



## Engaging the New Majority: US Perspectives and Experience

By Richard Ponzio and Robert Berg

I am pleased to present Stimson's latest Occasional Paper, *Engaging the New Majority: U.S. Perspectives and Experience*.

In the 1960s and 1970s, two-thirds of the world's countries were classified as "least developed." Today, over half of the world's countries have risen to middle income status. This includes nearly all of Latin America, South and Southeast Asia, at least a third of the countries in Africa, and several countries in East and Southeast Europe, as well as a number of countries in the Middle East. For many of their governments, their primary interaction with the United States has been as recipients of American foreign aid. That relationship informed not only our economic relationship, but colored our security relations as well. Many of these middle income countries have now "graduated" from such programs, leaving a dangerous vacuum despite common interests.

The Working with the New Majority program at the Stimson Center examines how the United States and other developed countries are making efforts to engage emerging centers of influence, emphasizing changing bilateral relationships, and encouraging greater shared responsibilities in meeting common transnational challenges. It is framed around the fundamental question: Do wealthy countries have appropriate policies to meet the demands for relevant relationships with middle income countries, meeting those demands in ways that are mutually satisfying, if not competitive with other global powers? This paper inaugurates this program and will be followed up with public programs and an examination of key issues in building better relations with middle income countries.

Stimson is grateful to our Distinguished Fellow, Robert Berg, for his leadership of our New Majority program, and to Richard Ponzio, Director of our Just Security 2020 program, for his efforts in producing this Occasional Paper.

Brian Finlay  
President and CEO  
Stimson

## **Introduction**

Over time, the United States and other wealthy governments have designed and operated institutions and bilateral programs to engage effectively the extreme ends of the global wealth spectrum. From the OECD to the G7, wealthy governments routinely gather to share common concerns and coordinate joint activities. Similarly, the instruments and institutions of foreign assistance have been honed over decades to guide relations between wealthy nations and the least developed countries.

The *countries in the middle* have reason to believe that their accomplishments have not yet been recognized. Moreover, they perceive that they and the U.S. and other wealthy countries have not yet developed the more mature relationships that would permit them to share challenges and opportunities in ways that each could make their own valued contributions. Many of these countries feel neglected and misunderstood — or feel part of a game played by China, Japan, Russia, the EU and the U.S. Consequently, the U.S. and other wealthy countries have lost part of their competitive advantages. They are often seen as pursuing old agendas, using outdated instrumentalities, and neglecting these middle income countries, except when facing urgent matters such as terrorism. All this is fully represented in the current U.S. administration's recently proposed budget for Fiscal Year 2018. We believe these relationships can be better improved.

This short background paper aims to draw some initial lessons from past policies and mechanisms intended to enhance relations between advanced and middle income countries. The authors are particularly interested in economic, cultural, and scientific relationships, while understanding that security is a critical issue in many relationships. The latter part of the paper offers some initial recommendations to forge stronger relations between the United States and a growing number of middle income countries that will help to foster better mutual understanding reflected in appropriate policies and programs.

## **U.S. Perspectives and Experience in Working with Middle Income Countries**

Beginning with decolonization in the 1950s and 1960s and accelerating with the advent of the New International Economic Order in the 1970s and a new era of economic globalization beginning in the 1990s, growing numbers of developing countries — both large and small, and located in all regions — have expanded their economic and financial heft, transitioning from “Least Developed Country” status (an estimated two-thirds of the world’s countries in the 1960s and 1970s) to that of a “Middle Income Country” (now over one half of all countries). This includes nearly all of Latin American, South and Southeast Asian countries, at least a third of the countries in Africa, several countries in East and Southeast Europe, and several Middle Eastern countries.

In response to this important trend, the U.S. and other advanced industrialized countries have often — but not always or completely — adjusted and updated their policies, strategies,

mechanisms, and tools for better understanding these rising powers and deepening bilateral and wider multilateral relations, especially vis-à-vis the BRICS (Brazil, Russia, India, China, and South Africa) and other major emerging economies. They have done so in order to better engage and leverage, for the benefit of fundamental home country interests and values, the economic, financial, technological, and other capabilities of long-standing and new middle income countries.<sup>1</sup>

Particularly learning from the past decade of economic, cultural, and scientific relationships between the U.S. and middle income countries, this paper discusses significant lessons and insights in five major categories: (1) General Insights and Initiatives; (2) Lessons from Bilateral Commissions and Strategic Dialogues; (3) Lessons from Other Innovative Policies and Mechanisms for Bilateral Cooperation; (4) Beyond Bilateralism: Engaging Middle Income Countries through Sub-Regional, Regional, and Global Groupings and Bodies; and (5) New Ideas and Initiatives to Strengthen U.S.-Middle Income Country Cooperation. The authors completed interviews in April 2017 with a number of current and recent senior U.S. officials (see Annex II). We are deeply grateful to them for generously sharing their insights and recommendations. These interviews were complemented by a literature review, data collection, and participation in recent conferences and seminars on middle income countries and emerging economies.

### *General Insights and Initiatives*

Before delving into specific kinds of past policies, strategies, tools, and mechanisms for enhancing relations between the U.S. and middle income countries, some important general lessons gleaned from the combined interviews and background research for this study are:

**First, a new kind of economic tool box is needed urgently**, especially to improve cooperation between the United States and middle income countries on issues of critical infrastructure in the transport and energy sectors. The choice of ambassador for priority country relationships and the types of training and pre-briefing this senior official receives prior to deployment is of critical importance. Good economic programs are also needed to undergird the ambassador's leadership at the country level. Moreover, investing in good mutual relations through a combination of public and private resources requires new modalities to, as one interviewee recommended, rapidly scale up programs and “get stuff done” in a timely fashion. These tools and associated cooperative actions with the U.S. should seek to help both the U.S. and emerging economies with a range of concurrent, inter-related challenges in the areas of, for example, urbanization, demography, technology, public welfare, and reducing inequality.<sup>2</sup>

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<sup>1</sup> Middle income countries are defined by the World Bank as having a per capita gross national income of USD \$1,026 to \$12,475 (making them a diverse group by size, population, and income level). The World Bank further notes that: “Middle income countries are home to five of the world’s seven billion people and 73 percent of the world’s poor people. At the same time, middle income countries represent about one third of global GDP and are major engines of global growth.” Visit: <http://www.worldbank.org/en/country/mic/overview>, accessed on 17 May 2017. See also Annex I for a two-category country listing of middle income countries.

<sup>2</sup> This point is informed by a lecture on emerging economies by Oxford Professor Ian Scott, on April 20, 2017, at the Cosmos Club in Washington, D.C.

**Second**, some of the best kinds of **bilateral cooperation across international borders today are happening increasingly among and between non-governmental and private sector actors**, rather than at the inter-governmental level. In particular, they occur in the realms of economic, cultural, and scientific relationships. For instance, the cross-border business-to-business and private foundations relationships surrounding the mobile money revolution in East Africa, the Bill & Melinda Gates Foundation's influential agenda-setting work in public health, and The Coca-Cola Company's efforts to work with local private partners worldwide on water management contribute to local, regional, and global problem-solving in areas previously dominated by the state and international state-based partners, such as bilateral and multilateral aid agencies. While the State Department, U.S. Agency for International Development, and their bilateral government counterparts in a middle income country can help to create an enabling environment to facilitate or catalyze such partnerships, many new non-state transnational relationships are taking root regardless of (*and sometimes in defiance to*) public sector involvement, creating what one interviewee called a new form of "**disruptive diplomacy.**"

**Third, mature relations demand trade that is open and clearly seen to be in the mutual interests of the U.S. and middle income countries.** Political leadership within the U.S. that fosters a more open and fair trading system will be deeply appreciated in these countries. At the same time, many emerging economies that might have recently joined the World Trade Organization depend on U.S. political support and technical know-how (for example, through the U.S. Trade Representative Office and U.S. Trade and Development Agency, respectively) to take full advantage of the international trade system for the benefit of their citizens. The recent budget proposal to eviscerate the USTDA and Overseas Private Investment Corporation operations and downplay the Export-Import Bank would move in precisely the opposite direction from what is needed.

**Fourth**, many middle income countries had previously received significant sums of foreign aid from the U.S., but have since "graduated" from such programs. For example, South Korea, Lithuania, Costa Rica, Portugal, and Tunisia have experienced relatively successful U.S. assistance transitions.<sup>3</sup> Unfortunately, **graduation has not led to closer levels of relationships with many countries**, reflecting neither the expanded capabilities and interests of these countries nor the potential for more rewarding relations for the U.S. and Western Europe. Where foreign aid is still employed by the U.S., it must aim to better build enduring trade and investment relationships that will outlive aid relations over the long-term.

**Fifth and lastly**, foreign aid in the future can and should continue to advance sectors of traditional concern — education, health, agricultural development — with public policies and programs that foster sustainable public and private enterprises. **But the emphasis in bilateral relations should move increasingly to areas that more openly address mutual interests, that do not substitute for local organizations and local governance, and that can be clearly perceived as steps up from old aid programs and policies.** Aid that draws upon the strengths of U.S. universities, corporations, and non-governmental organizations, for example, is preferable to aid that draws upon high-cost consulting companies.

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<sup>3</sup> Daniel Runde, Johanna Mendelson Forman, Amasia Zargarian, and Ilona Teleki, "Strategic Foreign Assistance Transitions: Enhancing U.S. Trade and Cooperation Relations with Middle-Income Countries", Washington, D.C.: Center for Strategic & International Studies, June 2012, v, 6-37.

Not all traditional forms of development assistance are necessarily detrimental to future relations between the U.S. and middle income countries, but the end goal should be longer lasting types of collaboration, rather than longer lasting consulting firm contracts. A new model of development collaboration should privilege problems that have long been neglected, such as making better use of the largest generation of youth in world history, jointly discovering ways to foster broad-based employment, promoting environmental stability, and helping countries to achieve more equitable and inclusive forms of economic growth all fundamental global problems in which the U.S. and other advanced industrialized countries maintain large mutual interests with fast-emerging economies.

### *Lessons from Bi-National Commissions and Strategic Dialogues*

Among the most high-profile and organizationally challenging mechanisms for facilitating dialogue and collaboration between the U.S. and select middle income countries are Bi-National Commissions and Strategic Dialogues. Bi-National Commissions are the most formal, high-level arrangement, often including meetings at the vice head of state level and supported by frequent sector-focused working group meetings between the U.S. and its counterparts. Strategic Dialogues represent a more common format, with sectoral working groups feeding into more frequent (sometimes semi-annual) meetings at the foreign minister level. Though not a subject of this study, the U.S. State Department employs Annual Bilateral Consultations (ABCs), chaired each year by regional assistant secretaries of state, to facilitate a regular exchange between the U.S. and many — usually small-to-medium-sized — middle income and Least Developed Countries.

Key insights and experiences shared by our interviewees are:

One former U.S. ambassador noted that the success of the **U.S.-South Africa Bi-National Commission**, during the Clinton administration in the 1990s, can be attributed, in part, to U.S. Vice President Al Gore's steadfast commitment to the Commission and the encouragement he gave to his administration's Cabinet heads. The Vice President personally nurtured the Commission into a “fine policy level discussion center.” For instance, during one of its meetings, President Bill Clinton sought then-South African Vice President Thabo Mbeki’s support for the Nuclear Non-Proliferation Treaty. Over the course of the discussions, South Africa changed its position and agreed to support the treaty, leading to support from many more African countries. At the same time, some Bi-National Commissions, such as one focused on political-military matters between the U.S. and Nigeria, maintained a narrow agenda.

Tensions sometimes arose when Cabinet Departments sought unsuccessfully to fund their participation in Bi-National Commissions through USAID. One interviewee recommended that the cost of a Bi-National Commission should be endowed to ensure sustainability. This would be similar to the cost sharing arrangement to fund some bilateral Fulbright Commissions.

Another former U.S. ambassador underscored the importance of **two high-level mechanisms for engaging Mexico** in recent years: *first*, a three-way (Mexico, U.S., and Canada) dialogue

initiated in the early 2000s but discontinued by the Obama administration; and *second*, beginning in 2009, a U.S. high-level economic dialogue with Mexico, which focused on working groups on entrepreneurship, education, border management, and development assistance for communities affected by organized crime. On the U.S. side, most of the negotiations were led by the U.S. ambassador in Mexico City, but on occasion, the U.S. secretary of commerce stepped in to chair meetings. Vice President Joe Biden and his Mexican counterpart also co-chaired an annual high-level economic dialogue between the two countries. Vice-President Biden helped to ensure accountability for decisions made through this process by requesting regular updates from the relevant Cabinet secretaries who, in turn, established elaborate tracking mechanisms to assess progress. The same interviewee explained how this process proved favorable compared to, for example, the concurrent (and often overlapping and competing) dialogues on U.S.-China economic relations facilitated by the U.S. State Department, Treasury, and Trade Representative's office. In addition, the high-level government-to-government dialogue on economic matters between the U.S. and Mexico was soon complemented by business-to-business and CEO dialogues facilitated by the U.S. Embassy in Mexico City, which further helped to inform and shape the high-level official economic dialogue.

A former U.S. assistant secretary of state described the experience of the **U.S.-India Strategic and Commercial Dialogue**, loosely based on a similar bilateral dialogue with China. It consisted of some 34 separate working group dialogues and 70 different initiatives, making it nearly impossible to replicate vis-à-vis other countries. Co-chaired by the U.S. secretaries of state and commerce and their Indian counterparts, the dialogue included the participation of every major U.S. Cabinet-level Department, including Treasury, Energy, Agriculture, and Health and Human Services. Our respondent stressed the importance of “action-forcing events” and working group leadership to facilitate progress, as well as a detailed spreadsheet to track progress and ensure accountability. Targeting priorities identified through the Dialogue’s sectoral working groups, the U.S. employed financial aid and technical assistance to leverage foreign direct investment and the mobilization of domestic resources in India.

Another former U.S. assistant secretary of state shared how a **U.S.-Bangladesh Strategic Dialogue**, chaired in recent years by the U.S. under secretary of state for political affairs, focused on themes such as transitioning the bilateral aid relationship, Bangladesh’s significant contribution to U.N. Peacekeeping, and Bangladesh’s desire to expand economic relations with the countries of South-East Asia. The interviewee also shared the example of the “**Millennium Alliance**” between the U.S. and India, which represented a successful partnership between USAID and the Federation of Indian Chambers of Commerce and Industry to provide targeted seed funds to new, private sector-led entrepreneurial activities designed to address development challenges in India. The respondent further emphasized the value of **Annual Bilateral Consultations** between the U.S. and the Central Asian Republics, led by individual Central Asian foreign ministers and the U.S. assistant secretary of state for Central and South Asian affairs. In these consultations, the Central Asian Republics prioritized improving relations with the U.S. in the areas of commerce, science, and technology.

A former U.S. ambassador explained how “Bi-National Commissions” (between the U.S. and Nigeria and the U.S. and South Africa) and “Strategic Dialogues” (between the U.S. and Angola and the U.S. and Liberia) varied from country-to-country, but were normally supported by

bilateral working groups that met on a regular basis and convened at least annually at a more senior level to reach specific decisions, including achieving consensus around major shared goals. It was felt that the theory of Bi-National Commissions (which are considered a “step up” from Strategic Dialogues) and Strategic Dialogues is sound, but **in practice, given the number of competing weekly priorities in Washington and an African counterpart country, they faced difficulty in achieving results and being sustained effectively.** One reason for an effective U.S. Bi-National Commission with Nigeria was former U.S. Secretary of State Hillary Clinton’s strong commitment to the Commission.

Two interviewees raised the worrisome problem of initiating a Bi-National Commission or Strategic Dialogue and setting it in a kind of “perpetual motion,” **when the political climate can suddenly change in the U.S. or a priority partner country** (as witnessed following last November’s election in the U.S.). In the process, the underlying justification and core principles for establishing a mechanism for closer bilateral dialogue and action can be upended or diluted.

#### *Lessons from other Innovative Policies, Tools, and Mechanisms for Bilateral Cooperation*

Beyond Bi-National Commissions and Strategic Dialogues, many other policies, tools, and mechanisms have helped to illuminate shared interests and values between the U.S. and major emerging economies, framing and facilitating joint action. They have ranged from targeted Millennium Challenge Corporation (MCC) grants and expanded U.S. Peace Corps programs, to cooperation on joint agricultural programs in Least Developed Countries and encouraging university-to-university, business-to-business, and other innovative (and non-governmental) kinds of bilateral cooperation. Some of the more insightful examples shared with this study’s authors include:

A former U.S. assistant secretary of state stressed how U.S. assistance provided through the **Millennium Challenge Corporation** allows middle income countries to be treated with respect and to be looked at in new, constructive ways. However, several middle income countries, such as Cape Verde, Botswana, and Mauritius, do not qualify for MCC or other kinds of development assistance, even though they wish for continued assistance to help facilitate further progress. In short, in some but not all emerging economies, the U.S. is ready to respond to targeted aid requests (e.g. in the area of technology transfer), and increasingly is working to facilitate American private investment and trade, including through high-level diplomatic and commercial delegation visits.

A former U.S. ambassador lamented the closing of the **U.S. Information Agency**, as it led cultural exchanges, journalists’ visits, and other kinds of visitors programs — protected from other national policy considerations that could divert these programs from their initially intended purpose. Our interviewee also recommended resurrecting — with long-term assurances from the U.S. government — **U.S.-local university long-term relationships** in middle income countries, learning, for example, from the experience of the Gates Foundation and National Academy of Sciences to help transform African scientific academies from honorary membership societies to real centers of scientific service. At the same time, our respondent commended two ongoing programs supported by the National Endowment of Democracy: the **Center for International**

**Private Enterprise** and the **Center for International Labor Solidarity**, which have succeeded, for instance, in building chambers of commerce and unions in difficult countries such as Zimbabwe and Ethiopia.

One former U.S. assistant secretary of state described how **the U.S. is now partnering with India in developing the agricultural sector in three African countries** through the promotion of a “second Green Revolution”, building on India’s earlier success in the 1960s.

Another former U.S. assistant secretary of state reflected on the various and intensive **economic and political tools — involving the U.S. Treasury, International Monetary Fund (IMF), and at the U.S. Embassy-level** — that were employed to help large middle income countries, including Russia, Turkey, Argentina, and Brazil, cope with major financial and then economic crises in the late 1990s. Stemming the spread of panic in these sizeable emerging economies was important to contain these crises from affecting other global markets.

One former U.S. ambassador described the **United States Peace Corps** as still widely appreciated by middle income countries in Africa (not only in Least Developed Countries), as it provides widely sought after skills-set and a “positive kind of foreign pressure.” Often, through the Peace Corps, the U.S. is the only country with a presence in remote, rural areas of a country. The interviewee also stressed the useful role American ambassadors play in fostering **city-to-city, university-to-university, and hospital-to-hospital partnerships** between the U.S. and counterparts in emerging economies.

Another former U.S. ambassador explained that it is a duty of an ambassador and relevant assistant secretaries of state **to facilitate and employ specific tools that exist** (e.g. the U.S. Trade and Development Agency, OPIC, Ex-Im Bank, etc.) to help a middle income country counterpart better address particular economic challenges. However, the State Department’s regional bureaus tasked with supporting ambassadors often failed to properly understand the tools available. At the same time, well-meaning U.S. regulatory agencies can stifle much-needed U.S. investment in an emerging economy and vice-versa, especially in connection with large infrastructure projects.

Yet another former U.S. ambassador described the “**mixed success**” of the **MCC’s \$600 million program in Indonesia**, one of the largest globally. Difficulties stemmed, for example, from Indonesia wishing to manage directly MCC supported interventions in renewable energy, while facing recruitment and other operational difficulties in the limited time-frame (five-years) for spending MCC funds. In Sri Lanka, it was recommended by the U.S. Embassy and agreed in Washington to suspend the MCC program (only re-introduced this year) due to human rights abuses associated with the country’s civil war.

#### *Beyond Bilateralism: Engaging Middle Income Countries through Sub-Regional, Regional, and Global Groupings and Bodies*

This study, within Stimson’s broader Working with the New Majority program, has purposely focused on the modalities of U.S. bilateral relations with middle income countries. But given the

sheer size (in terms of numbers) and diversity of this growing set of countries, it is often far more efficient and effective if the United States engages these countries both formally and informally through sub-regional, regional and global groupings and bodies. Major sub-regional and regional bodies could be utilized, such as the Asia-Pacific Economic Cooperation Forum (APEC), the Association of Southeast Asian Nations (ASEAN), the South Asian Association for Regional Cooperation (SAARC), the Arab League, the African Union (AU), and the Organization of American States (OAS). Major global bodies include the U.N., World Bank, IMF, WTO, and the G-20. In addition, the U.S. can organize ad hoc groupings of countries for mutually beneficial relations.

One former U.S. ambassador discussed the utility of the first-ever **U.S.-Africa Leaders Summit** (2014), where President Obama was able to meet with 54 African heads of state simultaneously (whereas typically, Africa was considered fortunate if two of its heads of state were given the opportunity to meet with a U.S. president in a calendar year). Requiring a year of preparation, this format represents an efficient way for the U.S. to conduct relations with multiple African leaders every four years. Unlike similar meetings convened by the Chinese President and Japanese Prime Minister with African leaders, President Obama was only able to offer one-on-one photo opportunities rather than 10 to 15 minute bilateral meetings. The same interviewee noted how African countries are collectively taking on a significant regional peacekeeping role through the African Union, where they have also pledged to cover, by 2020, 25 percent of the associated costs (with Western donor countries expected to pick up the remaining 75 percent).

A former U.S. ambassador shared how **any new Chinese foreign minister makes his first overseas trip to Africa**, in recognition of the importance China attaches to Africa's 54 votes in, for example, the WTO and U.N. Human Rights Council. In contrast, U.S. Secretary of State Rex Tillerson recently was unable to receive the Chair of the Commission of the African Union, who consequently cancelled his plans to visit the U.S.<sup>4</sup> On the other hand, George H.W. Bush, while serving as U.S. Vice-President in the 1980s, saw every visiting head of state who requested a meeting. This effort paid off when he became president.

One former U.S. assistant secretary of state underscored the need for the State Department to **facilitate more business-to-business engagement**. At the same time, the assistant secretary stressed that a country's poor human rights record often overshadowed business and other relationships with the U.S. It is important to separate fully private business relationships from government-supported business relationships.

A former U.S. assistant secretary of state explained how the recent "**Central Asia + 5**" dialogue between the Secretary of State John Kerry and foreign ministers of the five Central Asian Republics helped to reduce individual tensions between and promoted greater coherence among the countries of Central Asia (Kazakhstan, the Kyrgyz Republic, Tajikistan, Turkmenistan, and Uzbekistan).

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<sup>4</sup> The visit will be re-scheduled.

## *New Ideas and Initiatives to Strengthen U.S.-Middle Income Country Cooperation*

Looking to the future while learning from the past, many innovations in how the U.S. conducts its business with middle income countries have the potential to deliver “win-win” results for all parties. A common feature is the degree to which **an innovation promotes mutually respectful (as opposed to hierarchical and imbalanced) relations** that place the two countries on more equal footing and seeks to harness both countries’ capabilities and ideas. Working to advance shared values, interests, and policy priorities of the U.S. and specific middle income country counterparts, the following new ideas and initiatives are recommended by various informants:

One former U.S. assistant secretary of state identified the need for: (1) **more high-level diplomatic visits to Africa** at the level of U.S. president or at least secretary of state; and (2) **a new tool box for the U.S. to engage** — through a combination of public and private resources — **more in infrastructure development in Africa**, including in the energy sector (building on the momentum generated by USAID’s Power Africa project). The same respondent noted that we can learn from the aid programs and leadership development opportunities provided to African countries from our allies, such as Norway and Canada. From China, the U.S. can learn about offering tangible forms of infrastructure support in a non-bureaucratic, responsive way (while also sharing that China has finally begun to take into account human rights concerns in its interventions abroad).

A former U.S. ambassador recalled how President Jimmy Carter, upon the recommendation of a group of advisors, wished to establish an **International Science & Technology Foundation** to address urgent needs and opportunities in middle income countries, but Congress, in not wishing to aid more affluent developing countries in this manner, refused to give its financial and political backing to the initiative. It was recommended that this initiative be proposed again.

Another former U.S. assistant secretary of state agreed calling for a **greater U.S. emphasis on technology transfer to middle income economies** (building on, for example, America’s successful Defense Technology and Trade Initiative with India), while also ensuring that American intellectual property is either well-rewarded or better protected. The interviewee also noted the lack of an effective toolkit for U.S. diplomats to better leverage financial capital and technical know-how to increase, for example, U.S. investment in the infrastructure of middle income countries. Building on the State Department’s International Visitor Leadership Program (IVLP), more people-to-people programming (a form of American “soft power”) should be encouraged, too.

Another former U.S. ambassador expressed concern that **U.S. companies were sometimes disadvantaged by competitors receiving large subsidies from their own country** to operate in a particular middle income country, as well as about the competitors’ frequent high-level, commercial-oriented visits to major emerging economies. At the same time, some middle income countries seek comprehensive partnerships with the U.S. so that they do not become dependent on other major powers, such as China.

Another former U.S. assistant secretary of state stressed that beyond formal Interagency Policy Committee (IPC) meetings, it was useful to convene **regular informal exchanges with other**

**departments at the State Department and other Cabinet agencies** to brief counterparts on plans for upcoming types of engagement (e.g. including vis-à-vis budget related committees in Congress) that would have a bearing on U.S. relations with priority middle income countries.

Increasingly, U.S. policymakers need to ask, “**What do middle income countries have to offer us?**” instead of thinking only in terms of what the U.S. has to offer them. The U.S. needs to foster cultural ambassadors from these countries to visit the U.S. The United States also needs to build out the most successful intercultural program ever, the Peace Corps, so that citizens of talent in emerging economies can reciprocate on behalf of their countries and serve in deserving settings in the U.S.

At the same time, as more mature socioeconomic programs are pursued with middle income-level partner countries, **the U.S. must remain true to its values regarding good democratic governance.** Admittedly, there is little appetite to being lectured to about democracy and good governance, and this is certainly understandable. However, there remain serious obstacles to sound, fair, and inclusive governance in a great many countries. Democracy is on the back foot. Civil society is repressed in a growing number of countries on most continents. There are increasingly serious conflicts due to climate, overpopulation, and inequality. The U.S. has voiced concern about these matters, but it has been too quiet about framing these as threats to political progress, human rights, and economic development.

At stake in an increasing number of countries is security and stability itself, which surely should raise the interest of the American business community and other internationally attuned communities. It also should lead to a more widespread application of the lessons of conflict resolution and conflict prevention, as many middle income countries are beginning to fray around the edges. Learning from its own Civil War and civil rights movement, **enhancing cultures of nonviolence and mature reconciliation could be one of the most important U.S. contributions to security and development progress** in the decade ahead.

Of foremost importance, political leaders in these countries — while knowing that their country may have only the population of a major U.S. county or state — seek political facetime with U.S. leadership. They want to be treated with dignity and case-specific attention. In this spirit, another initiative meriting consideration would be **announcing a series of sub-regional consultations with President Trump to foster more productive relations with large numbers of middle income countries.** In connection with this series, the White House could nominate a team of high-level emissaries to meet with these countries. The team could comprise former U.S. presidents and other highly respected citizens who can speak for the Trump administration in “learning exercises,” with the explicit goal of helping to form a new bilateral policy and new mechanisms for sustaining bilateral dialogue and action.

Moreover, the U.S. National Security and Economic Councils should undertake **a study on the best lessons from earlier Bi-National Commissions, Strategic Dialogues, and other oversight processes to hone lessons from these kinds of consultations.** The next federal budget should further resource the State Department so that it can manage more high-level relationships concurrently. A recently retired U.S. assistant secretary of state now speaks with sadness about the expected cutbacks (rather than advances) in securing adequate staff for even

traditional kinds of bilateral relations, let alone for some of these new ideas and initiatives, to take shape.

## Conclusion: General Findings and Implications for Future Research

Representing the largest potential new markets and the majority of U.N. member states, and in almost all cases, seeking closer relations with wealthy advanced nations, middle income countries cannot be ignored by America — particularly when these emerging economies see themselves as progressing while America's closest allies stagnate. **On one hand, even as these “countries in the middle” have witnessed steady economic, social, political, and cultural advances, their improvements have not been matched by a commensurate evolution in U.S. policy.** It is akin to parents not noticing when their children become adults. In short, the old ways of dealing with countries — for example, overdependence on foreign aid, the Peace Corps, and cultural missions — badly need updating. In many countries, these traditional programs are viewed as remnants of the Cold War. One reason China has made so much progress recently with middle income countries is the perception that it is not seen as engaging in aid, per se, but in advancing mutual interests. A chief vehicle for advancing China's mutual interests with multiple developing countries, at varied levels of development, are regular regional forums with officials at the highest political levels in the Middle East, Africa, and Latin America and the Caribbean.<sup>5</sup>

**On the other hand, as detailed in this background paper, there are many past and present mechanisms, instruments, and policies** — albeit sometimes ad hoc in nature and ineffectively sustained — **for enhancing U.S. relations with newly developed and emerging middle income countries** from which important insights and lessons can be gleaned and progress built upon. Summarizing key points from this paper, we recommend:

- Bi-National Commission and Strategic Dialogues **convened annually as high-level political discussions** (at least at the level of the vice president or secretary of state) and **ensuring accountability for decisions** made through this process by requesting regular updates from the relevant Cabinet secretaries and agency heads who, in turn, establish elaborate **tracking mechanisms to assess progress**.
- Learning from MCC programs that treat middle income countries **with respect and to acknowledge that it is necessary for the U.S. to think and look at its relations with these countries in a different way.**
- Encouraging American ambassadors to continue to play an important role in fostering **city-to-city, university-to-university, and hospital-to-hospital partnerships** between the U.S. and counterparts in emerging economies as well as innovative private sector-relationships often addressing key national challenges.

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<sup>5</sup> SIIS Project Team, “China Global Strategy (2013-2023)” Shanghai: Shanghai Institute for International Studies, September 2013, 13-16. Visit: <http://en.siiis.org.cn/uploadfile/2013/1019/20131019065456733.pdf>, accessed on April 25, 2017.

- The first-ever **U.S.-Africa Leaders Summit in 2014 enabled President Obama to meet simultaneously and efficiently with 54 heads of state** is an example of how regional and sub-regional head-of-state meetings can be big political wins — if they are very well-prepared.
- Learning from its own Civil War and civil rights movement, **enhancing cultures of nonviolence and mature reconciliation could be one of the most important U.S. contributions to security and development progress in middle income countries** in the decade ahead.

In addition to earlier proposals put forward (emphasizing both new initiatives and resurrecting good old ideas), we wish to conclude by recommending the need to establish a new government-wide office, co-located in the U.S. National Security Council and National Economic Council, to study and nurture comprehensive approaches between the U.S. and identify priority middle income countries. An initial mapping exercise by the office could examine past U.S. performance in facilitating U.S.-middle income country relations through Bi-National Commissions, Strategic Dialogues, and other similar kinds of mechanisms. This research could inform the work of a new White House function (perhaps called the “Middle Income Countries Coordination Office”) through concrete measures and new modalities for strengthening cross-government coordination on a range of policy priorities that harness the capabilities and innovative ideas of U.S. Cabinet departments and agencies, as well as a growing number of non-governmental actors, to advance priority U.S.-middle income country relationships.

Additional areas of future research on this subject that could benefit this new White House office and other actors seeking to strengthen U.S. and advanced industrialized country engagement with middle income countries include: (1) Lessons from U.S. interagency coordination on other complex topics that are applicable to cross-government coordination on matters dealing with priority emerging countries, (2) Analyzing the resources allocated and possible need for new line item budgets for Cabinet departments and agencies to better support U.S. engagement with middle income countries (independent of USAID), (3) Examining how the positive aspects of “Disruptive Diplomacy” between non-state actors can best be brought to bear, (4) An options-paper on how a long-standing Bi-National Commission or Strategic Dialogue between the U.S. and a Middle Income Country can adapt to a sudden and severe change in the domestic political situation of one or both of the partners to the bilateral dialogue, and (5) A study on how the U.S. can continue to support civil society and other people-to-people links with American groups in a middle income country that is increasingly suppressing its own civil society.

In addition, we plan to assemble best cases of wealthy country-middle income country relationships fostered by other OECD countries to learn lessons of new bilateral support and to learn how cross-government coordination is working in those countries.

As one former U.S. assistant secretary of state interviewed for this study noted, “Economic relationships require a lot of tending to, similar to gardening, in order to make bilateral relations work … it takes the right kind of people and skills and a serious time investment to succeed.” However, a common refrain from each of the respondents was that the U.S. government — in

particular the State Department — is not adequately staffed nor resourced to give sufficient attention to comprehensive, or even simple economic, dialogues with middle income countries.

With appropriate strategies, mechanisms, policies, and tools, many more middle income countries can become major partners of the U.S. on fundamental issues of economic, cultural, scientific, and security cooperation.<sup>6</sup> Fostering deeper relations where the U.S. seeks to actively tap and express respect for the full extent of middle income countries' capabilities and ideas is both achievable and can serve as a lasting hallmark of the new administration in Washington.

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<sup>6</sup> For further details on Stimson's Working with the New Majority program and how it seeks to advance this goal, see Annex III below.

## **Annex I**

### **Middle Income Countries: Country Listing**

#### **LOWER-MIDDLE-INCOME ECONOMIES (\$1,026 TO \$4,035)**

(52)

Armenia	Kiribati	Solomon Islands
Bangladesh	Kosovo	Sri Lanka
Bhutan	Kyrgyz Republic	Sudan
Bolivia	Lao PDR	Swaziland
Cabo Verde	Lesotho	Syrian Arab Republic
Cambodia	Mauritania	Tajikistan
Cameroon	Micronesia, Fed. Sts.	Timor-Leste
Congo, Rep.	Moldova	Tonga
Côte d'Ivoire	Mongolia	Tunisia
Djibouti	Morocco	Ukraine
Egypt, Arab Rep.	Myanmar	Uzbekistan
El Salvador	Nicaragua	Vanuatu
Ghana	Nigeria	Vietnam
Guatemala	Pakistan	West Bank and Gaza
Honduras	Papua New Guinea	Yemen, Rep.
India	Philippines	Zambia
Indonesia	Samoa	
Kenya	São Tomé and Principe	

**UPPER-MIDDLE-INCOME ECONOMIES (\$4,036 TO \$12,475)**

(56)

Albania	Ecuador	Montenegro
Algeria	Fiji	Namibia
American Samoa	Gabon	Palau
Angola	Georgia	Panama
Argentina	Grenada	Paraguay
Azerbaijan	Guyana	Peru
Belarus	Iran, Islamic Rep.	Romania
Belize	Iraq	Russian Federation
Bosnia and Herzegovina	Jamaica	Serbia
Botswana	Jordan	South Africa
Brazil	Kazakhstan	St. Lucia
Bulgaria	Lebanon	St. Vincent and the Grenadines
China	Libya	Suriname
Colombia	Macedonia, FYR	Thailand
Costa Rica	Malaysia	Turkey
Cuba	Maldives	Turkmenistan
Dominica	Marshall Islands	Tuvalu
Dominican Republic	Mauritius	Venezuela, RB
Equatorial Guinea	Mexico	

## **Annex II.**

### **Interviews for this Study**

The authors conducted interviews in April 2017 with the following former and current senior U.S. State Department officials: former Assistant Secretary of State for South and Central Asian Affairs Nisha Biswal; former Ambassador to Indonesia and Sri Lanka and Assistant-Secretary of State for South and Central Asian Affairs Robert Blake; Acting Special Representative for Global Partnerships Thomas Debass; former U.S. Ambassador to Nigeria and South Africa and Assistant Secretary for International Organization Affairs Princeton Lyman; former Ambassador to Liberia and Assistant Secretary of State for African Affairs Linda Thomas-Greenfield; and former Ambassador to Mexico and Argentina and Assistant Secretary for Economic and Business Affairs Earl Anthony Wayne.

### **Annex III.**

***The Stimson Center's***

**Working with the New Majority Program:  
Reinventing Relations with Most of the World's Peoples**

The Stimson Center has launched a five-year program to reimagine relationships between the U.S. and other wealthy nations with the New Majority. A lecture series will bring together leaders of New Majority countries with leaders in the practice of relevant relationships from the U.S. and other wealthy nations. Annually, the program will include research on a selected theme, a leadership dinner, and a one-day meeting to formulate recommendations for substantive programs and institutional innovations.

This effort is being aided by an Advisory Council of prominent individuals. The initiative is directed by Stimson Distinguished Fellow Robert Berg, who founded the evaluation work of USAID, was founding chair of evaluation for the OECD Development Assistance Committee, has led NGOs, was senior advisor to four entities of the U.N., and who served as a senior fellow in what was then the leading U.S. think tank on international development, the Overseas Development Council. His work has resulted in changes in core U.N. policies and in greater U.N. system-wide coherence, as well as in U.S. legislation.

The co-author for this study is Dr. Richard Ponzio, program director for Stimson's Just Security 2020 program, focused on advancing the recommendations of the Albright-Gambari Commission on Global Security, Justice & Governance. Earlier, Dr. Ponzio coordinated Secretary Hillary Clinton's and later John Kerry's New Silk Road initiative at the State Department, and he served in New York and numerous conflict zones with the U.N. Dr. Ponzio has published widely, including *Democratic Peacebuilding: Aiding Afghanistan and other Fragile States* (OUP, 2011) and (co-author) *Human Development and Global Institutions: Evolution, Impact, Reform*.

The Stimson Center is a nonpartisan policy research center working to solve the world's greatest threats to security and prosperity. Think of a modern global challenge: refugee flows, arms trafficking, terrorism. These threats cannot be resolved by a single government, individual, or business. Stimson's award-winning research serves as a roadmap to address borderless threats through collective action. Our formula is simple: we gather the brightest people to think beyond soundbites, create solutions, and make those solutions reality. We follow the credo of one of history's leading statesman, Henry L. Stimson in taking, "pragmatic steps toward ideal objectives." We are practical in our approach and independent in our analysis. Our innovative ideas change the world.