and resolutions helped articulate specific problems and interests of middle-income countries.

In particular, they all converged on the view that almost all MICs faced such challenges as poverty, inequality, and vulnerability to external factors. Indeed, according to numerous studies, middle-income countries are home to around 70 per cent of the world's poor or even more. As for inequality, it partly results from the MICs' very success. The studies indicate that many of successful MIC countries experience uneven domestic development, because their policies far too often target specific regions or areas, which alternatively, serve to entrench national pockets of poverty and inequality in neglected areas.

Vulnerability to external factors has clearly been demonstrated in the context of the last decade's global economic and financial crisis. Many MICs, owing to the open nature of their economies and commitments to open trade, suffered a serious setback, as the crisis slashed global demand for their goods and services. Thus, their previously successful policies failed to resist external shocks.

At the same time, other challenges that middle-income countries confronted were also identified. Indeed, the group that comprises more than 100 countries is bound to be heterogeneous in terms of interests and challenges. While the problems of poverty and

inequality are characteristic for the MIC group as a whole, these are arguably less inherent to the upper strata of middle-income countries, to which belong the majority of Eastern European and Central Asian countries (from the Commonwealth of Independent States).

This specific MIC sub-group does not have developing countries in its ranks. Rather, all of its members used to be, and some still are, economies in transition. It would thus be reasonable to assume that the sub-group is more concerned with some other challenges like the vulnerability to external developments, negative demographic trends, especially in its European part, as well as the environmental degradation.

There is another significant challenge, which is particularly relevant for the sub-group of upper MICs associated with the so-called phenomenon of "middle-income trap". Relevant studies on this issue agree that a transition from the least-developed status to the middle-income one is easier than from the middle-income to the higher-income level. A fast pace of transition in the former case is primarily driven by a country's low starting base and cheap labour costs. However, as the country achieves higher levels of prosperity, it finds itself unable to grow as fast as before, because higher prosperity requires paying higher wages in the domestic context. Consequently, labour costs along with the costs of exports increase, thereby making the country's economy less competitive.

Such a situation is described as a "middle-income trap". It is characterized by relatively low rates of growth or by one-sided growth overwhelmingly based on the exploitation of natural resources. The way out of the "middle-income trap" is essentially through building a knowledge-based economy, which allows the "trapped" countries to grow through a constant factor like innovation, rather than relying on the transient-based inputs like cheap labour and resources.

Mandated by the General Assembly's 2008 and 2009 resolutions on cooperation with MICs, the UN system began paying more attention to this group of countries. First, since 2008 the issue has become a regular item on the agenda of ECOSOC's annual high-level discussions involving the World Bank group, during which Member States and interested UN agencies discussed policy issues related to the implementation of the GA resolutions on MICs.

A number of UN agencies, above all, UNDP, UNFPA, UNICEF, began applying World Bank's MICs classification in their operational activities. In conceptual terms, the UN system began to better understand the specific needs of MICs sub-groups. Noteworthy in this

regard was the concept paper prepared for the Executive Board of UNDP, UNFPA and UNOPS in June 2011, which argued that international organizations in working with lower middle-income countries needed to concentrate on inequalities and marginalizations, whereas with regard to upper middle-income countries, they would do well to focus on reproductive health and the environment.

The World Bank Group began working with MICs simultaneously as clients, shareholders, and global actors. The World Bank began providing increasingly tailored services - financial products (loans, guarantees, risk management products) and knowledge and advisory services (including on a reimbursable basis) in order to support middle income countries in their development, as well as to facilitate knowledge exchange and South-South cooperation.

Yet, what the UN system lacked in its MICs policies was a consistent approach stemming from some strategic conceptual document in the form of an Action Plan for MICs, the kind of which was proposed in the 2008 Windhoek Ministerial Declaration on Development Cooperation with Middle-Income Countries.

Crisis-Induced Pause Followed by Renewed Activism

The steady progress in the advancement of MICs' global agenda, however, has been significantly slowed by the onset of the global economic and financial crisis in 2008. Indeed, in 2010 the UN General Assembly did not consider the issue, while in 2011 it adopted only a procedural resolution (66/212) that was lacking in substance. This clearly indicated that the General Assembly no longer had overall agreement on the importance of developing cooperation with Middle-Income Countries.

Indeed, in the wake of the crisis, there emerged a convergence of interests among advanced states and least developed countries (LDCs) in their attitude towards MICs. Advanced countries, which had been hit hardest by the crisis, believed that there was no particular need to remain focused on MICs, as the latter weathered the crisis rather well, at least much better than the advanced states. The position of the least developed countries in the post-crisis environment was that MICs would be a serious rival for ever-declining global resources for development.

As a result, MICs' agenda has not been around for much of 2011 and 2012. Matters began to change, however, with the Rio+20 international conference on sustainable development, held in June 2012. That forum stressed not only the need to tackle development

comprehensively through the prism of sustainable development, but also recognized particular interests of all groups of states, as well as the need to pay due attention to all of them.

The Rio+20 has thus breathed a new life in MICs' efforts to advance their global agenda. Soon after the Rio conference, some Middle-Income Countries took the lead by organizing a number of international conferences. In particular, regional conferences on MICs took place in Jordan and Belarus both in May 2013, and the Fourth global conference on MICs was hosted by Costa-Rica in June 2013, which resulted in the adoption of the Declaration of San-Jose.

Following this renewed bout of activism in May-June 2013, Belarus presented the idea of a draft resolution on the topic of sustainable development of MICs at an annual session of ECOSOC in July 2013. The purpose of the draft was to summarize the outcomes of the international conferences held in 2013 and outline plans for cooperation with MICs in the context of sustainable development.

Belarus' delegation at the UN in New York organized pre-session consultations, which did allow Member States to achieve agreement on the text. The stumbling block appeared to be the unwillingness of the two groups of states – advanced countries and least developed countries – to consider practical measures to devise a United Nations global plan of action on cooperation with MICs.

The same alliance prevented the idea of the Global plan from being reflected later that year in a General Assembly resolution on development cooperation with Middle-Income Countries (68/222). That resolution, however, was much broader in scope than the similar previous resolutions. It clearly articulated the concerns and needs of MICs in the post-crisis environment and urged the UN system to provide better focused support to this group of countries. One interesting feature in the resolution was the articulation of interests of LDCs *vis-à-vis* MICs, which was not present in the previous three General Assembly resolutions. This pointed to the fact that the LDCs remained cautious of the renewed debate on MICs and on how it might affect their situation with development assistance.

MICs' Drive for Institutionalization

The two subsequent resolutions adopted by the UN General Assembly on development cooperation with Middle-Income Countries (70/215 in 2015 and 72/230 in 2017) provided even more coverage of MICs' interests, concerns, and difficulties, especially in the context of sustainable development. Moreover, a consistent feature



of these resolutions was the request to the United Nations system to continue to build on its cooperation with Middle-Income Countries. What was missing in these resolutions from the viewpoint of MICs was a call for the United Nations to shift its collaboration with this group of countries from the current “ad-hoc” approach to a more systematic basis. It is true that MICs mainly believe that despite their active engagement with the UN system over the past decade, that pattern of cooperation has not been consistent as it has not been steered by any overarching strategic document. Indeed, MICs remain the only large group in the United Nations that lacks such an instrument. While stressing that MICs have specific challenges, the 2030 Agenda did not advance the idea of a comprehensive strategic tool for MICs.

With this mind, some more active MICs decided to ally in order to push forward the idea of MICs institutionalization at the United Nations. In 2016, Belarus, Costa Rica and several other countries initiated the establishment at the UN headquarters of the Like-Minded Group of Countries Supporters of Middle-Income Countries. The group currently includes 13 states: Armenia, Belarus, Chile, Colombia, Costa Rica, Dominican Republic, El Salvador, Guatemala, Honduras, Jamaica, Mexico, Panama and the Philippines.

At their First Ministerial Meeting, held in New York on 23 September 2016 on the margins of the 71st session of the UN General Assembly, the Group’s members adopted a declaration, in which they articulated the objectives of their common activities. Key among them was “the establishment of a comprehensive UN-system wide and long-term strategy aimed at facilitating sustainable development cooperation and coordinated support towards MICs”.

At its Second Ministerial meeting, held on 21 September 2017, the Group adopted another declaration and a roadmap of its actions for the next two years. The Group held its Third Ministerial Meeting in New York in September 2018, where its members reiterated their resolve to continue to advance the MICs’ agenda.

Ever since its creation the Group’s members have thus closely coordinated their activities and often spoken with one voice at relevant events in the United Nations. For example, the Group’s support was instrumental in advancing a Belarus-sponsored resolution on “Industrial sustainable development of middle-income countries” during the 17th session of UNIDO’s General Conference in November 2017.

Future Prospects

In the search for agile modes of global governance, cooperation platforms represent an innovative service provided by Switzerland as a host country to the international community in Geneva. The idea of supporting platforms stems from the fact that the distinctive characteristic of International Geneva is the presence of a critical mass of international actors working in similar fields. Platforms offer a neutral space for collective brainstorming and exchanges outside of formal settings, where stakeholders explore and test new ideas, share good practices, or discuss emerging issues. There are currently around twelve thematic platforms of various sizes, covering issues ranging from disarmament to environment.

Each platform is community-driven and tailor-made to specific needs. Platforms bring together all stakeholders with an inclusive approach and build communities, clusters of experts, and networks within Geneva, while bridging the gap with other centres of global governance and the field. Platforms also act as knowledge hubs, providing trainings, conducting research and disseminating information. In terms of organisational structure, small units embedded in think tanks, academic institutions, or international organisations operate platforms. In some cases, they provide support to intergovernmental processes, for instance the Geneva Water Hub (hosted by the University of Geneva) served as the secretariat of the Global High-Level Panel on Water and Peace (see www.genevawaterhub.org). These partnerships based on actual needs have a “start-up spirit” with the aim to seize new opportunities. Geneva platforms have an agile mode of governance and lean management that could be replicated on a global scale.

A good illustration is the Geneva Internet Platform (GIP), the main interface for digital Geneva. Given the key role played by institutions based in Switzerland in global digital policies and the fragmented landscape of internet governance, Switzerland supported the establishment of the GIP in order to generate new synergies and exploit the full potential of Geneva. The GIP provides a neutral and inclusive space for digital policy debates, recognised by the majority of global actors as a platform where different views can be voiced. The GIP’s activities include a physical platform in Geneva, the GIP Digital Watch observatory, and a dialogue and innovation lab.

The GIP serves permanent missions based in Geneva with tailored briefings and works to strengthen the participation of small and developing countries in Geneva-based digital policy processes. The GIP also supports the digital policy initiatives of Geneva-based institutions, which includes tailored individual

consultations, and online meetings to maximise resource use. The GIP facilitates research for an evidence-based, multidisciplinary digital policy approach beyond existing policy silos, and provides tools and methodologies that can be used in other policy spaces in International Geneva and worldwide (see www.giplatform.org).

Cooperation platforms will not replace formal institutional arrangements, but offer alternative ways to conduct policy debates and to move forward important international discussions. Geneva platforms foster flexible cooperation networks with a decentralized and solution-oriented approach.

Conclusion

Certainly, one of the key tasks lying before the Middle-Income Countries is the institutionalization of their status at the United Nations via a UN strategy or a plan of action. What are the prospects for bringing this idea to fruition?

To be sure, the idea is feasible. This requires, first and foremost, bringing on board the two large groups of states – advanced countries and least developed countries – which have so far, for various reasons, been reluctant to embrace the course advanced by MICs. Obstructionism on their part is not a “win-win” situation in the long run because, frustrated in their efforts, MICs could respond in kind. A common denominator, acceptable to all, must be found.

Given that all United Nations strategic documents are crafted by consensus, these two groups can certainly influence negotiations on a possible strategy for MICs and reflect in it their approaches and views. MICs stand ready to discuss and reflect these proposals. More importantly, ever since the topic of MICs re-emerged in the global discourse in 2013, it was accompanied by an increasing emphasis on MICs’ dual role, that is, as recipients of international development assistance and as providers of such assistance to LDCs. Therefore, MICs increasingly play a catalytic role for LDCs.

Such discussion has extensively featured namely at the regional conference on MICs, held in Belarus in May 2013. In particular, its participants agreed that the UN system’s cooperation with middle-income countries must build upon an “asset-based approach”. It is essentially about the Middle-Income Countries bringing something to the table other than money. Sometimes it can be expert knowledge in the right place and at the right time. Sometimes it is about using small funding of new donors to leverage much bigger national resources. Often it is about stimulating dialogue with partners and across sectors. The United Nations, in

turn, could help “manage” those assets via a strategy or a plan of action.

If the idea of a “resource-oriented plan of action for MICs”, as called for in the Windhoek and San-Jose declarations, still does not receive overall support in the United Nations, there are other options, which do not aim to replace the original ideas, but can help in advancing the MICs’ agenda.

In particular, since 2013 Belarus has been advocating the idea of developing an UN Inter-Agency Plan of Action on cooperation with Middle-Income Countries. Its implementation will not entail any financial and resource issues about which other groups may feel uneasy, but rather only action on the part of interested United Nations agencies to establish an entity whereby they would coordinate their activities vis-à-vis MICs.

Similar structures exist in some other areas of international cooperation. For instance, there is the Inter-Agency Coordination Group against Trafficking in Persons (ICAT) that brings together 23 international agencies. Likewise, that seems to be the way to proceed in the area on migration, where interested agencies are currently in the process of establishing a UN Migration Network.

It is important to bear in mind that in the current 2030 Agenda-driven environment with its motto to “leave no one behind”, overall success would be impossible unless the specific interests and concerns of Middle-Income countries are given adequate consideration.



Further reading

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