



AN INTERVIEW WITH MURAT YULEK

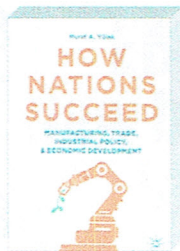
## How Nations Succeed

Turkish economist Murat Yulek's new book *How Nations Succeed* presents a blueprint for economic development in a world with increasing economic uncertainties and trade tensions. We got hold of Murat amid a heavy travel program extending from Japan to Uganda and asked him: How nations succeed?

BY TAMER ISITIR

**Let me start by asking where does the world stand at and what led you to write the book?**

There are good and bad news about where the world stands right now. The good news is that in developed economies the quality of life is at very satisfactory levels. The bad news, on the other hand, is that billions of people are still deep in poverty. A lot of countries are in the low-income-trap and many others are in the middle-income-trap. That means, all of these countries are suffering in not being able to raise production and income.



*How Nations Succeed* was published in 2018 by Palgrave Macmillan. The book argues that manufacturing and industrialization are a sine qua none for economic development.

On another note, trade tensions continue to grow leading to increasing risks and weakening growth. It is epitomized by American President Trump's recent rhetoric. These are partly the result of so-called global imbalances which mean some countries are exporting too much and others are importing too much. Mr Trump is unhappy about USA importing too much.

**Does that mean that international trade is bad for countries?**

Answer: On the contrary, international trade is good for countries. It can increase

welfare and efficiency compared to no trade situation. By trading, people can consume things that they do not produce or they cannot afford. But trade has to be fair. Mr Trump, among others must be thinking that USA is not being treated fairly in international trade.

**So what does that mean?**

**How can trade not be fair?**

Well, if a country imports more than it exports (that is, if they are running trade and current account deficits) for protracted periods of time, then it gets more and more indebted. That is the case in many developing countries. International borrowing allows them to run trade deficits but then their debt mounts. The debt crises in poor countries in 1980s and 1990s was a reflection of that.

But this is not a problem of only developing countries. Since the beginning of 2000 USA has run growing trade deficits against China. In turn China used the proceeds to buy USA treasury paper. So, effectively, USA owed more and more to China because it exported less to China than it imported. Now the USA owes 3 trillion dollars to China.

The Chinese argument is that it is not their fault to export too much to the USA; they argue that USA consumes a lot and the Chinese offer them competitive or cheap products thus increasing the American consumers' purchasing power.

**What are low- and middle-income traps? How can countries get out these traps? Is that related to international trade also?**

Recent history showed that some countries could not increase their incomes from low levels. Some others who