



Preventing State Failure:

*Steps Toward Closer Cooperation
Between China and the United States*

By

Ellen L. Frost

Institute for International Economics,
Institute of National Strategic Studies, National Defense University

Presented at
The U.S.-China Conference on Areas of Instability and Emerging Threats
Beijing, February 23-24, 2004

Preventing State Failure: *Steps Toward Closer Cooperation Between China and the United States*

Introduction

Relations between China and the United States have improved to the point where cooperative responses to common threats are emerging on an *ad hoc* basis. Many if not most of these threats, such as terrorism, crime, and disease, fester and grow in states that are either failing or in imminent danger of failing but have not yet collapsed.

This paper sketches the outlines of a more systematic approach to non-military cooperation and preventive action that China and the United States might take to prevent state failure. It focuses mainly, but not exclusively, on greater Asia, defined broadly to range from Southwest Asia (the Middle East north and east of the Persian Gulf) through the Indian subcontinent southwards to the Indonesian archipelago and northwards to the Korean peninsula. This area was chosen not only because of its proximity to China but also because of its strategic importance to the United States and the existence of shared or overlapping Chinese and American interests.

Each country is unique, but for purposes of this analysis states can be classified in groups ranging along a spectrum, from “weak” to “failing” through “failed/widespread conflict” to “post-conflict” states.¹ This analysis focuses on weak and failing states. These are countries where diplomacy and a modest level of public and private resources may (repeat: may) be able to avert violence and subsequent intervention, both of which are far more costly in both financial and humanitarian terms.

A weak state possesses only shaky legitimacy and faces numerous internal problems but is not yet on the brink of state failure. A failing state, by contrast, is one whose government is unable to deliver basic political goods and services to its own citizens, particularly physical security and basic legal protection; loses control over a portion of its own territory; and suffers from increasingly persistent internal violence.² Such governments lose legitimacy in the eyes of a growing number of their citizens. Increasingly unable to defend their borders,

¹ An example of a “failed state in widespread conflict” is Somalia. Post-conflict states are those emerging from state collapse, war, civil war, or occupation (East Timor, Sierra Leone, Angola, Liberia, Burundi, Côte d’Ivoire, Sri Lanka, Afghanistan, Iraq, and the states of post-USSR Central Asia).

² Robert I. Rotberg, “Failed States, Collapsed States, Weak States: Causes and Indicators,” in Rotberg, ed., *State Failure and State Weakness in a Time of Terror* (Washington: The Brookings Institution, 2003), pp. 1-10.

protect their natural resources, or enforce their laws, they become havens for terrorist cell and criminal networks and breeding grounds for contagious diseases. This downward spiral poses serious threats not only to their immediate neighbors, but in some cases to the rest of the world as well.

Sub-Saharan Africa contains as many as 17 countries that display some or all of these symptoms.³ Weak states in greater Asia include those challenged by ethnic and geographical diversity and indecisive leadership (Indonesia) or disruptive migration (Bhutan). States in danger of failing include Pakistan and Nepal. Finally, there are dictatorships whose rigid system of rule is not collapsing at the moment, but whose behavior violates generally accepted international norms. Their leaders engage in domestic repression, initiate the development of weapons of mass destruction (North Korea), and/or engage in criminal activity (Myanmar/Burma).

As permanent members of the UN Security Council, China and the United States have a special responsibility to address these dangers. Unfortunately, neither country has the tools and resources to respond effectively whenever and wherever these threats and challenges erupt. But each possesses assets and experiences that are very different but that may in some cases be complementary. By pooling or at least coordinating the use of these resources, the two countries may be able to achieve more than they would have by acting alone.

A study released in 2000 by the National Intelligence Council, a research and analytical arm of the U.S. intelligence community, predicted that international cooperation was likely to be effective in the following areas: financial flows, law enforcement, weather prediction, selective environmental protection, vaccine development and surveillance of disease, humanitarian assistance, counter-terrorism, and efforts by international and regional organizations to resolve certain conflicts, particularly in Africa.⁴ Cooperation between the United States and China is already underway in many if not most of these fields.

This study attempts to push the frontier of non-military cooperation a bit further. It begins by identifying countries posing near-term threats and advocates information-sharing and a structured, strategic dialogue. After sketching illustrative resources and tools, it proposes cooperation on economic measures and poverty relief that take advantage of China's unique experience. It then sketches plans and procedures and concludes with final observations about obstacles to Sino-American cooperation.

I. Countries Posing Near-Term Threats

China faces a set of security threats in greater Asia that are similar to and in some cases greater than those confronting America. China has 29 neighbors, of which 15 share a common border with China. North Korea is a prime risk. Nuclear-armed India and Pakistan,

³ United Nations data cited in Jeffrey Herbst and Greg Mills, *The Future of Africa: A New Order in Sight?* Adelphi Paper 361 (London: International Institute for Strategic Studies, 2003), p. 6. Of the 23 countries in conflict cited by the UN, I have subtracted 6 failed or collapsed states named by Robert Rotberg: Angola, Burundi, Congo, Liberia, Sierra Leone, and Sudan. The sole non-African failed state is Afghanistan.

⁴ *Global Trends 2015: A Dialogue About the Future with Nongovernment Experts* (Washington: National Intelligence Council, NIC 2000-02, December 2000), p. 48.

still at odds over Kashmir, are also close to Chinese population centers. Radical Muslim groups funnel money to separatist groups in Xinjiang. Piracy on the high seas threatens Chinese ships. Human trafficking, a modern form of slavery, exploits impoverished Chinese citizens, smuggling them as living cargo and then forcing them to work in prison-like conditions. Overseas Chinese businessmen are often targets of violence and kidnapping.

Although the sources and consequences of these threats are increasingly global, Beijing's strategic reach is still largely confined to greater Asia. Many countries deserve help and attention, but two in particular pose pressing security threats: North Korea and Pakistan. A third, Myanmar (Burma), is a repressive dictatorship that engages in or tolerates transnational criminal activities and gross violations of international norms. China has extensive ties with all three. Is Sino-American cooperation possible here?

North Korea

Despite extremist rhetoric occasionally billowing from Washington, the U.S. government has backed off from "regime change." This is wise. It is possible, however, that the regime will "implode" from within.

The sudden collapse of the North Korean regime would bring an already impoverished economy to a standstill and send tens or hundreds of thousands of refugees streaming north to China and south to South Korea. North Korea's nuclear weapons facilities would be at risk of looting. Food production and distribution might collapse. Civil society and independent institutions do not appear to exist. Foreign aid workers would be overwhelmed.

Coping with the immediate aftermath of the overthrow of the North Korean regime demands bold planning and lots of money. But it does not appear that the key countries that would help clean up the wreckage – South Korea, China, Japan, and the United States – have negotiated anything resembling a detailed emergency plan, let alone committed adequate resources. China and the United States could nudge this process forward.

China is already helping to defuse the nuclear threat from North Korea by convening first the three-party and then the six-party talks in 2003. It would be helpful if Chinese interlocutors could also find out more about the network of illegal trafficking of nuclear material and drugs in which Pyongyang is known to have engaged. Whether Beijing can exert influence in other ways, such as nurturing nascent free-market experiments and dismantling the world's most grotesque totalitarianism still in existence, is unknown. What is clear is that the United States and North Korea have "demonized" each other to the point where no truly informative dialogue can take place between Washington and Pyongyang at this time. What else could be done might be a product of the strategic dialogue described below.

Pakistan

The collapse of Pakistan, which suffers from weak governance and many other internal problems, would pose grave dangers to regional and global security. Chief among these threats would be the fragmentation or disintegration of control over nuclear weapons (loose nukes). Despite support for the U.S. "war on terrorism," the Musharraf government has been ambivalent about cracking down on Islamic militants, including Taliban remnants in Pakistan. Conservative Islam is gaining force, and militancy is on the rise. Islamabad appears to have been a major source of nuclear technology to Iran and North Korea. Failure to

defuse conflict in Kashmir nearly led to war with India in 2002.

Although fiscal policy and debt management have improved, Pakistan ranks near the bottom in health and education and other indices of the United Nations Development Program's (UNDP) development Report (144 out of 175).⁵ The education of girls and women is a known catalyst for development, but among the 7 countries in the world with the lowest percentage of girls in school, Pakistan is the only non-African country.⁶ The Pakistani military remains heavily involved in the country's political life and institutions.

Could China help to bring peace and stability to this troubled country? Throughout the long years of the Sino-Soviet dispute, China's strategy was to embrace Pakistan in order to offset the close ties between the Soviet Union and India. During the same period, U.S. policy went through a series of roller-coaster ups and downs from sanctions to F-16s, eroding Pakistani confidence in U.S. aims. According to public opinion polls, anti-Americanism is rampant.

Beijing has gently distanced itself from Pakistan as Chinese relations with India have improved, but China's ties to Pakistan could prove useful in any expanded Sino-American initiative. Among China's current or potential diplomatic instruments are trade, aid, investment, educational initiatives, conflict prevention, mediation, and possible Pakistani membership in the Shanghai Cooperation Organization. Both countries could work to strengthen the South Asian Association for Regional Cooperation (SAARC) and the SAARC's new free trade agreement (scheduled to go into effect in 2006),⁷ while simultaneously promoting global trade liberalization through the WTO in areas of interest to the region. And both might find complementary ways of nurturing the budding but still fragile peace process between Pakistan and India, which -- if successful -- would significantly improve Pakistani prospects.

Myanmar (Burma)

Neither the sanctions imposed by the United States and the European Union (EU) nor the policy of "constructive engagement" pursued by members of the Association of South East Asian Nations (ASEAN) has worked. The Myanmar dictatorship routinely engages in or tolerates international criminal activities such as drug trafficking. In May 2003 dissident leader Aung San Suu Kyi was re-imprisoned. As in North Korea and Pakistan, there is no functioning civil society. The Burmese people are among the poorest in greater Asia.

No reform is possible if the military is opposed to it. Some portion of the officer corps must realize that the Burmese government is traveling on a dead-end road. Chinese who are familiar with the country might identify a group of younger or mid-career military officers, invite them to tour China, and engage them in dialogue. Americans should shed their policy of boycotting Myanmar. Since their influence on military officers is likely to be limited or even negative, they should concentrate on cultivating people-to-people ties with religious and cultural groups and other potential pillars of civil society. China and the United States,

⁵ "Pakistan: Parliamentary Elections and After," *South Asia Monitor*, no. 66, Center for Strategic and International Studies, Washington, DC, January 1, 2004

⁶ Data from the United Nations Economic and Social Council (UNESCO), reported in the *Financial Times*, November 6, 2003, p. 7.

⁷ Hari Kumar, "South Asia Looks to Sign Free Trade Pact," *New York Times*, December 31, 2003, p. W1.

joined by the EU and Japan, could draw up a comprehensive aid and development plan as an incentive for reform.⁸

It is often alleged that China has cultivated good relations with Myanmar because it wants an oil pipeline connecting western China to the Bay of Bengal. China's mushrooming energy needs underscore the need for a greater degree of energy security. But there are better solutions available.⁹

Other countries

The three countries just named are perhaps the most difficult places to start. A smaller country might be a more promising venue for Sino-American cooperation. America's interests are global, and China's are increasingly so. Yemen, Zimbabwe, and Congo come to mind, along with Nepal, Bhutan, and the small Pacific island states.

II. Information-Sharing and Strategic Consultations

Before drawing up a specific plan of action, Chinese and American policy-makers need to collect and share information and then set up a joint, ongoing process of strategic analysis and discussion.

Developing a Data Base and Early-Warning Indicators

Individuals in China and the United States with in-depth knowledge about a particular failing state include country desk officers in government, experts in academic and research institutions, business representatives, bankers, church organizations, non-governmental organizations (NGOs), expatriates, and others. These people could be invited to participate in unofficial, unclassified Sino-American dialogues on emerging threats and areas of instability, at which the country and region in question would be discussed in depth. Discussions could be held at a non-government facility such as a research institution. Topics could include the causes of impending failure, the role of neighboring states, sources of arms, health conditions, data on growth, income distribution, the role of the black market, the effect of sanctions (if any), the type and level of corruption, the size of public and private debt, the dimensions of capital outflow, and anything else that was relevant. Ongoing consultative mechanisms could be devised, using e-mail and teleconference facilities.

Experts qualified to participate in such information-sharing exercises are already aware of the substantial problems plaguing weak and failing states. It would be useful to know if they agree on their severity and causes. Each side may bring information not hitherto available to the other. In addition to such a general review, they might usefully seek to identify agreed early-warning indicators – the measurable worsening of conditions in a weak state that is moving toward failing. The purpose of these indicators would be to sound an alarm that would alert non-experts and policy-makers.

⁸ Gerhard Will, "Burma: Ways Out of Isolation," *SWP Comments*, no. 18, Stiftung Wissenschaft und Politik, Berlin, November 2003.

⁹ For example, the United States could help establish an emergency energy-sharing scheme for Asia comparable to that already in place for Western countries, Japan, Australia, and New Zealand. See Martha Caldwell Harris, "The Globalization of Energy Markets," in Richard L. Kugler and Ellen L. Frost, eds., *The Global Century: Globalization and National Security* (2 vols., Washington DC: Institute for National Strategic Studies, National Defense University, 2001), Vol. II, p. 278.

U.S. and Chinese government representatives would attend the open sessions as observers, if political sensitivities so required, but preferably as participants. They could follow up with a bilateral discussion in closed session, drawing on a variety of government agencies, not just the two foreign ministries. Periodic US-China consultation could take place at the desk officer level.

Other Sources of Information

Beyond the confines of a consultative format, Americans and Chinese should seek information from a variety of sources. In some countries, the Chinese business community has multiple connections and experiences. In addition, U.S. and Chinese officials should approach specialists at the Asian Development Bank (ADB), the World Bank, the IMF, and (if appropriate) the Japanese and various European governments jointly or separately for data-sharing, debriefing, and brainstorming. They should seek out experts at the Organization for Economic Cooperation and Development (OECD) and the World Trade Organization (WTO) who can brief them on trade, investment, and currency conditions affecting the country in question. Finally, they should identify and initiate dialogue with regional sources of influence on failing states, such as regional development banks and regional business organizations.

Structured initiatives with which U.S. and Chinese interlocutors should become familiar include the OECD's awkwardly named "Learning and Advisory Process on Difficult Partnerships," the IMF's "Poverty Reduction and Growth Facility," the World Bank's studies on "Lower Income Countries Under Stress," and the UK government's ongoing study of poverty relief in difficult environments. They should also study recent examples of successful preventive, non-military intervention, such as Macedonia, Fiji, and Gambia.¹⁰

Within the country identified as weak or failing, the U.S. and Chinese experts should assess and compare notes on the degree of transparency and accountability of government transactions (or lack thereof). If possible, they should determine the role of military forces in business, the size of the assets held by "foundations" established by the government, the financial condition of major banks, the nature and beneficiaries of hidden subsidies and price controls, and other economic factors.

Strategic Dialogue

Once the early-warning alarm was sounded, and with pooled information in hand, the two governments would engage in more extensive strategic consultations at a higher level – perhaps the Assistant Secretary level in the U.S. system and the corresponding level in Beijing. Preliminary questions for such a higher-level US-China strategic dialogue on a specific weakening or failing state would include the following:

What are the main sources and symptoms of the internal conflict associated with the impending threat of state failure? Economic? Tribal/ethnic/religious? Linguistic? Historical? How well do we know the culture and languages of that country? What kinds of additional knowledge do we need? Answers to these questions determine the primary focus of US-China intelligence-gathering, analysis, and further information-sharing, which should be ongoing.

¹⁰ These were the three examples that came up most often during recent discussions on failing states with British experts in London.

How important is a particular failing state, and how seriously does it threaten China, the United States, and its own region? Answers to these questions determine country-by-country priorities and the allocation of resources.

Is there an imminent danger of state collapse or takeover by pro-terrorist forces? The answer to this question determines the timing and locus of effort. In the early stages of a crisis, preventive measures might include diplomacy, conflict mediation, and institutional reform. During the crisis, as the plight of the population worsens, needs might shift to border control/interdiction, security, and humanitarian relief. In general, longer-term measures are most appropriate before the threat of state failure becomes acute.

Is the government worth saving? The answer to this question determines the choice of instruments. For instance, UN bodies, the World Bank, and the International Monetary Fund (IMF) tend to favor incumbents because their statutory role is limited to advising governments, central banks, and other official bodies. NGOs either try to be neutral or work with reform-minded counterparts outside the government. Answering the question of whether the government in question is “worth saving” depends on an assessment of the depravity or incompetence of the leaders and the evaluation of alternatives.

Are China and the United States knowingly or unwittingly providing incentives for these governments not to change? Answering this question calls for self-searching policy review on both sides. A weak or failing state may have succeeded in winning U.S. or Chinese support by manipulating “hot button” issues (anti-terrorism in the case of the United States or non-recognition of Taiwan in the case of China). A more thorough cost-benefit analysis leading to a change in policy may be in order.

Should China and the United States request assistance from other governments or institutions, and if so, what form should it take? Is coordinated action by China and/or the United States sufficient? If not (and this is by far the greater likelihood), should China and the United States attempt to form an *ad hoc* coalition of the willing? Or should the deteriorating situation be referred to the UN Security Council or other international or regional body such as APEC, of which China and the United States are both members? How should Sino-American leadership be exercised within those institutions? What position should China and the United States take within the World Bank, the IMF, and the WTO? What are the interests of other major powers?

III. Identifying Resources and Tools

Assuming a reasonable degree of agreement on at least some of these questions, the next step would be to identify resources. Each government would take an inventory of aid resources, training programs, medical assistance, disaster relief, and other tools at its disposal. On the U.S. side, for instance, no fewer than ten federal departments and agencies maintained some kind of presence in and/or provided some form of assistance to ASEAN countries in fiscal year 2002, and in Central Asia the number was even higher.¹¹

¹¹ For ASEAN countries, these were the departments of Agriculture, Commerce, Defense, Health and Human Services, Labor, and Treasury, plus the Environmental Protection Agency, the U.S. Agency for International Development (USAID), and the Office of the U.S. Trade Representative (USTR). Programs for Central Asia included the departments of Justice and Energy, the U.S. Nuclear Regulatory Commission, the U.S. Export-

Besides funding, any initiative aimed at preventing weak and failing states from actually collapsing would require people on the ground. Apart from Peace Corps volunteers, would Americans be willing to spend significant time in these countries, often in poor living conditions? It is a real question. For that matter, would or could sufficient numbers of young or retired Chinese be trained and available for conflict prevention, technical assistance, health care, and the like, in the Chinese equivalent of a Peace Corps? Developing the human resources to support enhanced Sino-American cooperation on failing states must be an early priority for the two governments.

The contents of a “toolbox” will vary according to the country. *Economic* tools could be positive (aid, export credits, investment incentives, debt relief, computer training) or negative (sanctions, embargoes, financial controls, the freezing of assets). Because of the nature of the global economy, it would be best if such tools were adopted not only by China and the United States but also by the target country’s major trading partners, donors, and neighbors as well as by global and regional economic and financial institutions, especially the World Bank and the IMF. Although the Bretton Woods institutions are precluded from direct involvement in security issues, they have influenced military spending and other policies by attaching preconditions and performance criteria to their loans (“conditionality”). China and the United States are in a position to influence not only the form of conditionality but also the withholding of a loan installment or the easing of an otherwise punitive approach. On several occasions IMF members have caused the IMF to apply such actions to Pakistan.¹²

Political and diplomatic tools vary widely. Support for human rights and the rule of law, support for civil society and parliaments, and election monitoring are not areas where China has a lot of credibility. China also lacks the independent NGOs that make important contributions in these areas.

Nevertheless, many other options remain. The United States and China might well cooperate in areas such as disarmament, demobilization, and integration of the armed forces into civil society. They might also find common ground in negotiating safeguards and inspection in the nuclear fuel cycle for those countries engaged in nuclear development. They might initiate informal dialogue with non-governmental leaders who might be instrumental in preventing state failure, such as opposition leaders, religious leaders, peace organizations, business organizations, and local non-government organizations. Behind-the-scenes conflict mediation and coalition-building might even be possible. Other measures, such as visa granting/denial, landing and overflight rights, state visits, broadcasting, demarches, contact with opposition groups, and state-sponsored cooperation in science and technology should also be in the toolbox.

Legal or enforcement tools may be beyond the scope of Sino-American cooperation at this time. But creating a functioning economy and attracting investment are not possible where widespread violence and kidnapping prevail. China may not have a world reputation for humane and professional law enforcement, but civilian policing and assistance in cracking

Import Bank, and the Overseas Private Investment Corporation. Daniel Hartnett, “U.S. Aid to Asia: An Agency/Project Breakdown,” unpublished paper, Atlantic Council Asia Programs, November 2003.

¹² Jonathan Stevenson, *Preventing Conflict: The Role of the Bretton Woods Institutions*, Adelphi Paper 336, London: International Institute of Strategic Studies, 2000, p. 34.

down on smuggling and other illegal activities may be appropriate areas for cooperation. Coordination in enforcing a UN-backed embargo on trade in “conflict diamonds,” endangered species, and the like are well within the realm of possibility. Sea-based activities such as anti-piracy initiatives and search and rescue operations are also promising. Such measures would help the failing state by drying up the sources of criminal activity, but they should be matched by corresponding economic tools designed to create new sources of livelihood.

IV. Cooperation on Preventive Economic Measures and Poverty Relief

Most failing states are overwhelmingly rural and abysmally poor. Poverty does not cause violence and terrorism, but worsening poverty and widespread unemployment can fuel the humiliation and desperation on which criminals and terrorist groups feed. Poverty relief and job creation are thus strategic concerns as well as humanitarian ones.

A separate set of strategic threats from weak and failing states could arise from a financial collapse that triggered bank failures elsewhere or anything else that would rock the Asian or global economy. The Chinese government has pinned its hopes on economic modernization as a pathway to national strength and therefore to its own political legitimacy. Engagement in the global economy has already proven to be a key catalyst stimulating such a transition. But we know from the Asian financial crisis of 1997-98, which eventually spread to Argentina and Russia, that weak governance and/or misguided policies can stall the global economic engine, at least for a while. It follows that it is in China’s interest to encourage not only anti-terrorist measures but also sound national economic policies in greater Asia (and elsewhere).

China and the United States bring very different experiences to the challenge of relieving poverty in weak and failing states. In the Roosevelt era, the Civilian Conservation Corps and the Works Progress Administration (WPA) helped to relieve the Great Depression by creating public works jobs for the unemployed. America’s social security system also dates from that era. But that was long ago. Today, only a small number of Peace Corps volunteers and USAID employees have direct experience with extreme poverty on the ground. What Americans do well are technology transfer and the training of professionals in such fields as banking supervision, judicial conduct, regulation, information technology, and protection of intellectual property rights, to name a few. Private investors are capable of bringing vastly more resources than governments, but investment, technology transfer, and training have only a medium- to long-term effect on poverty relief. Americans are also good at logistics, transportation, distribution, engineering solutions, and humanitarian relief, whose effects are immediate.

China brings to the table decades of experience and lessons learned in its own countryside, both positive and negative. Much of this experience is still unfolding. What follows are some suggestions for Sino-American cooperation drawn from this backdrop.

Mobilization for Public Works

Chinese authorities are experts in “mass mobilization.” This phrase chills Western ears, not only because of its coercive and often brutal nature in the Maoist years, but also because

mass mobilization was sometimes harnessed to disastrous causes (e.g., backyard steel “mini-mills” during the Great Leap Forward, when millions died from famine). More positive examples center on road construction, flood prevention, health measures, and responses to natural disasters.

In many weak and failing states, there are masses of unemployed people. Jobless and frustrated young men pose a particular danger. If invited to do so by local authorities, Chinese aid workers could help mobilize large numbers of people for constructive purposes.

Chinese and Americans might also explore initiatives aimed at diverting the armed forces of weak and failing states into public works projects. Mostly underemployed and underpaid, these armies run local businesses or engage in shakedowns and extortion. Rebel “armies” are little more than rag-tag groups of unemployed and dispossessed men and boys. Meanwhile, roads wait to be repaired, ditches to be dug, and schools to be built.

The Chinese People’s Liberation Army has decades of experience in public works. Chinese authorities are now streamlining and modernizing the PLA so that it becomes a modern, professional fighting force, but it continues to engage in public works projects. Americans have the Army Corps of Engineers, with its extensive design skills and high level of technology.

The differences between the two countries’ experience are vast. Nevertheless, both American and Chinese leaders should be able to agree that mobilizing and organizing large numbers of people -- and perhaps armies -- for public works could both reverse the alarming erosion of infrastructure in failing states and provide jobs for the unemployed.

Health

In failing states, health indicators are going backwards: more babies and young children are dying, infectious diseases are spreading, and even rudimentary medical care is absent or inadequate. In an age of travel, foreigners visiting these countries sometimes bring these contagious diseases back to their home country.

China’s “barefoot doctors” campaign might be a useful model. During the 1950s and 1960s, the Chinese government trained thousands of health care workers in basic medical care and sanitation and sent them to remote rural areas. Despite its undoubted shortcomings, the campaign extended at least rudimentary medical care to a large number of poor rural families. Drawing on this experience, Chinese medical personnel could train and fund a core group of host-country sanitation workers, nurse-midwives, and the like. More recently, China’s experience with the SARS epidemic offers a credible set of lessons learned to developing-country governments.

Americans, too, have experience in delivering health care to rural populations. Volunteer organizations such as Partners in Health specialize in reaching remote populations. Charitable giving for health delivery remains vigorous despite the U.S. economic slowdown. American health programs also have helicopters and advanced communications technology at their disposal.

Urban populations also face severe health risks. It is predicted that by 2015, there will be

more than 18 cities with a population exceeding 10 million people. By 2020, as much as two-thirds of the world's population may live in urban areas. Existing sanitation and health facilities and clean water supplies in cities located in many weak and failing states are in no way up to this challenge. China itself is on the front lines of this battle. Could China and the United States pool expertise, resources, private capital, and assistance from NGOs to tackle urban health problems?

Implementation of Economic Reform

By now there is a documented link between poverty on the one hand and excessive economic regulation (and the corruption associated with it) on the other. Chinese analysts have acknowledged these linkages in their own society as well as in others'. Some of the countries that demonstrate all three weaknesses are also havens for money-laundering and crime.¹³ Economic reform in weak and failing states can thus be seen as a strategic imperative for China and the United States.

Pressure to enact economic reform usually follow the broad outlines of the so-called "Washington Consensus" (perhaps more properly dubbed a "universal consensus among economists"), as modified by experience. Its main elements are reducing budget deficits, redirecting public expenditures, tax reform, financial liberalization, a unified exchange rate at a competitive level, replacement of trade quotas by gradually diminishing tariffs, abolition of impediments to foreign investment, privatization of state-owned enterprises, abolition of regulations impeding new entry or competition, and security of property rights. Among the modifications are an awareness of risk (combined with a warning against opening up the capital account prematurely), a broadening of focus beyond a narrow emphasis on growth to include income distribution and poverty reduction, and a new emphasis on institutional reform.¹⁴

It may seem odd to include economic reform in a discussion of potential Sino-American cooperation, since China's economy is still struggling to shake off decades of centralized planning, misguided socialism, excessive regulation, corruption, and secrecy. But that is the point. Advice on reforming one's economy is easy to come by, and the IMF, the donor community, and creditors may even insist on it as a precondition for a grant, a loan, or debt relief. But in many parts of the world, Americans are believed to be guiding or even manipulating international economic institutions for their own selfish interests, such as market access. They have developed a highly effective mixture of regulatory frameworks and free competition, but they have no experience with massive privatization of socialized industries and very little experience with breaking up national monopolies.

¹³ Relevant websites include www.transparency.org, www.freedomhouse.org, and various World Bank and IMF reports. For money-laundering, see the publications of the OECD's Financial Action Task Force (FATF) on Money Laundering, available at www.oecd.org. The so-called "Non-Complying Countries and Territories" in greater Asia that have failed to crack down sufficiently on money laundering are the Cook Islands, Indonesia, the Marshall Islands, Myanmar, Nauru, Niue, and the Philippines. On links to crime, see Kimberley Thachuk, "Transnational Trends: New Threats?" in *Strategic Assessment 1999* (Washington: Institute for National Strategic Studies, National Defense University, 1999).

¹⁴ John Williamson, "Our Agenda and the Washington Consensus," in Williamson and Pedro-Pablo Kuczynski, eds., *After the Washington Consensus: Restarting Growth in Latin America* (Washington: Institute for International Economics, 2003), pp. 323-331. Williamson and Kuczynski coined the term "Washington Consensus."

China's growth rate is the envy of the world. Based on this record, the Chinese can say, quite credibly, that they tried state socialism and it just didn't work. They can share what they learned when they privatized and deregulated particular industries and liberalized foreign investment. They can explain how agricultural reform helped millions of poor peasant families to get enough food to eat and to acquire a sewing machine, a radio, and a bicycle. They are living proof that a thriving economy reaps international prestige. Whether these arguments can deter greedy rulers from plundering their own people is unclear, but the effort may be worth making.

Another reason for listing economic reform as a candidate for Sino-American cooperation is political and diplomatic. The Chinese government has at least limited contact with and influence in countries where the United States has either isolated itself through non-engagement (Iran, North Korea, Myanmar) or subordinated its policy goals to a focus on anti-terrorism (Pakistan, Indonesia).¹⁵ Their nascent trade agreements with ASEAN countries present opportunities to press for economic reform in concert with America's own Enterprise for ASEAN Initiative, whose centerpiece is bilateral free trade agreements with qualifying ASEAN members.

Ultimately, China should aim at becoming a member of various global groupings that have long sought to tackle challenges associated with poverty. The most prestigious is the G-7/8, which now partly includes Russia (as "8"). With its open mandate, head-of-state membership, common purposes, and considerable national resources, the G-8 is well positioned to become more active in defusing threats from weak and failing states despite its weaknesses.¹⁶ The OECD features the Development Assistance Committee (DAC), the Financial Action Task Force on Money Laundering, an anti-bribery convention, negotiations on export credits, and numerous other activities of growing interest to Beijing. (The OECD has maintained an active program of "dialogue and cooperation" with China since 1995.) The Paris Club and the London Club are groups of official and private creditors, respectively.

The main obstacle to membership in the G-8 and the OECD is political. Stated OECD criteria include a commitment to "democratic government" as well as to a market economy. Although China has moved a long way toward a market-oriented economy, and although the political climate is vastly less repressive than it used to be, it is not a democratic country in the modern sense. As for the G-8, China has become a leading candidate for membership in recognition of its economic size, its commitment to reform, and the desirability of replicating the positive results of Russia's membership. The most serious argument put forward in opposition to Chinese membership is that China is "too different" – not democratic, gripped by irredentist goals, and guided by values and policies that do not coincide with those of other members. China's inclusion, it is feared, would transform the G-8 into "another UN Security Council."¹⁷

¹⁵ In 2002, for example, some 35,000 Chinese visited North Korea, as tourists, on business, or as patrons of North Korea's casinos. *New York Times*, November 1, 2003, p. W7.)

¹⁶ Risto E.J. Pentilla, *The Role of the G8 in International Peace and Security*, Adelphi Paper 355, London: International Institute of Strategic Studies, 2003, p. 7.

¹⁷ *Ibid.*, p. 87.

Fortunately, China is an active member of APEC, where most of the challenges associated with weak and failing states are or can be discussed, even if only behind the scenes. APEC reached a high point in the early to mid-1990s, when its members committed themselves to “free and open trade and investment” by 2010 (2020 for developing countries), but it has suffered from a lack of leadership ever since. Nevertheless, at the Bangkok summit of 2003, a number of topics previously considered too sensitive for inclusion were discussed, such as terrorism and corruption. Some APEC groups are quite active, notably the Energy Working Group. In addition, APEC offers a forum for informal discussion of topics that may not appear in formal communiqués. China and the United States have an open field for cooperation in making APEC a more effective facilitator of non-military intervention and preventive measures.

V. Plans and Procedures

If Chinese and American leaders reach agreement on a specific set of measures designed to prevent state failure, they should offer low-key briefings to all interested and relevant international and regional bodies. Depending on the case, these might or might not include the UN Security Council, the Asian Development Bank, the Council of the European Union, the ASEAN secretariat, major non-government organizations, and others. Speeding up the implementation of market-opening for exports of interest to the weak or failing state should be notified to the WTO. Japan should also be consulted.

Notifying others in advance may seem to dilute the special political character of a Sino-American initiative. But failure to do so risks embarrassment at best and wasted resources at worst. For example, it is possible that a Sino-American initiative could build on the IMF and World Bank activities. The European Union or Japan could be planning to commit resources in areas also targeted by China and the United States.

Careful planning of any Sino-American project is essential. Specifically, Chinese and Americans should establish in writing:

- Clear-cut responsibilities and channels of communication
- Criteria for success and termination
- Guidelines for measuring progress and recognizing failure
- Procedures for enforcing commitments and agreed-on steps if commitments are not met
- Guidelines governing the awarding of bids, preferably on a non-discriminatory basis
- Cost guidelines and ceilings, including allowable and non-allowable expenditure
- Media guidelines and talking points
- Basic security requirements for on-ground personnel

It would be best to start with one country to gain learning experience.

Concluding Comments

Two weaknesses cast a shadow on the ambitious agenda outlined here. The first is organizational. On the American side, the U.S. government lacks the capacity to respond

rapidly, consistently, and effectively to the need for preventive measures in weak and failing states. Interagency coordination across functional barriers is uneven at best. Decision-making is compartmentalized and frequently hobbled by hierarchy and secrecy. Separate policies often work at cross purposes. There has been no sustained effort to explain to the public why state failure matters. Successful preventive strategies will require much closer coordination among the economic, security, law enforcement, environmental, and technology policy-making communities in Washington than currently exists.¹⁸

The role of the Pentagon makes the anatomy of decision-making particularly lopsided. The severe imbalance between military and non-military resources tends to unduly “militarize” U.S. policy responses to pending crises. The level of resources available for conflict prevention is tiny compared to the resources available for engaging in conflict. Budget support for training, foreign aid, educational exchanges and scholarships, visitor programs, contributions to humanitarian programs, and regional and multilateral organizations is rising but is pitifully small compared to America’s military power and global reach. Spending on these tools shrank from four percent of the federal budget in the 1960s to one percent by 2000. The Bush administration’s “National Security Strategy” proposes a doubling of aid through the Millennium Challenge Account, but this initiative is designed to reward governments already on the right path. Unfortunately, the huge U.S. budget deficit makes it unlikely that resources designed for use in weak and failing states will be increased anytime soon, and funds are already overstretched.

The second and more fundamental obstacle is political and strategic. As China and the United States begin to work together, the technical or logistical challenge of finding areas of complementarity will not be that difficult. The two sides can soon acquire tactical trust. The political challenge is building *strategic* trust.¹⁹

One of the unique advantages of Sino-American cooperation is that it harnesses the skills and resources of two vastly different countries. But that difference is also a weakness that critics may seek to exploit. Given the long and bumpy history of relations, the legacy of mutual mistrust dies hard. It is difficult for Americans to believe that Chinese observers can view their well-meaning if fumbling and inconsistent policies as aggression, but many of them do. They see a country trying to dominate the world by attacking sovereign countries at will, expanding its military presence, and seeking to control energy sources. In Asia, they believe that the United States is encouraging Taiwanese separatism, turning a blind eye to Japanese militarism, and setting up new bases and military facilities in Central Asia, Singapore, and elsewhere so as to encircle China.²⁰ On the other side of the Pacific, hard-line American critics see China in zero-sum terms – if China gains wealth, influence, and military

¹⁸ These points are more fully argued in Stephen J. Flanagan, Ellen L. Frost, and Richard L. Kugler, “Strengthening the Policymaking Process,” in Flanagan, Frost, and Kugler, *Challenges of the Global Century: Report of the Project on Globalization and National Security* (Washington: Institute for National Strategic Studies, National Defense University, 2001), pp. 28-29. See also Chester A. Crocker, “Engaging Failing States,” *Foreign Affairs*, September-October 2003.

¹⁹ The phrase “strategic trust” is borrowed from Zheng Bijian, chairman of the China Reform Forum, who introduced the concept during a discussion at the Atlantic Council in December 2003.

²⁰ For an moderate version of this kind of thinking applied to Central Asia, see Guangcheng Xing, “China and Central Asia,” in Roy Allison and Lena Jonson, eds., *Central Asian Security* (Washington DC: Brookings Institution Press, 2001), pp. 165-68.

power, the United States loses. This attitude carries particular weight in some circles of the U.S. Congress.

Despite these internal critics, the Chinese and American governments have identified many common interests and usually work together quite constructively. The task now is to structure goals and mechanisms to pursue these interests more systematically and in a more sustained way. But a close and sustainable partnership requires strategic trust, which depends on common or substantially similar values. That is why, with all their quarrels, the transatlantic partnership and the US-Japan alliance have been as durable and constructive as they are.

Supporters of a closer Sino-American partnership can point to a growing convergence of values, or at least a substantial overlap. The Chinese value hard work, education, practicality, and thrift, which Americans might call the “Benjamin Franklin” virtues or the “Yankee spirit.” China’s new respect for market capitalism dovetails with American respect for entrepreneurship and healthy competition. Even Chinese humor tickles Americans more than, say, its French or Japanese counterpart, and Chinese restaurants appear in the smallest Midwestern towns.

Yet other values do not quite mesh. The problem is not that China frowns on American-style individualism, because almost every other society in the world does likewise. It has to do with power. Despite verbal support for equality, power in China is still stratified and secretive. The recent selection of China’s leaders indicates that China has solved the fundamental issue of the peaceful transfer of power, but the lack of access and openness limits accountability and renders China’s political future less predictable than would be the case in a democracy. Although Chinese people are now fairly free to criticize corruption in their government or debate foreign policy, punishment still falls on those who challenge one-party rule or who say unacceptable things about Tibet or Taiwan.

For their part, Chinese can find much to criticize in current American values. The prevalence of divorce, promiscuity, violent entertainment, and nudity appall many Chinese (and many Americans, too). In many parts of the country, respect for the group and the community has sunk low. The incarceration of a quarter of young African-American men, the low standards of primary and secondary education, the popularity of gas-guzzling vehicles, and the inadequacy of health insurance are all blots on the U.S. character.

Given these differences, building strategic trust requires greater openness on China’s part. The United States is already open – so open that the babble of messages beamed at China or otherwise reaching the Chinese can be cacophonous and ignorant as well as friendly and inspiring. Preaching to others is built into America’s political tradition, and its divided government lends itself to inconsistency. Fortunately, Chinese analysts sorting out this noise have become increasingly sophisticated. The task now is for China to continue to become more open, its decision-making more transparent, its government more accountable, and its critics more secure.

Strategic trust cannot be created quickly, but as long as China continues on its current course, it can be expected to grow over time. Meanwhile, the more Chinese and Americans find practical ways to cooperate in response to the challenges posed by weak and failing

states, the more each side will gain confidence in the other's intentions. Such confidence is a key component of strategic trust.

January 16, 2004