Hedging Engagement:

America's Neoliberal Strategy for Managing China's Rise in the Post-Cold War Era

Joseph Riley, Candidate
DPhil in International Relations
Oxford University
St. John's College

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Executive Summary:

This thesis examines America's post-Cold War relations with China in the context of the neoliberal vs. neorealist debate. It concludes that neorealism—the dominant school of thought in the international relations literature—is incapable of explaining America's response to China's rise in the post-Cold War era. Because America was the leading global power and China was its most obvious potential rival, a neorealist theory that prioritized the distribution of relative power would anticipate this relationship to be a most-likely case for American policymakers to pursue containment and prioritize relative gains.

However, I leverage insights from more than 100 personal interviews to demonstrate that in reality American leaders have overwhelmingly preferred a strategy of neoliberal engagement with China that has remained decidedly positive-sum in nature. My explanation for this consistent, bipartisan preference is that American policymakers have not adopted the neorealist assumption that conflict is inevitable between existing and rising great powers. As a result, policymakers have not focused exclusively on how to minimize the relative costs of a potential conflict with China by trying to contain China's relative power and limit America's exposure to China (as they did with the Soviet Union in the Cold War). Instead, policymakers have subscribed to the neoliberal belief that conflict can be avoided, and that increasing engagement and interdependence is the best strategy to maintain peace. They have pursued this strategy despite acknowledging that engagement and interdependence have increased the costs of a potential conflict by helping to facilitate China's rise in both an absolute and relative sense, and by increasing America's exposure to China.

This thesis helps to define the differences between *hedging* and *containing* strategies. It argues that while relative material power is often important in deciding whether to hedge or not hedge, these purely material calculations play no role in decisions of whether to pursue containment or engagement. Instead, the decision to contain or not hinges on the target state's behavior and what that reveals about the regime's underlying intentions. Within this new framework, I argue that American policymakers' strategy has been to *engage China economically* while simultaneously *hedging militarily*. Furthermore, to the extent that American policymakers have expressed increased concerns about China in recent years, this has been primarily a consequence of China's increased assertiveness—not changes in its relative power.

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Chapter 1 Framing the Puzzle:

Why is This Relationship a "Most-Likely" Case for Realism?

Empirical Puzzle:

This thesis begins with a central empirical question: "*Why has the United States continued to deepen its economic engagement with China throughout the post-Cold War period?"* This is particularly puzzling for three reasons. First, China has remained an authoritarian, communist state. Second, American policymakers have considered China their most powerful potential foe. Indeed, multiple sources confirmed that because of China's martial strength and economic power, they are the most frequent opponents in the Department of Defense's major war games.[1] In 2004 alone, the U.S. Government conducted more than nine simulations of how they would respond to a conflict with China in the Taiwan Straits.[2] Third, as the evidence in this thesis will demonstrate, the nature of the engagement between the two countries has allowed China to grow faster and gain more than America.

In light of these three considerations, America's persistent pursuit of liberal engagement does not comport with the traditional narrative of great power rivalry that has dominated international relations scholarship. This is particularly true of the realist tradition, which proudly traces its antecedent insights all the way back to Thucydides' account of the Peloponnesian Wars. In this classic text, Thucydides explains the roots of the epoch conflict between the Peloponnesian and Athenian Leagues as the inevitable consequence of the rise of

[1] (Hayden, 2014; May, 2015)

[2] (Garrison 2005, p. 179)

Athenian power.[3] Since then, numerous scholars like E.H. Carr, Hans Morgenthau, Paul Kennedy, Kenneth Waltz, Robert Gilpin, and John Mearsheimer have sought to describe and explain the importance of power transitions to great power rivalry and conflict.[4]

This focus on the ever-changing balance of relative power appears logical considering that short of a few exceptions—perhaps most notably Great Britain's response to the rise of the United States—the dominant pattern of international political history has been that power transitions do culminate in major conflict between the existing and rising great powers. Scholars within the realist tradition disagree on whether it is the rising or declining state that ultimately initiates the conflict.[5] Nonetheless, one expectation remains constant across the realist tradition: that the existing or declining power will attempt to maintain its dominance.[6] In practice, this approach often manifests in a strategy of containment. While there are many definitions of containment, the basic foundation in all variations is that the leading state attempts to isolate the rising state and constrain its overall growth. This includes restricting not just the rising nation's military power, but also its economic power, which provides the foundation of its military power. The archetypical example of containment is America's strategy towards the Soviet Union during the Cold War, but there are also numerous other examples including America's approach to Iran, North Korea, Iraq, Burma, Cuba, Syria, Sudan, Zimbabwe, and Cambodia at various points in the post-Cold War period. The motivation behind containment, at least when it involves two leading great powers, is rooted in the assumption that the international system is inherently anarchical. The absence of a higher

[3] (Thucydides, 2000)

[4] Among numerous other works, see: (Carr, 1939; Copeland, 2001, 2014; Gilpin, 1983; P. Kennedy, 2010; Kugler & Organski, 1989; J. Mearsheimer, 2001; Morgenthau, 1948; Organski, 1958; Waltz, 1979)

[5] For a basic summary of offensive realism, which views the rising state as typically the source of conflict, see (J. Mearsheimer, 2001). For good overviews of defensive realism, which argues it is typically the declining state that initiates the conflict, see (Copeland, 2001; Waltz, 1979).

[6] See (Copeland, 2001, 2014; Gilpin, 1983; Grieco, 1988a, 1988b; P. Kennedy, 2010; Kugler & Organski, 1989; J. Mearsheimer, 2001; Organski, 1958; Waltz, 1979)

authority requires every state—particularly leading great powers—to rely on themselves for protection and security. Thus, the best way for the most powerful state to ensure its survival is to remain the most powerful state in the system. Historically, this has frequently caused the leading state to try to thwart the rise of any potential challengers through covert and/or overt means.

However, in contrast to the historical norm, post-Cold War American leaders have not only rejected the idea of containing China's economic growth, but have actually pursued a policy of liberal engagement designed to facilitate China's growth and development. This presents a perplexing puzzle for the realist tradition. Why has America continued to deepen and expand bilateral interdependence with its most powerful potential foe and chief ideological rival, especially when this interdependence has benefited China relatively more than America? Former Assistant Secretary of State for East Asia, Kurt Campbell, summarized this empirical puzzle:

> "The irony is that there is no other nation with which America's interdependence is larger or growing faster (than with China), and yet there is no other interdependent relationship that is more uncomfortable for America."[7]

However, Campbell and others point out this is not just odd in terms of contemporary American foreign policy, it is also unusual in a larger historical frame:

> "Rarely in history has a rising power made such prominent gains in the international system largely as a consequence of the actions and inattentiveness of the dominant power. Indeed, Washington has been mostly unaware of China's gains within the past few years, many of which have come at the expense of the United States."[8]

Even President Clinton himself acknowledged, "This isn't a relationship that fits neatly into categories like friend or rival, and it may never."[9] And Bates Gill and Sue Ann Tay described the relationship by saying:

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[7] (Campbell, 2014)

[8] (Christensen 2015, p. 247) For whole discussion, see (Baum, Campbell, Kelly, & Ross, 2005).

[9] (Clinton 2004, p. 66)

> "Never in the post-World War II era has the United States had such an important economic partner that was not a close friend or ally. As such, China defies ready categorization in the American political and economic psyche."[10]

Reflecting this complexity, former Secretary of State, Colin Powell, admonished attempts to oversimplify the complexity of America's approach to China:

> "People ask me things like, 'Is China going to be an enemy or a friend, or are they a competitor, or a collaborator?' I reject all of these one-word descriptions or simplistic formulas. They are a major nation. We have interests with them. They have interests with us. We have concerns about them, and they have concerns about us."[11]

In short, American policymakers have settled on a strategy for managing China's rise that is far more nuanced and far less hard line than what a neorealist theory of balance of power would expect.

Theoretical Puzzle:

While this empirical puzzle has implications for many theoretical debates within the international relations literature, it is particularly relevant to the debate over relative and absolute gains.[12] In fact, it is hard to imagine any other theoretical debate producing more distinct and opposing hypotheses about this relationship. Neo-liberal theories emphasize the role of absolute gains, and would predict that the enormous benefits that interdependence generates for both the United States and China would motivate American leaders to pursue a liberal strategy of deep and comprehensive engagement. In contrast, neorealist theories prioritize relative gains, and would never expect cooperation from a relationship involving

[10] (Wang 2013, p. 103); For original, see (Gill and Tay 2004, p. 1).

[11] (C. Powell, 2014)

[12] A state that prioritizes relative gains cares not only about how much it benefits from relationships with other states, but also about how those benefits compare to the benefits its partners receive. A state that prioritized relative gains would rather gain 10 units and its partner gain 3 units than to gain 100 units and its partner gain 70. More importantly, a relative-gains seeking state would rather not trade, and receive no benefit than to trade and gain relatively less than the other state. In other words, they would rather not cooperate and receive zero benefit than cooperate and gain 95 units while their partner gained 100. A state that prioritized absolute gains, in contrast, would seek to maximize its own absolute benefit, but would not care about how that benefit compared in relation to partner states. Thus, a state prioritizing absolute gains would rather gain 50 units and see their partner gain 100 than to gain only 10 but limit their partner's benefit to only 5 units. For more detailed discussion of the arguments surrounding relative vs. absolute gains, see (Grieco, Powell, & Snidal, 1993; Grieco, 1988b; R. Powell, 1991; Snidal, 1991a, 1991b).

such massive imbalances between the two most powerful actors in the system. Instead, they would expect America, as the existing hegemon, to at least *attempt* to contain China. Indeed, according to neorealist theories, America's approach to the rise of China should be *the most likely case* for containment and relative gains in the post-Cold War era.[13]

The modern foundation for neorealism is Kenneth Waltz' balance of power theory, which argues that states rank potential threats and form alliances by looking only at the distribution of material capabilities throughout the system.[14] The extreme structural and determinative nature of balance of power theory was borne out of and appeared to accurately capture the bipolar orientation of the Cold War. However, the end of the Cold War presented many problems for balance of power theories. One problem that was hotly debated in the literature was the apparent acquiescence of so-called "second-tier powers" to American hegemony and a unipolar order.[15] This did not comport with traditional neorealist expectations, which would have expected these second-tier powers to form a balancing coalition against America. Numerous scholars like William Wohlforth, Gideon Rose, and Randall Schweller[16] responded with justifications for how the realist paradigm could still account for this apparent anomaly.[17]

I do not comment on this particular debate, but instead focus on what I see as an even more damning problem for neorealism and balance of power theories in the post-Cold War era—the failure of America, as the leading state, to deploy a containment strategy against its fastest rising challenger, China. This sort of rising versus reigning superpower relationship is exactly the type of relationship that realism purports to explain, and yet America's actual

[13] For discussion and references on what constitutes a "most-likely case" see Chapter 3.

[14] (Waltz 1979)

[15] (Tessman & Wolfe, 2011, p. 215)

[16] For overviews of these critiques as well as the realist responses, see (P. D. Feaver et al., 2000; Rose, 1998; Schweller, 2004; Wohlforth, 1994, 1999).

[17] (B. Tessman & Wolfe, 2011)

strategy in the post-Cold War era bears virtually no resemblance to the containment and balancing strategies that realism expects. In order to highlight the seriousness of this failure, I first demonstrate that America's approach to China is a most-likely case for realism by showing that in the post-Cold War era, China has had the greatest potential to rival or pass America in comprehensive power.[18]

If another rising state possessed more power potential than China, neorealists could justify America's engagement of China as simply an alliance of convenience, like the alliance between America and China against the Soviet Union during the Cold War. However, in the absence of another more powerful challenger, then a balance of power theory cannot justify America's cooperation with China, especially if China has benefited relatively more and grown relatively faster as a result of the relationship. Because neorealists are often vague in describing how to calculate comprehensive power, I demonstrate that China has possessed more power potential than any other possible challenger in the post-Cold War era in both economic and military assessments of power.

China as the most-powerful competitor

After the Cold War, China quickly emerged as America's most powerful potential rival. China is the world's most populous country, accounting for 20% of the global population.[19] China is one of only five permanent members on the United Nations Security Council, and one of only two permanent members with which America is not formal allies. The People's Liberation Army (PLA) budget has grown more than 1000% from 1997-2014.[20] As a result of this massive increase in expenditures, the relative gap in military spending between the U.S.

[18] See (Copeland, 2001, 2014) for detailed discussion on Dynamic Differentials Theory, and other dynamic applications of realist theory.

[19] (IMF World Economic Outlook, October 2014)

[20] (Bitzinger 2015)

and China has dwindled from 30:1 to just over 3:1.[21] Beijing maintains the world's fourth largest nuclear arsenal, and arguably the second strongest military.[22] China's cyber attacks on American civilian, intelligence, and military systems surpass those of any other rival in both breadth and sophistication.[23]

Furthermore, China has sustained far higher growth rates than any of the other major powers throughout the period of this study. This is in stark contrast to Russia, which is America's only other "near-peer competitor"[24]. Russia has been in relative economic decline since the 1990s. The meager rebound it had begun to see during the 2000s has been wiped out with plummeting energy prices and Western sanctions in the aftermath of Moscow's aggression against Ukraine. Meanwhile, China has become the largest holder of American debt, the second largest economy in the world, America's second largest trading partner, and an integral part of the complex product chain that fuels Asian and global growth.[25] Indeed, China has become such an important player on the global stage that many people began to talk openly of the possibility of a G-2 with the U.S. and China after the financial crisis.[26]

Andrew May now runs the Office of Net Assessment (ONA) in the Pentagon, which coordinates the Department of Defense's long-term strategic planning. May confirmed that China is America's leading and most concerning near-peer competitor.

> "For us [ONA], it is not just that China is the country with the most superior economic and military power, *it is also about intentions*. China has been seen as a primary potential competitor for the U.S. ever since the mid 1990s, around the time Russia began to enter into a decline. First, Russia appeared in dramatic decline economically, demographically, politically, and militarily. Second, China appeared on the rise in all of these categories. Third, while regional competitors like Iran, North Korea, Iraq, etc, were concerns, they did not possess the ability to pose any sort of existential threat to the U.S. Finally, the desire of the Chinese to develop power projection platforms, and

[21] SIPRI Military Spending Index

[22] (Kimball 2015)

[23] (Mulvenon 2014)

[24] "Near-peer" is the term the U.S. military uses to refer to advanced militaries that are its closest competitors.

[25] (IMF World Economic Outlook, October 2014; World Bank Country Database)

[26] (Bush 2011; Economy and Segal 2009; Pardo 2014)

> their manifest interest in the Revolution in Military Affairs suggested that they had very serious long-term ambitions."[27]

Indeed, because of China's tremendous power potential, John Negroponte, former Deputy Secretary of State, Director of National Intelligence, and U.S. Ambassador to the United Nations, stated unequivocally:

> "Everyone agreed that the U.S.-China relationship was the most important bilateral relationship in the world. Maybe Japan, the U.K., and some others are our most important allies, but China is the most important country. It just is. It's the most powerful, and it's getting even more powerful, so there is the most at stake on that relationship."[28]

Figures 1.1 – 1.8 further support the case that – according to a neorealist emphasis on material capabilities – relations with China should have been the most likely case for American policymakers to prioritize relative gains. **Figures 1.1 – 1.4** compare China's growth and power to two other countries that American strategic planners frequently place on the "red team" in war-gaming scenarios: Russia and Iran. These figures include a range of measurements of national power to show that from a dynamic outlook on material capabilities, China has been the fastest rising potential challenger to American hegemony throughout the post-Cold War period, especially since 2000.

Figures 1.1 – 1.8 include the comparative measures that realists often utilize to assess relative power: 1) Overall military strength, 2) Balance of trade, 3) Total GDP, and 4) Overall share of the global economy.[29] **FigureS 1.1 and 1.2** evaluate the military budgets of the three competitors and their respective trade deficits with America.[30] Military strength is central for neorealists in assessing state power. Trade deficits are also critical for neorealists in assessing the extent to which one state is "winning" the relative gains competition and the degree of

[27] (May 2015)

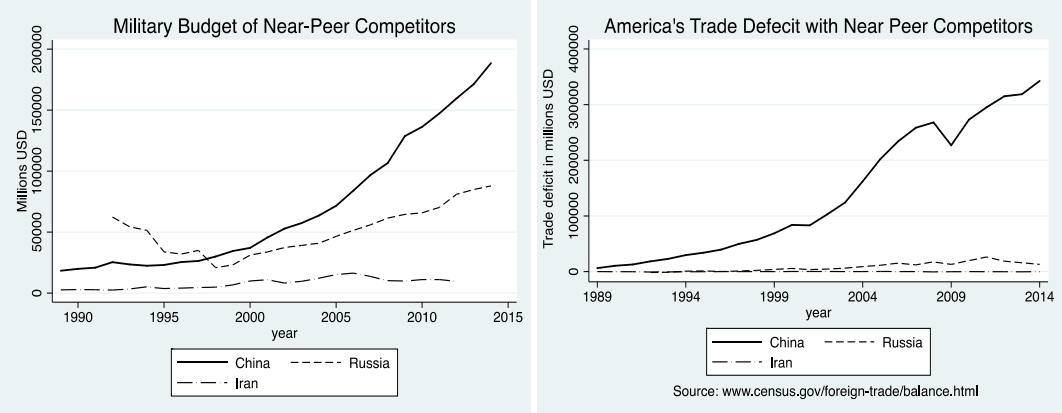
[28] (Negroponte 2014)

[29] For a discussion on the importance of using military expenditures, GDP as a percentage of the global economy, trade balances, debt holdings, and currency reserves as indicators of relative power and relative gains, see (Salman & Geeraerts, 2014, p. 9 and Tessman & Wolfe, 2011).

[30] In reality, the DOD only assigns two countries the label of "near peer competitor". These are China and Russia.

influence each country has in the other's economy. As **Figures 1.1 and 1.2** demonstrate, China's military budget rocketed past Russia's in the late 1990s. China's trade surplus with America also far exceeded both Russia's and Iran's throughout the period.

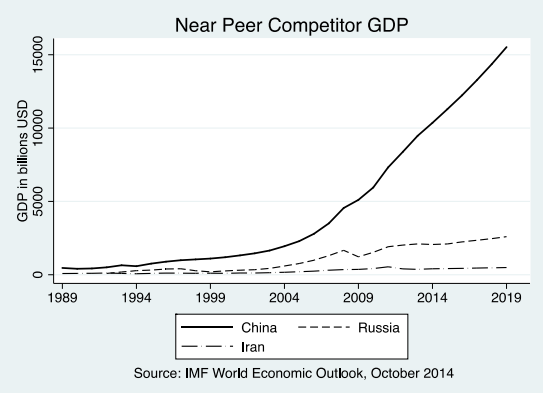
Figure 1.1 **Figure 1.2**

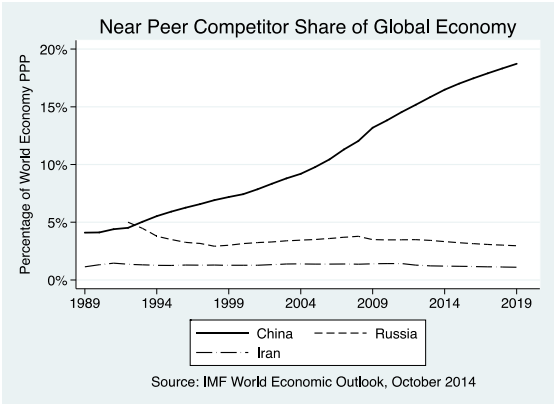


Figures 1.3 and 1.4 look at each nation's nominal GDP in current U.S. Dollars and its share of the global economy. According to both measures, China is in a separate league from both Russia and Iran. China's economy was far larger both in nominal terms and in its share of the total global economy, and its relative lead over Russia and Iran was expanding rapidly throughout the 2000s. These measures, particularly the share of the global economy, are critical to understanding the degree of influence that each nation can wield in geopolitics, as well as its latent military power. Hence, they are critically important to neorealism's material-centric calculations.[31]

Figure 1.3 **Figure 1.4**

[31] See, (Salman & Geeraerts, 2014, p. 9 and Tessman & Wolfe, 2011)





China winning the relative gains competition

Figures 1.5 – 1.8 demonstrate that while engagement was benefitting both America and China, China was benefitting relatively more and growing relatively faster. In fact, Thomas Christensen surmises, "Since 1978, there arguably has been no greater beneficiary of the existing international order than China."[32] **Figures 1.5 and 1.6** show two of the most important measurements of relative gains: relative trade flows and capital account balances. In both cases, China has won the relative gains competition by a tremendous margin. These particular measures of relative gains declined in the immediate aftermath of the global financial crisis. Since the recovery, however, China's trade surplus with America has continued to surge upward. The capital account balance has slowed in returning to pre-crisis levels mainly because China has divested some of its U.S. Treasuries since the crisis, and it has appreciated its currency marginally.[33] Nonetheless, a containment strategy that prioritized relative gains would never have tolerated such large trade and capital account deficits with America's most powerful and fastest rising competitor.

Figure 1.5 **Figure 1.6**

[32] (Christensen 2015, p. 56-57)

[33] (Senior Administration Official 2014; Kimmitt 2014; McCormick 2014; Zoellick 2014)

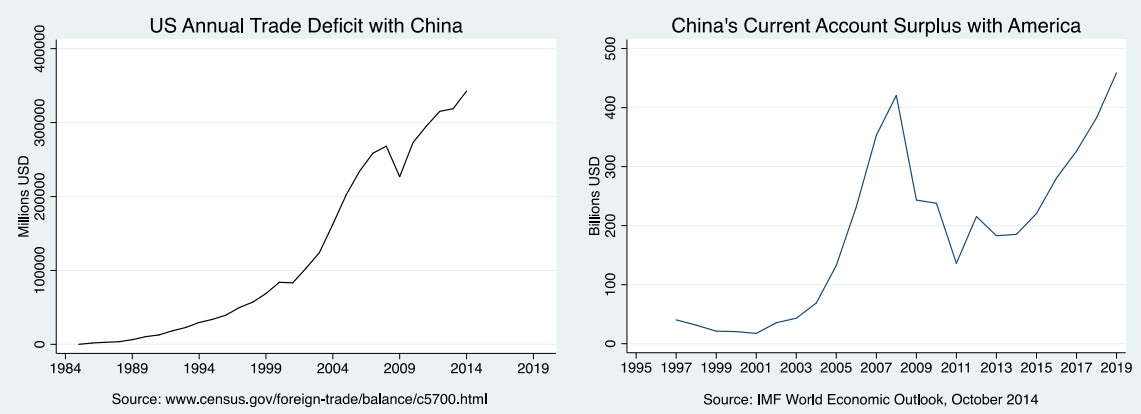


Figure 1.7 shows each nation's share of the global economy—a key indicator of international influence—following an almost directly inverse trajectory to one another. More importantly, **Figure 1.8** reveals that across the period (particularly in the 2000s), China averaged growth rates roughly double those of America. The one time that growth narrowed considerably was after the Untied States and other OECD countries imposed sanctions on the Chinese following the Tiananmen Square massacres in 1989 (see red index lines on **Figure 1.8**). The dramatic swings in China's growth rate both after the sanctions were imposed and then after they were lifted reveals the extent to which America could have constrained China's growth during those early years if it had pursued a blanket containment policy, replete with sweeping sanctions, embargos, and other forms of economic censorship.

Figure 1.7

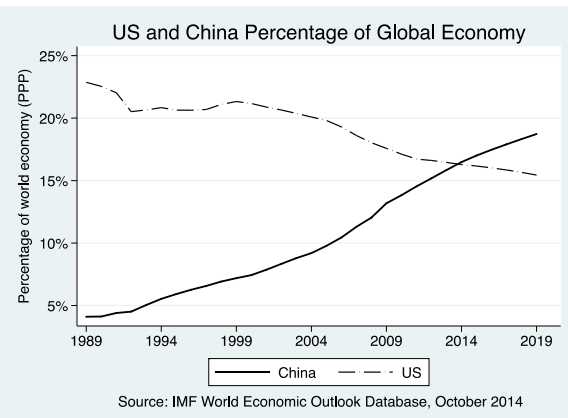
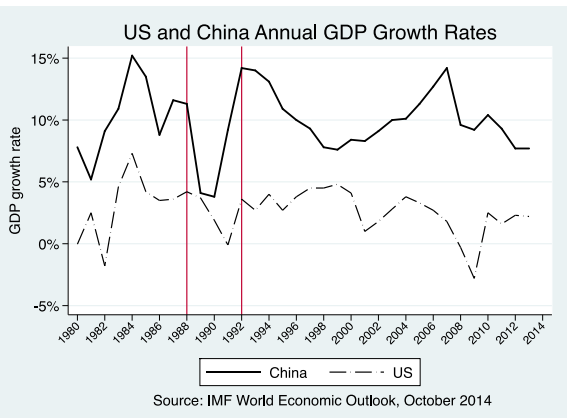


Figure 1.8



Technology transfers are also an important aspect of relative gains calculations for neorealists. It is difficult to represent these transfers graphically, but these technology transfers

have been both massive and unidirectional.[34] This phenomenon, combined with the evidence presented in **Figures 1.5 – 1.8**, demonstrates that regardless of whether one focuses on economic or military calculations, China clearly has been winning the relative gains competition. Indeed, not one of the individuals I interviewed disputed this basic assessment. Below are just a few of the quotes to this effect:

> "It's often difficult to discern who is benefitting more unless you first define which aspect of the relationship or what types of benefits you are talking about. However, in this case [US-China] I think any definition would have to reveal that China has benefitted more from the relationship than we have. We have still benefitted a lot, though." *(Doug Paal, Former Senior Director for Asia on the National Security Council)*[35]

> "They have gained tremendously. We have not gained as much as we thought we would have, so yes they have gained more than we have, but I just don't think of it that way." *(Susan Schwab, former U.S. Trade Representative)*[36]

> "Yeah, I think it is fair to say that while we have both benefited, China has benefited more. I mean, China would be nowhere today without the U.S. markets." *(Paul Wolfowitz, former Deputy Secretary of State and World Bank President)*[37]

> "Of course it has benefited China more. Our GDP was already huge and it's still huge. Right. So they're a poor country that got wealthier, but certainly it can't be US policy that poor countries should remain poor." *(Senior Clinton Official)*[38]

> "At the end of the day, there is no doubt that China clearly gains more from its relationship with the US. The US and our allies also benefit, but China benefits more." *(Thomas Christensen, former Deputy Assistant Secretary of State for East Asia)*[39]

Summary:

Given that America has been the most powerful state, and China is the rising state with the greatest potential to rival that power, a neorealist theory would have to accept that

[34] For more information on technology transfers, see (D. Fuller, 2013; Mahmood, 2011; Schnepp, Glinow, & Bhambri, 1990; Young & Lan, 1997)

[35] (Paal 2014)

[36] (Schwab 2014)

[37] (Wolfowitz 2015)

[38] Senior Clinton official

[39] (Christensen 2014)

America's approach to China's rise should be a most-likely case for relative gains and containment in the post-Cold War era.

Were Relative Gains Driving Policy?

I argue that American officials have not prioritized relative gains in their economic relations with China and have had no interest in containment. To evaluate this hypothesis, I interviewed more than 100 senior American officials who have helped shape America's policy towards China throughout the post-Cold War period.[40] To guard against biasing interviewees' responses in favor of my thesis, my questions were designed to actually encourage the interviewee to exhibit concerns about relative gains.[41] As proof that this tactic worked, numerous interviewees prefaced their initial comments by rejecting the line of questioning as presuming a zero-sum view that fundamentally did not exist. For example, Secretary of State Colin Powell's opening comments during our interview provided perhaps the most ringing (and unsolicited) endorsement of my thesis. Secretary Powell had asked to review the questions in advance of the interview. On the day of the actual interview, he did not even wait for the first question before prefacing the conversation by saying:

> "I am afraid I may not be able to help you much here because your line of questioning seems to assume that there was a concern about China's growth, and that is just not the perspective that I or either of the Bush Administrations or the Clinton Administration took. Over the years, I have watched with amazement how China has been able to bring some 400 million people out of poverty, out of despair, out of hunger, raising the middle class, how they created an economy that rests on selling things to others—principally the United States. It's inconceivable that I, or any of the administrations I worked for, would have been opposed to that, let alone would have tried to stop it. The relationship benefitted us both."[42]

As the Secretary's quote reveals, my questions were structured to encourage answers that contradicted my argument. Nevertheless, interviewees still consistently rejected a relative

[40] See list in **Appendix A**.

[41] See (Berry, 2002; Dexter, 2006; Lilleker, 2003; Richards, 1996) for discussion on the utility of this approach.

[42] (C. Powell, 2014)

gains framework, and instead emphasized their strong commitment to a positive-sum approach. One might still critique the validity of these interview results by saying that regardless of how the questions were structured, policymakers would still be unlikely to openly articulate a zero-sum perspective, even if that was their true position. In other words, they might hold zero-sum opinions, and they might secretly have preferred to pursue containment. They were just unwilling to admit these preferences on the record.

I acknowledge this critique, and will discuss the merits and faults of elite interviewing in more detail in my methods section. Nevertheless, I still view the interview results as valid for the following reasons. First, many—if not most—of the individuals I interviewed were no longer in government at the time of our interview. Had I interviewed them while they were still in office, they likely would have had to moderate their true concerns regarding China and instead adhere to the government's official position. As private citizens, however, they are currently able to express their opinions freely.

Second (and most importantly), these interviews all took place over the past two years, during which time anti-Chinese sentiments among the American public have soared. Indeed, a 2015 survey from the Pew Research Center found that more than 60% of Americans hold an unfavorable view of China, and 89% of citizens view the loss of American jobs to China and China's holding of U.S. debt as a serious concern.[43] In light of these results, the domestic support for the mercantilist and isolationist narratives proffered by Donald Trump and Bernie Sanders is both unsurprising and indicative of the fact that the politically expedient option for these interviewees would have been to critique—not defend—America's positive-sum, neoliberal trade and economic policies with China over the previous decades. Even Hillary Clinton, who fought tirelessly as Secretary of State to push the Trans-Pacific Partnership (TPP), now opposes the measure because it is so virulently unpopular in the Democratic Party.

[43] (Wike, 2016)

Donald Trump's constant criticism of America's economic policies with China have become so infamous that there are now numerous YouTube compilations devoted exclusively to Trump's anti-China montages. In the current political climate, therefore, one would anticipate that a former official trying to posture for a position in a future administration would provide answers that were more anti-China and more receptive to relative gains arguments than they actually believed, if they were going to misrepresent their true opinions. It certainly would not make sense to falsely endorse a neoliberal perspective if one's personal preferences actually favored the more mercantilist, zero-sum rhetoric that has become increasing popular in America's populist discourse.[44] Therefore, the fact that the so-called "establishment" foreign policy elites of both parties continued to voice support for these policies, despite this unfavorable political climate, strongly indicates that their verbal support for these policies is genuine.[45]

To demonstrate the pervasiveness and longevity of this neoliberal outlook among America's post-Cold War foreign policy elites, I developed a coding system that scored each interviewee on a 1-4 scale. This allowed me to graphically display the depth of policymakers' consensus regarding absolute gains across time, department, and political party. This 1-4 coding system is described in the following paragraphs.

1. **(Pure Realist)** Interviewee prioritized relative gains concerns over absolute gains and advocated for a containment strategy. *This is the threshold for actually pushing containment.*

[44] In subsequent chapters, I acknowledge that this neoliberal perspective on economic policies with China is indicative only of American foreign policy elites. The American public has been more receptive to mercantilist economic policies. Indeed, in a 1990 study, former Secretary of Labor, Robert Reich found that a majority of American workers were willing to accept a cut in their own pay in order to inflict relatively larger reductions in pay for Chinese workers. See (Reich, 1990) and (Mastanduno, 1991). However, I argue that America's foreign policy elites have maintained a positive-sum, neoliberal economic strategy of engagement and interdependence despite these domestic sentiments.

[45] For a more detailed discussion on the merits and dangers of elite interviewing, as well as my structure for these interviews, please see Chapter 3 of this thesis.

Example: There were no responses of this type, but a hypothetical answer would have looked like the following, "I felt the long-term consequences of China's rise would severely threaten American interests, so I argued that we should make a concerted effort to contain China's growth." This would reflect the basic neorealist expectation that America should actively try to contain China because of its future power potential.

2. **(Pragmatic Realist)** Interviewee had relative gains concerns, but did not act on those concerns because he or she felt that employing a containment strategy would be economically, politically, or legally imprudent. *This is the threshold for favoring containment.*

   Example: I only classified a few people in this category, and none of them provided a good summary quote. However a response in this category would have been something like, "I feared the long-term consequences of China's economic rise. Therefore, I would have supported a containment strategy, but I recognized that pursuing this approach at the time I was in office would have been politically impossible." This sort of explanation would remain true to the basic realist insights, but would also acknowledge the political constraints confronting chief executives at both the international and domestic level.

3. **(Practical Neoliberal)** Interviewee held a solidly positive-sum view of the relationship. He or she either did not consider containment, or thought it would have been unwarranted and impractical.

   Example: A good representation of this type of response came from Douglas Feith, who was the Undersecretary of Defense for Policy from 2001-2005. He was one of the most notable China skeptics in the Defense Department, and prior to 9/11, he

had planned to make countering China's military rise one of the DOD's top priorities. When I asked him about the economic relationship, however, this was his response:

> "Obviously China benefitted from trade with us. Our markets were wide open. They received technology transfers from us. All of this helped them grow, and because they were starting from such a low base, we knew they would grow faster. *But I didn't care if they got rich. No one cared if they got rich. We weren't trying to keep China poor.*"

This reflects the standard neoliberal expectation. Policymakers were only worried about ensuring that America benefitted as much as possible from the relationship. Whether China benefitted economically or not was of little concern.

4. **(Principled Neoliberal)** Interviewee said he or she wanted to help facilitate China's growth. An absolute gains perspective merely assumes an indifference to the other state's benefit or growth, but these individuals actually believed China's economic growth was good for the U.S. and wanted to help facilitate that growth.

   Example: I received numerous responses of this type. Examples include the following:

> "I don't recall in my entire experience ever having a debate about the adverse effect of China's growth. Our view was that China's economic growth is good for Americans' standard of living and it's good for America."[46] *James Baker, Secretary of State 1989-1992, Secretary of the Treasury 1985-1988; White House Chief of Staff 1981-1985; 1992-1993*

> "I thought we were better off with a more rapidly growing China than a less rapidly growing China because a China that was growing rapidly would be less likely to be nationalistic; it would empower reformers; it would lead to a more open society; and boost demand for our products, which would help American companies."[47] *Larry Summers, Director of the National Economic Council (2009-2010); Secretary of the Treasury (1999-2001); Deputy Secretary of the Treasury (1995-1999)*

> "No attempt to contain their economic growth. In fact, it is just the opposite. It was our desire to facilitate their growth because their growth was crucial to our own economic growth."[48] *John Huntsman, Ambassador to China (2009-2011), Deputy US Trade Representative (2001-2004), Deputy Assistant Secretary of Commerce (1989-1991)*

[46] (Baker, 2014)

[47] (Summers, 2014)

[48] (Huntsman, 2014)

Summary of Interview Results:

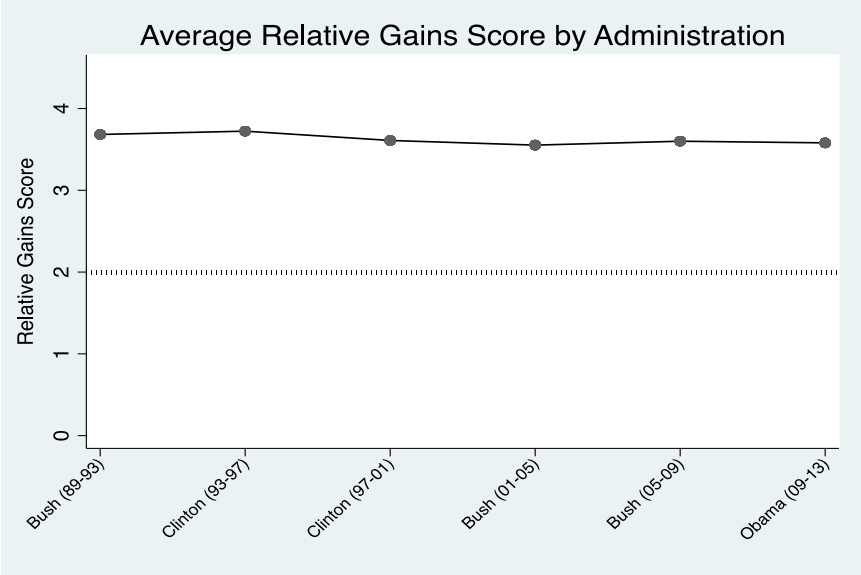
Using these coding criteria, **Figures 1.9 – 1.11** chart the saliency of relative gains concerns and containment arguments across time, department/agency, and political affiliation.[49] These figures are primarily meant to demonstrate two points: 1) There was tremendous consistency across the different departments, across party lines, and throughout the post-Cold War period. 2) The consensus of all of these administrations and departments was solidly in favor of a liberal engagement strategy that emphasized absolute gains.

Figure 1.9 provides the combined average for each administration, which was calculated by averaging the score of every interviewee who served in that administration. These averages fell within a narrow range of 3.5 to 3.7.[50] Considering that the dotted line at **y=2** is the division between favoring containment (below the line) and engagement (above the line) and that **Y=1** is the threshold for actually advocating containment, the fact that all scores were above 3.5 demonstrates that no administration in the post-Cold War era even came close to pursuing a relative gains strategy.

Figure 1.9

[49] For questions on selection sample, see Methods section.

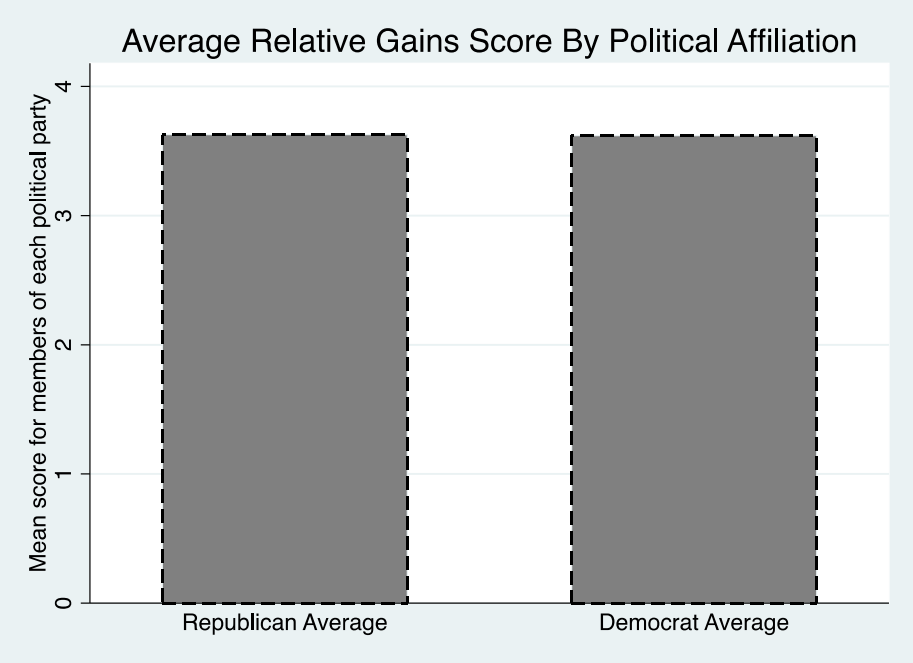
[50] This is not meant to be an exact score because the interviews did not include every member of each administration. Rather it is meant to simply affirm the general point that U.S. policymakers throughout the period preferred a neoliberal engagement strategy to one of containment.



Firgure 1.10 shows the relative gains averages for each political party. The average for Republicans (3.63) is slightly higher than the average for Democrats (3.62), but this is in no way a significant difference. Instead, it underscores the almost unprecedented bipartisan consensus behind this liberal engagement strategy. Peter Trubowitz and Nicole Mellow have demonstrated that bipartisanship—even in foreign policy—has experienced a dramatic decline since the 1970s.[51] In light of this overall trend, the strong bipartisan consensus on China among both Republican and Democratic post-Cold War administrations is even more remarkable.

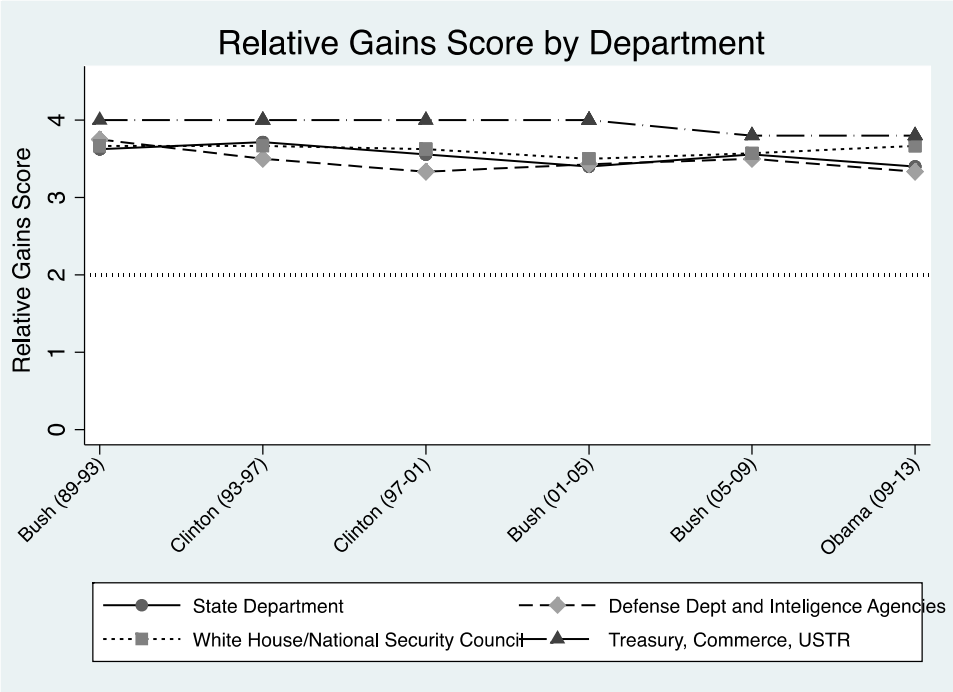
Figure 1.10:

[51] (Trubowitz & Mellow, 2011)



Finally, **Figure 1.11** tracks relative gains concerns by department and agency. As might be expected, the economic departments (Department of the Treasury, Department of Commerce, and the Office of the United States Trade Representative) consistently had the highest score on the absolute vs. relative gains scale. However, even the military and intelligence agencies maintained scores above 3.3. Thus, even those departments and agencies that one might expect to be most receptive to relative gains and containment maintained firm support for the dominant strategy of liberal engagement.

Figure 1.11



In summary, these findings provide strong evidence for both points. First, America's priorities for economic relations with China enjoyed tremendous consensus across departments and agencies, between the two major political parties, and throughout the post-Cold War period. Second, this consensus centered on a liberal engagement strategy that prioritized absolute gains. In fact, at the end of my interview with Secretary Condoleezza Rice, I explained the coding framework and asked her to guess the average score for interviewees. Her guess: "Probably 4?" When I told her that the score was actually closer to 3.6 or 3.7 she responded, "Interesting. I would have thought higher, but I think it definitely affirms your point that it's been a consensus around a positive-sum strategy."[52] Confirming the longevity of this consensus, Daniel Blumenthal, a former official in the Defense Department, recalls Secretary of Defense William Perry saying:

> "You would have to go back to the 1970s to find a major cabinet official saying that we would create a monster in the long run (by engaging China). Since then, there has been no serious consideration of trying to contain China economically."[53]

[52] (Rice, 2015)

[53] (Blumenthal, 2014)

Distinguishing between hedging and containing:

These two previous sections are important because they establish the context for this thesis' primary puzzle, which is that American policymakers have not prioritized relative gains or favored containment in relations with China, despite this fitting the neorealist criteria of a most-likely case for these strategies.

The interviews did reveal that American officials have held relative gains concerns when it comes to military, intelligence and other traditional *security* issues. However, these military and intelligence concerns have not translated into relative gains concerns in trade and other *economic* issues. Therefore, the U.S. has fully engaged China economically, but has hedged these economic bets by investing the resources necessary to maintain its sizeable military superiority. As former U.S. Ambassador to China and Deputy Trade Representative Jon Huntsman articulated:

> "Containing China's military; containing their cyber reach and intelligence capabilities…of course we do that. But trying to contain their economic muscle is an entirely different issue. On the economics, it's how do we facilitate their growth? How do we grow together?"[54]

Joseph Nye, who served as both the Chairman of the National Intelligence Council and the Assistant Secretary of State for International Security Affairs, confirmed this distinction in his interview by stating:

> "If you're talking about trade (with China), it's a positive-sum game. If you're talking about Defense, some—but not all—aspects are zero-sum."[55]

The simultaneous deployment of different strategies in these two separate (but ultimately related) spheres runs counter to neorealist expectations, which are more comfortable explaining America's more straightforward approach to the Soviet Union during the Cold War. Former Secretary of State, Secretary of Commerce, and two-time White House Chief of Staff,

[54] (Huntsman, 2014)

[55] (Nye, 2014)

James Baker described this more comprehensive, across-the-board containment approach that America pursued with the Soviet Union:

> "In the Cold War, it was straightforward. It wasn't hard to know what our policy position should be. If the Soviets were for it or if it helped them, we were against it. If we were for it or it helped us, the Soviets were against it. World's a little more complicated today."[56]

Neorealism struggles to deal with this "complication" inherent to contemporary U.S.-China relations. In particular, neorealists point out that economic growth can be translated into military power.[57] None of the policymakers I interviewed disputed this point. Indeed, Secretary Baker said, "I'm a firm believer that no country can be strong politically, diplomatically or militarily if they're not strong economically."[58] Policymakers acknowledged that China's enhanced military capabilities would not have been possible if not for its rising economic power and technological sophistication. This economic power and technological sophistication, in turn, would not have been possible without access to the liberal international economic order. Therefore, when asked about the link between China's economic rise and its military rise, former Secretary of Defence, Director of the C.I.A. and Deputy National Security Adviser, Robert Gates, said:

> "Well I think it was obvious that if their economy wasn't growing, they wouldn't have the money to invest in the military, regardless of the political decisions they made."[59]

Charles Wolfe, who is a long-time expert on the implications of economic and trade policy on national security, also confirmed that policymakers have seen economic and military power as ultimately linked. Though Wolfe did not serve in government during the period of this study, his role at the RAND Corporation has put him in a position to consult and advise numerous government agencies. Wolfe said:

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[56] (Baker, 2014)

[57] See (Copeland, 1996, 2014; Gilpin & Gilpin, 1987; Gilpin, 1975, 1983; Grieco, 1988a, 1988b; J. Mearsheimer, 1994, 2001, 2010; Waltz, 1979; Zakaria, 1998)

[58] (Baker, 2014)

[59] (B. Gates, 2015)

> "The relation between economic growth and military growth and modernization in China has been complementary. The fact that the former has been strikingly successful has enabled the 'fourth modernization'—military modernization—to proceed at a rate that is legitimately of concern to us."[60]

Therefore, policymakers have accepted the neorealist premise that greater economic power can translate into enhanced military capabilities.[61] Consequently, neorealist scholars appear theoretically justified in assuming that states will transfer their relative gains concerns regarding security policies to economic policies. However, the results of this research reveal that is often not the case.[62] Joseph Nye articulates this point succinctly:

> "There's a clear connection [between China's economic growth and military rise]. If you're spending 2% GDP on Defense and your GDP rises 10% a year, that gives you a very large military budget. So yeah that is concerning. On the other hand, if you were focused just on relative gains, you would do everything you could to slow Chinese growth. Our policies have been the opposite of that."[63]

How do we explain this seemingly inconsistent strategy of prioritizing relative gains in security issues but not economic issues, despite the ultimate connection between the two? The key is to be very precise in defining *containing* and *hedging*, which are two distinct strategies that scholars and journalists often conflate. In this thesis, I define **containment** as *a strategy to keep the target state weak by preventing its geographic expansion, restricting its economic growth, and isolating it from the liberal order.*[64] Examples of this strategy include most notably, America's approach to the Soviet Union, but also its post-Cold War relations with a variety of states, including Iran, Iraq, North Korea, Burma, Cuba, and Cambodia, to name a few.

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[60] (C. Wolf, 2015)

[61] See (Grieco, 1988a, 1988b; J. Mearsheimer, 1994; Waltz, 1979; Zakaria, 1998)

[62] See (Friedberg, 2011, 2012) for further discussion on America's two-pronged strategy, which Friedberg terms "congagement".

[63] (Nye, 2014)

[64] This is similar to Robert Art's definition of containment, which focuses on weakening the target state militarily and economically through building a formal network of alliances against the target state and excluding it economically and diplomatically from other leading states (Art, 2003, p.113). Nina Silove also adapts this general definition to China by stating that if America was trying to contain China it would be "encircling China geographically, isolating China diplomatically and economically, and countering the expansion in China's extra-regional influence" (Silove, 2016, p. 52).

In contrast to this comprehensive strategy to contain a target state, I define **hedging** as **(continuing to seek the benefits of economic engagement with the target state, while simultaneously making significant investments to maintain the military superiority needed to deter or defeat the target state)** *a commitment to maintaining the military superiority needed to deter or defeat the target state, even if policymakers continue to pursue economic engagement.*[65]

Hedging is most commonly used to describe various investment strategies in financial markets, which are designed to provide investors with an insurance policy against underperformance in one's portfolio. However, in both financial markets and in geopolitics, maintaining a hedge does entail costs for the entity seeking to hedge its bets. For example, shorts and options do not optimize an individual's return on investment if the stock or investment meets or exceeds expectations. Thus, investors who were completely confident in the future performance of their investments would have no reason to dedicate resources towards hedging these investments, and instead would pursue an "all-in" strategy with respect to that stock or investment. In the same respect, nations hedge against the possibility of conflict by investing in their military as an insurance policy. If a nation were confident that they would never experience conflict, then there would be no reason to invest vast resources into the maintenance of a military. To use the proverbial "guns and butter" analogy, such a state could divert all of its investments in "guns" back to "butter."

[65] There is a substantial literature that applies the concept of hedging to International Relations. See (Goh, 2005a, 2005b, 2006; Salman & Geeraerts, 2014; B. F. Tessman, 2012; B. Tessman & Wolfe, 2011). However, these scholars restrict the application of hedging to "small and medium-sized states" (Goh, 2005a, p. 4). In fact, they explicitly argue that "a country like the United States, which wields preponderant power in the international system, cannot lay claim to hedging strategies… [because] hedging is, in fact, a luxury of the relatively weak only" (Goh, 2006). I agree with their articulation of hedging as a strategy that weak states pursue as a middle ground between balancing and bandwagoning more powerful states. However, I do not see any reason why these are the only states that can pursue a hedging strategy. Instead, I contend that hedging can also be used by existing hegemons in their relations with rising powers, and that this is, in fact, an apt description of the strategy that American policymakers have pursued in trying to manage the rise of China.

This general concept can also be applied at a more micro-level. For example, if policymakers were confident that they would never experience conflict with another advanced "near-peer competitor", then there might still be the need to maintain forces designed to fight counterterrorism and counterinsurgency campaigns. However, there would be little need for investments in high-end weapons systems like battle ships, submarines, stealth fighters, the nuclear triad, and a range of other weapon systems that are only necessary in a fight against another developed industrial military like the Chinese or Russian militaries. At an even more granular level, if American policymakers feared conflict with Russia was still a possibility, but viewed a conflict with China as out of the question, then they might still develop these high-end weapon systems. However, there would be no need to deploy them to the Asia-Pacific in any large quantity. Instead, we would expect the overwhelming concentration of these assets to be devoted to the European theatre.

Therefore, I argue that the decision of whether or not to employ a **containment** strategy is based on an assessment of the target state's ***behavior***, which is seen as indicative of the regime's underlying intentions and disposition towards the use of force as a legitimate means to attain its objectives. In opting for containment, policymakers are indicating that they view the regime in question as being too unreasonable, untrustworthy, or irresponsible to cooperate with and engage. In these instances, the goal is to limit the regime's ability to threaten America and its allies by denying it the economic resources and diplomatic recognition needed to fuel its growth and power.

Deciding whether or not to employ a **hedging** strategy, in contrast, is based on a calculation of both the target state's ***behavior*** and its ***capabilities***. Does the country in question possess the military power to pose a significant threat? If so, and if there is a legitimate possibility of conflict with that nation, then policymakers are likely to invest in maintaining

the military strength required to deter or defeat the target state should it attempt to adopt a revisionist agenda.

To help clarify these differences between the decision to contain, which is based on calculations of the other state's behavior, and the decision to hedge or not hedge, which is based on calculations of both the other nation's behavior and its military power, I use several empirical examples.

Some states are deemed sufficiently aggressive *and* powerful that both hedging and containment are warranted. America's approach to the Soviet Union was a prime example of this scenario. American policymakers viewed the Soviet Union as sufficiently *aggressive* in its policies and expansionist in its ideology to warrant active *containment*. The Soviet military was also sufficiently *powerful* to warrant massive investments in maintaining the defense capabilities and force posture required to *hedge* the Soviets. Mao's China, North Korea, the Islamic Republic of Iran, and Saddam's Iraq, while certainly not as militarily powerful as the Soviet Union in comparative terms, have nonetheless been viewed as sufficiently powerful at certain times to warrant significant investments in developing and deploying the forces and weapons systems needed to deter and counter their military threat. Policymakers have also viewed these regimes as sufficiently radical, aggressive, and intransigent to warrant comprehensive containment.

For other states, policymakers see neither a need to contain nor a need to hedge. Two groups of states fall in this category. First are those long-time American allies and partners, many of whom are fellow liberal democracies. Even though the United Kingdom and France both have powerful modern militaries, complete with nuclear weapons, American policymakers are confident that they would never use these capabilities against America. As a result, they see no need to hedge against these countries, much less try to contain their economies. For example, Great Britain's nuclear arsenal, its centrality to global markets, and

its standing in international institutions would make it a formidable opponent. Therefore, a purely material calculation should expect America to fear Great Britain far more than it does.[66] However, because of the special relationship between the two countries, policymakers view a conflict with Great Britain as virtually inconceivable. These reliable democratic partners constitute the first group of states for which policymakers see no need to either contain or hedge.

However, reliable American allies are not the only countries that fall into this category of states that require neither hedging nor containing. There are a second group of states in this category that are not long-time American allies. In fact, many of these states are forthright about their desire to see reforms to the existing regional and global orders. However, as long as policymakers calculate that these states are committed to pursuing these reform agendas through peaceful means that accord with the prevailing norms of international society, there is no need to contain the economies of these states. If these states also possess relatively weak militaries, then there is also no need to invest in hedging. For example, American officials might recognize that many countries, like Kenya, view certain aspects of the existing order as unsatisfactory. However, policymakers do not believe that Kenya will attempt to use aggressive military force against other states in order to achieve their desired reforms, which means there is little reason for containment. Furthermore, even if Kenya did want to use force, they simply do not possess the military strength to pose any sort of conventional threat to America or its key allies. Hence, there is little need for the United States to invest significant sums of money in trying to hedge the Kenyan militarily.

Hedging and containing are not always paired together, however. In some instances, the United States has pursued economic and diplomatic containment, but has not invested

[66] See (Tannenwald, 2005; Wendt, 1992, 1999) for arguments to this effect, particularly as they relate to nuclear weapons.

significant resources in hedging. For decades, America sought to contain Cuba, but short of the period when Havana was attempting to secure nuclear missiles from the Soviets during the Cold War, American policymakers have not viewed Cuba's military capabilities as a serious threat to national security. Hence, there was little need to invest heavily in hedging against Cuba's military, even though Cuba is only ninety miles from the Florida coast. Likewise, American policymakers actively sought to contain the Khmer Rouge regime in Cambodia and the military junta in Burma. However, in neither instance did America invest significant defense resources in trying to hedge against these "pariah" states. This was because they lacked the military capabilities to threaten America or its key allies.

America has pursued the opposite approach towards China and Russia in the post-Cold War period. For most of the past twenty-five years, both of these states were seen as sufficiently reasonable and responsible to justify engagement. China and Russia (for most of the period) have not been considered *aggressively* revisionist, but neither have they been viewed as being completely reliable status-quo powers. For example, Ambassador Zoellick said of China's rise, "People may want a peaceful rise, but nobody is going to bet the farm on it."[67] Furthermore, China and Russia do have the military capabilities to threaten American allies, and even the American homeland. Therefore, policymakers deem them sufficiently powerful to warrant investing significant resources in maintaining a strong military hedge against these nations. Thus, policymakers chose to engage, but hedge.

[67] (Zoellick, 2014)

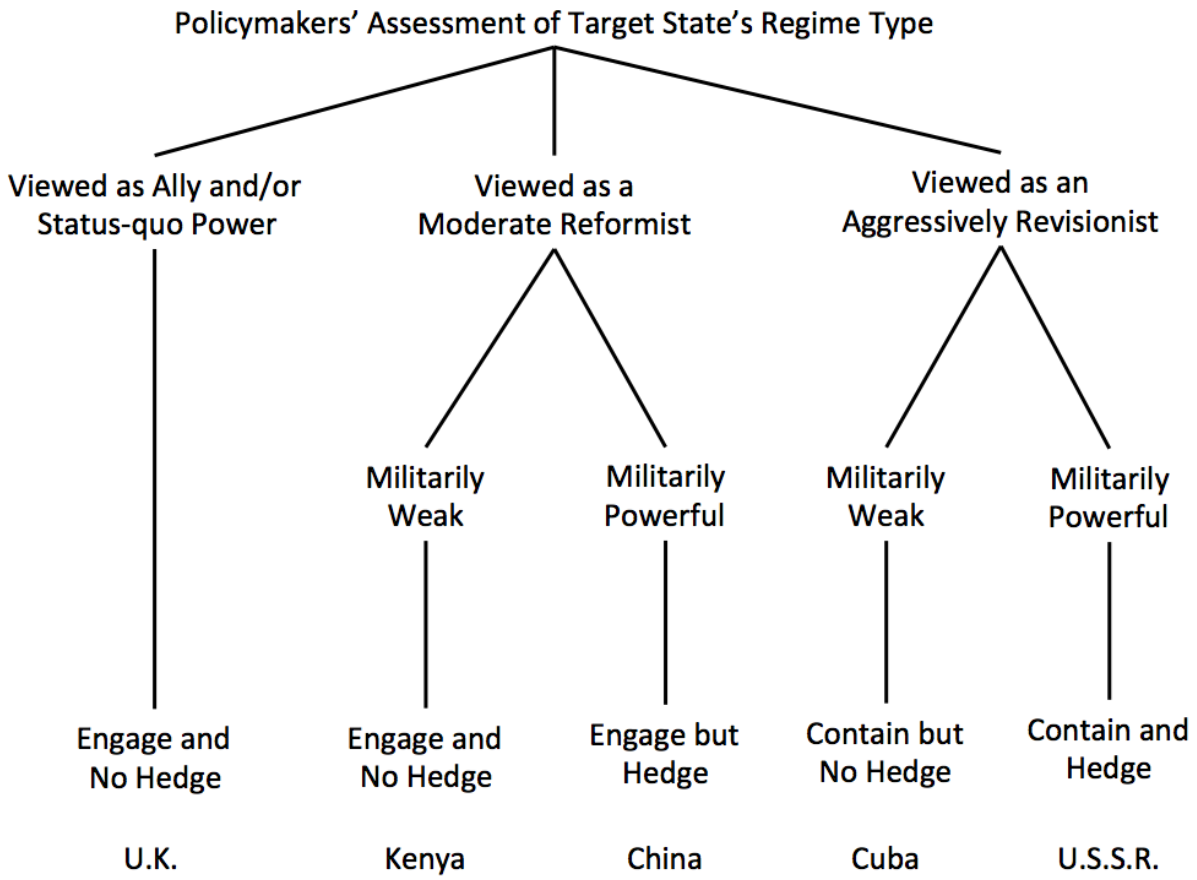
Table 1.1

Intersection of Containing and Hedging

	Engage	**Contain**
No Hedge	Status Quo Powers/Allies: *(NATO, Australia, Japan, etc)* Weak Moderate Reformers: *(Kenya, Mexico, Indonesia, etc)*	Weak Aggressive Revisionists: *(Cambodia, Sudan, Burma, Cuba, etc)*
Hedge	Strong Moderate Reformers: *(China and Russia)*	Strong Aggressive Revisionists: *(USSR, Iran, Iraq, North Korea)*

Another way to depict the relationship between containing and hedging is to construct a decision-tree, like **Figure 1.16**.

Figure 1.16:



In many ways, this description of America's strategy towards China as being one of engage, but hedge resembles Aaron Friedberg's articulation of "congagement" in his book on U.S.-China Relations, *A Contest for Supremacy*.[68] Both assessments rest on the basic premise that American policymakers have sought to both moderate and liberalize China through engagement, while simultaneously maintaining a robust military advantage in the region as an insurance policy. However, I argue that "engage but hedge" is a more precise articulation of this strategy than "congagement". The problem with "congagement" is that containment and engagement are mutually exclusive strategies. If policymakers were seeking to contain China's power, then they could not justify an engagement policy that helped facilitate the rapid rise of China's power. Hedging, in contrast, does not indicate any desire to contain, and is therefore

[68] (Friedberg, 2011, ch. 4)

not mutually exclusive with engagement. Instead, hedging reflects an assessment that the positive outcomes that policymakers hope will emerge from engagement are not guaranteed. Therefore, policymakers feel the need to maintain the military power to provide a veritable stick in case Beijing decides to pursue a more aggressive and revisionist agenda despite the many carrots it receives in the form of access to the liberal economic order.

However, carrot and stick is not synonymous with engagement and containment, because the stick is only used as a punitive or defense mechanism. Thus, it is fundamentally a calculation of behavior—not capabilities—that motivates the use of the stick. In contrast, containment's preoccupation with capabilities would indicate that China's material rise would inevitably motivate America to not only acquire, but also employ its stick. Engage but hedge, by comparison, acknowledges that the U.S. is likely to make significant investments to retain a large stick as an insurance policy. However, unlike containment, engage but hedge does not expect China's material rise to pre-ordain the ultimate use of this stick. Instead, the stick would only be used in response to aggressive or threatening Chinese behavior. Thus, engage and hedge is a more accurate description of the nuance inherent to America's policy towards China than "congagement", and the 2x2 matrix of *engage vs. contain* and *hedge vs. no hedge* in **Table 1.1** has greater potential to function as a general classification of great power strategies.

Since America's approach to China in the post-Cold War era is the primary focus of this study, it is important to explore in more detail how America's policies towards China fit the *Engage but Hedge* category. Most American policymakers would prefer a more liberal economic system and a more democratic government in Beijing. However, unlike their view of the Soviets, North Korea, Iran, and other "rogue" or aggressive revisionist states, American policymakers have not viewed the Chinese leadership as being so aggressive, irresponsible, or unpredictable so as to preclude engagement and cooperation. Therefore, instead of trying to alienate and contain China, policymakers have believed that the optimal strategy is to engage

China in the hope that this interdependence will eventually yield a more liberal and democratic government. In the meantime, interdependence is expected to provide powerful economic incentives for the regime to follow a moderate foreign policy.[69] However, policymakers still remain skeptical of China's long-term intentions.[70] They also worry that regardless of those intentions, a crisis could emerge unintentionally, and propel both nations toward war. Consequently, they continue to invest heavily in hedging these economic bets by retaining a robust military advantage in the region.[71] This hedging has three component approaches.

First, America invests significant taxpayer dollars into developing high-end, first-generation offensive capabilities, like the F-35, the littoral combat ship, and other advanced weapons systems designed to counter a "near-peer competitor".[72] China and Russia are the only two countries that the U.S. Defense Department puts in this "near-peer" category. Thus, countering these nations' capabilities is the primary motivation for these investments. Once the capabilities are developed, there is the subsequent decision of where to deploy them regionally. To the extent that the Obama Administration's "strategic pivot" did indicate that an increasing percentage of these forces and capabilities would be allocated to Asia, this was in response to the growing power of the Chinese military. However, while developing and maintaining these capabilities does impose considerable economic costs on the American taxpayers, no costs are imposed on China. Increasing the percentage of American warships in the Pacific certainly does not constrain China's economic growth or even its military production. To use an analogy, if I fear my neighbor might be an arsonist, then I may supplement the insurance policy on my home. However, this does not impose any costs on my

[69] This argument is developed in much greater detail in the subsequent theory chapter.

[70] (B. Gates, 2015; Panetta, 2015; Zoellick, 2014)

[71] (C. Wolf, 2015)

[72] Scholars, like Nina Solove often categorize this component as "internal balancing". For a more in-depth discussion of this piece of America's strategy, see (Silove, 2016, p. 67-74).

neighbor, because the insurance premium comes exclusively out of my paycheck. Thus, hedging requires serious investments on America's part, but these investments do not impose any costs on the Chinese.

Policymakers also hedge their economic bets by investing significant economic and political capital into maintaining strong security partnerships with allies in the Asia-Pacific.[73] As Secretary Hillary Clinton said in her announcement of the strategic pivot:

> "Our treaty alliances with Japan, South Korea, Australia, the Philippines, and Thailand are the fulcrum for our strategic turn to the Asia-Pacific…They leverage our regional presence and enhance our regional leadership at a time of evolving security challenges."[74]

If a conflict with China did arise, America would rely heavily on these partners. However, securing their support requires considerable investments from the United States. First, it requires providing these states with advanced military capabilities—often at a heavily discounted price. It also requires sending American soldiers, sailors, and airmen to train alongside these forces so that they can more easily and efficiently be integrated into a combined international force. Finally, it requires providing these countries with other incentives, like favorable trade terms, generous amounts of foreign aid, greater market access, reliable FDI, diplomatic support, and security guarantees. Again, this all requires investing significant economic, diplomatic, and military capital that would not make sense in the absence of a potential military threat. As with the first example, however, paying the cost to maintain these security partnerships does nothing to constrain or damage China's economy because both the U.S. and its partners remain eager to do business with China.

The third way the United States pursues a hedging strategy is by prohibiting American-based companies from exporting certain military technologies to China.[75] Because the

[73] This is often referred to as "external balancing". See (Silove, 2016, p.74-79) for a more detailed discussion.

[74] (H. Clinton, 2011)

[75] (Keyser, 2014; Mahnken, 2015; McCormick, 2014; Schriver, 2014)

exportation of these products would help—albeit only marginally—to equalize the massive trade imbalance, there is an economic argument that the United States should not impose these export controls.[76] For example, by unilaterally restricting these exports, American corporations lose lucrative markets for their products, and the U.S. government forfeits a substantial amount of tax revenue that could be generated from these sales. Furthermore, unlike the previous two methods of hedging, export controls do have a constraining effect on China's military capabilities. Indeed, this is their explicit intent. They also impose a marginally negative externality on China's civilian economy, because some of these technologies would also be useful in civilian industries.[77] Therefore, if any of America's actions could be characterized as containment, it would be these export controls.[78]

However, the standard by which these technologies are banned for export is exclusively grounded in the technology's relevance to the tactical balance of military and espionage capabilities.[79] While policymakers do consider the impact that these restrictions would have on China's domestic economy, the fact that a technology would boost domestic growth in China is actually seen as a reason to approve a technology that might otherwise be denied.[80] Therefore, these restrictions are definitely designed to maintain America's relative advantage in advanced weaponry; but unlike the case of North Korea and Iran, policymakers are not relying on a more blunt strategy of trying to contain China's overall economic growth.[81] In the case of Iran, North Korea, and other pariah states, the U.S. wants to limit these nations' power and influence in every respect, framing the entire relationship in a zero-sum context. With

[76] (Hayden, 2014; Keith, 2014; Nye, 2014)

[77] (Keith, 2014; McCormick, 2014)

[78] (McCormick, 2014; Nye, 2014; Schriver, 2014)

[79] (Hayden, 2014; Keyser, 2014; McCormick, 2014; Nye, 2014; Petraeus, 2014; Rice, 2015)

[80] (Hayden, 2014; McCormick, 2014)

[81] (Baker, 2014; B. Gates, 2015; Huntsman, 2014; Wolfowitz, 2015)

respect to China, the U.S. does maintain a zero-sum view towards China's acquisition of high-end military technologies. However, this is the only aspect of the relationship where this zero-sum view dominates. In all other aspects of their economic and even security relations with China, American policymakers maintain a positive-sum view of the potential gains to be reaped from cooperation and engagement.[82] For example, the U.S. continues to seek to increase and enhance bilateral and multilateral military exchanges and exercises with the Chinese to try to build good will, trust, and understanding between the forces.[83]

Because American officials remain sufficiently concerned about Beijing's long-term ambitions and because both China's current power and future power potential are substantial, policymakers do feel that hedging against the possibility of Beijing taking a revisionist turn is highly prudent. In fact, without a reliable hedge, policymakers' willingness to make robust bets on engagement would erode. This hedge requires maintaining a significant military advantage.[84] In the current era, this advantage relies heavily on the relative balance of advanced military technologies between the two forces.[85] Thus, even though policymakers do maintain a zero-sum view of the relative distribution of these advanced military technologies, this only constitutes a small portion of the relationship.[86] More importantly, retaining the advantage in this small portion of the relationship provides policymakers with the assurance they need to maintain a much more positive-sum outlook for all other aspects of relations with Beijing. Consequently, these export controls and the technological advantage in advanced weaponry that they provide prevents policymakers from having to resort to the type of blunt

[82] (P. Feaver, 2014; Huntsman, 2014; McCormick, 2014; Nye, 2014)

[83] (B. Gates, 2015; R. Gates, 2014; Jones, 2015; Panetta, 2015; Sealock, 2014)

[84] (B. Gates, 2015; Panetta, 2015; Zoellick, 2014)

[85] (Carter, 2015; B. Gates, 2015; Hayden, 2014; Panetta, 2015; Petraeus, 2014)

[86] (Dollar, 2014; McCormick, 2014)

instrument, comprehensive containment strategies employed against states like Iran and North Korea.

In short, America has invested significant resources in hedging China, and as China's military continues to grow more powerful, American policymakers are likely to increase these investments accordingly. However, the emphasis of this thesis is not on *hedging*, but *containment. So why has the U.S. not attempted to contain China, even though it has felt it necessary to hedge against China?* In other words, *why has America's engagement strategy with China in the post-Cold War period differed so dramatically from the containment strategy it used against the Soviet Union during the Cold War and that it has continued to use against many so-called "rogue" actors in the post-Cold War? Do material-centric or behavior-centric explanations perform better in explaining these varying strategies?* These are the fundamental questions for this project, and the ones to which we now turn.

Path Forward:

This thesis will proceed as follows. Chapter 2 will construct my theory of why American policymakers have consistently elected not to prioritize relative gains or pursue containment in relations with China. Chapter 3 will then describe the methods that will be used to test this theory. In Chapter 4, I conduct tests by evaluating this theory against America's actual policies throughout the period. This allows me to succinctly test each of the hypotheses developed in Chapter 2 by comparing them with America's actual post-Cold War strategy towards China.

Following this broad application, subsequent chapters evaluate each post-Cold War Presidential administration's specific policies in greater detail. These historical chapters (5-8)

are followed by a concluding chapter that summarizes the thesis' findings and provides some initial thoughts about the theory's potential for further expansion and generalization.

Chapter 2 Squaring the Circle:

A Theoretical Explanation for American Policymakers' Strategy

In the following pages, I explain why policymakers have preferred engagement to containment. I break down this explanation into a series of four hypotheses that build upon one another sequentially.

Calculating Costs and Benefits:

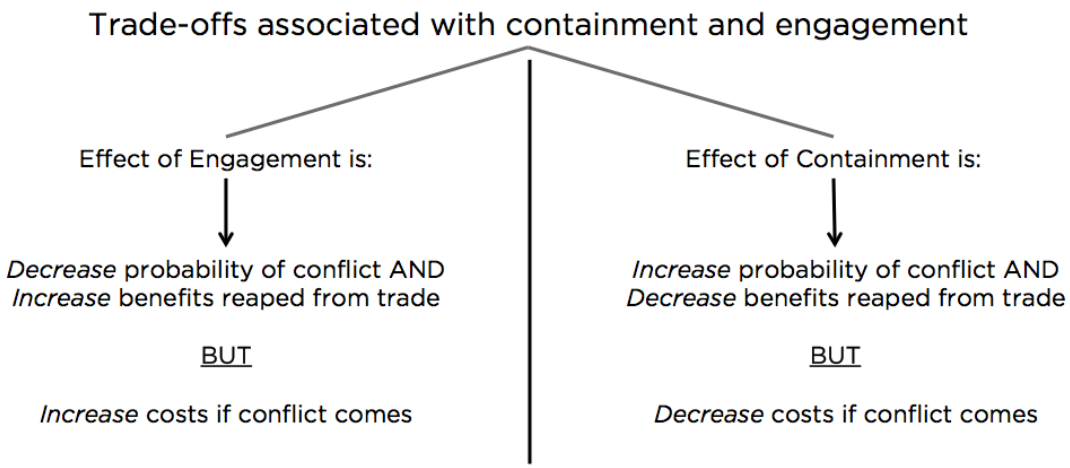
Hypothesis 1 — Policymakers conduct a cost-benefit analysis (CBA) when deciding whether to pursue engagement or containment.

I argue that when deciding whether to opt for a policy of containment that prioritizes relative gains or one of engagement that prioritizes absolute gains, policymakers conduct a basic cost-benefit analysis (CBA). This CBA accounts for both the short-term and long-term costs and benefits of containment and compares them to the costs and benefits of engagement. It also accounts for the costs and associated probabilities of a future conflict with the target state for each of the two strategies.

In any given relationship, American policymakers are essentially trying to achieve three outcomes: 1) maximize the absolute benefits that America reaps from the relationship, 2) minimize the chance of conflict, and 3) minimize the costs America might suffer if conflict does emerge. However, it is often difficult to achieve all three of these goals, especially if the other state is growing faster as a result of the relationship and/or if the depth and breadth of bilateral exposure is increasing rapidly. If the benefits of trade and engagement are growing rapidly for both states, the likelihood of experiencing a conflict might be declining dramatically. However, if the other country is growing relatively faster, or if the two economies

are simply becoming more exposed to one another as a result of intensifying interdependence, then the potential costs of a conflict for America are also likely rising. If policymakers try to "fix" this by limiting their exposure or imposing more beggar-thy-neighbor trade terms to equalize the relative growth rates, they reduce the overall welfare benefits that both nations receive. This not only reduces the incentives to avoid conflict, but also threatens to initiate a security spiral by sending alarming signals about each nation's future intentions. **Figure 2.1** captures the inherent tension in this decision.

Figure 2.1:



In the absence of a Pareto-optimal choice, how do policymakers choose between these two sub-optimal choices? I argue this ultimately depends on how much policymakers expect to benefit from deep integration with the other state and how confident they are that this integration will set the conditions for both short-term and long-term peace. Ultimately, calculations about the cost of conflict are only relevant when policymakers lack confidence that engagement and interdependence will sufficiently ameliorate the possibility of conflict. Thus, as long as policymakers are confident that engagement will significantly lower the probability of conflict in both the short and long-term, they are generally willing to rely on military hedging to mitigate the costs of a potential conflict.

I represent this choice framework with a basic equation. If policymakers calculate that the expected benefits **(Be)** minus the expected probability of conflict **(Pe)** multiplied by the associated costs of conflict **(Ce)** for *engagement* are greater than the expected benefits **(Bc)** minus the expected probability of conflict **(Pc)** multiplied by the associated costs of conflict **(Cc)** for *containment*, then policymakers will opt for engagement.

If Be – PeCe > Bc – PcCc, then expect engagement

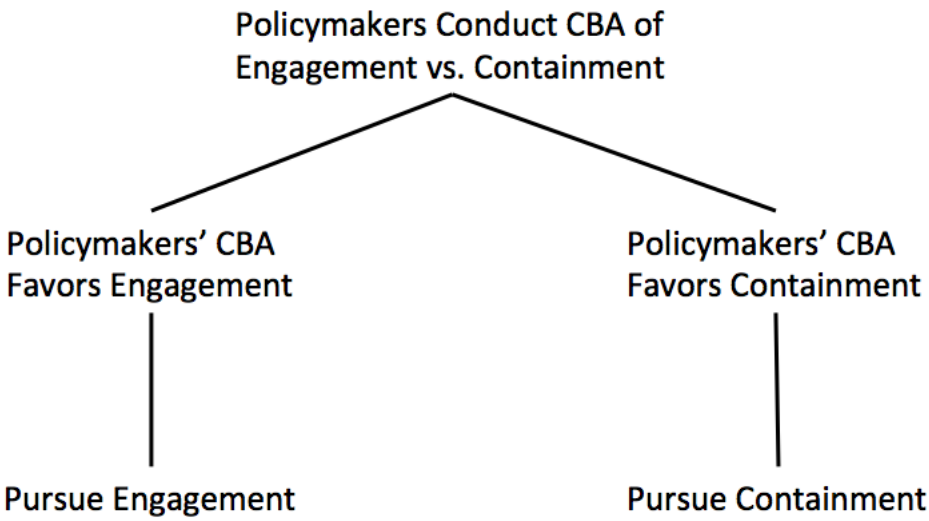
Conversely:

If Be – PeCe < Bc – PcCc, then expect containment

This leads us to my first hypothesis:

H1—Policymakers conduct a cost-benefit analysis (CBA) when deciding whether to pursue engagement or containment.[87]

Figure 2.2:



[87] H1 could be falsified in two ways. First, if policymakers' were pursuing the same engagement strategy with every country, then we could say that they were driven not by a rationalist decision-making process, but instead by blind ideological commitments and beliefs. Second, H1 could be falsified if policymakers CBA favored engagement or containment, but they consistently failed to act in accordance with the results of that CBA because of domestic political pressures (i.e. policymakers wanted to pursue containment, but could not do so because it was too unpopular domestically).

The Importance of Causal Beliefs:

***Hypothesis 2* — Policymakers' *a-priori* beliefs about the causal effects of engagement and containment undergird their CBA.**

However, this CBA does not take place in a vacuum. Instead, policymakers approach these calculations with a strong set of causal beliefs about what effects the various strategies are likely to have under different scenarios. Goldstein and Keohane describe causal beliefs as "road maps" that "provide guides for individuals on how to achieve their objectives...and derive authority from their shared consensus among recognized elites."[88] In the American context, these causal beliefs have been predominately neoliberal in origin,[89] and though there are many variants of these neoliberal beliefs to which American policymakers subscribe, I break them down into five basic assumptions:

1. Increased trade and interdependence benefits the U.S. economy.
2. Engagement and interdependence help moderate other states' foreign policies.
3. Engagement and interdependence help facilitate reform and liberalization in target states.
4. Consequently, engagement and interdependence reduce the likelihood of conflict.
5. In contrast, containment has a self-fulfilling effect, leading to unnecessary conflict.

The roots of these beliefs can be traced back to a range of theories and theorists from the classically liberal, neoliberal, and new liberalism traditions. However, throughout this thesis I will refer collectively to these five causal beliefs as *neoliberal*. I do not spend time meticulously tracking the specific ideological genealogy of each of these beliefs because the ultimate purpose of the thesis is not to adjudicate among the various strains of liberalism, but to describe policymakers' thought processes and underlying causal beliefs. Therefore, to the

[88] (Goldstein and Koehane 1993, p. 10-12)

[89] (Mahnken, 2015; Rice, 2015; Schake, 2015; Schwab, 2014; Tellis, 2015)

extent that policymakers blend these liberal, neoliberal, and new liberal beliefs together without trying to distinguish each belief's specific historical genealogy, I will do the same. I ultimately settle on using the label neoliberal as opposed to liberal to avoid the conceptual baggage associated with *liberal* in the American domestic context. In particular, *neoliberal* seems more palatable as a label for Republican foreign policymakers. Second, while these beliefs stem from both liberal and neoliberal traditions, they are ultimately operationalized through a CBA that is much more akin to the type of rational-actor model that neoliberalism emphasizes.

Regardless of their genealogy or the label assigned to them, though, the important fact is that these beliefs directly address the calculations that policymakers prioritize: how to maximize the absolute benefits of trade and minimize the possibility of conflict. Therefore, when infused into policymakers' CBA, these beliefs lead American policymakers to calculate that engagement with other states will bring both short-term and long-term benefits to the United States. In contrast, they fear that attempting to contain another state will impose both short-term and long-term costs.[90] Therefore, the only reason to pursue a containment strategy with any given state is if policymakers fear that the state might later use the accumulation of its relative gains to attack America or its allies, or to otherwise undermine the existing liberal international order. Realists argue that in an anarchical environment this fear should trump all other concerns, which is why they anticipate a relative-gains focused strategy like containment from existing hegemons, like America. In contrast, while American policymakers recognize that there is a possibility that nations who have benefitted from participation in the liberal order will later use their cumulative gains to attack this order, they generally assign a very low probability to this outcome. Furthermore, to the extent that they are worried about conflict, the

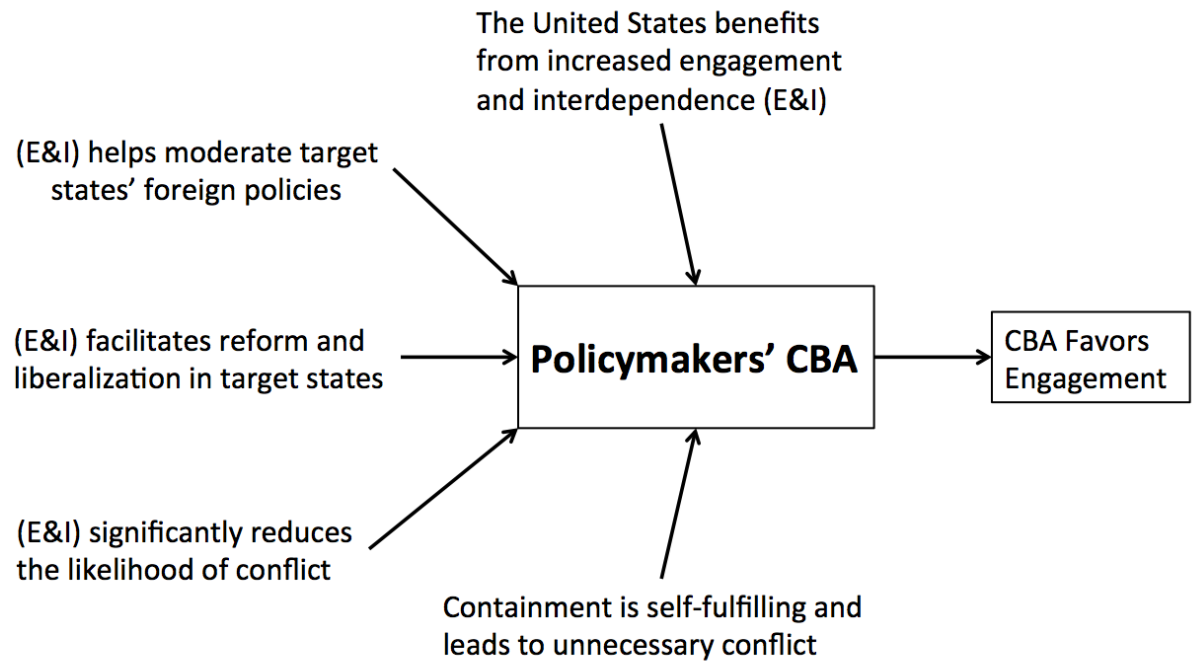
[90] (Keith, 2014; Lieberthal, 2014; C. Powell, 2014; Roy, 2014; Zoellick, 2014)

causal beliefs highlighted above stress that engagement and interdependence are the best mechanisms to lower the risk of conflict. In contrast, containment is seen to have a self-fulfilling effect, leading to otherwise avoidable conflicts. Therefore, these beliefs tell policymakers that engagement positively affects both of the factors they are prioritizing, while containment negatively affects both factors.[91]

This leads to my second hypothesis:

***H2*—Policymakers' *a-priori* beliefs about the causal effects of engagement and containment undergird their CBA.[92]**

Figure 2.3:



[91] Goldstein and Keohane say they are not interested in the cognitive explanations of how these ideas form. They are only concerned with the latter analysis, which looks at, once formed, how do these causal beliefs affect policy? Likewise, I am not looking at how or why policymakers in America have formed these beliefs. Only in how these beliefs, once formed, affect their decision-making. See (Goldstein and Koehane 1993, p. 12).

[92] This hypothesis could be falsified by demonstrating that these five beliefs do not reflect the underlying causal beliefs that policymakers bring to their CBA. It could also be falsified by identifying cases where policymakers have pursued containment despite applying these beliefs to relations with a given country. For example, if policymakers were arguing both publically and privately that these neoliberal beliefs should be applied to relations with a country while they were simultaneously advocating for containment of that country, then this hypothesis would be falsified.

Applying Different Beliefs to Different States:

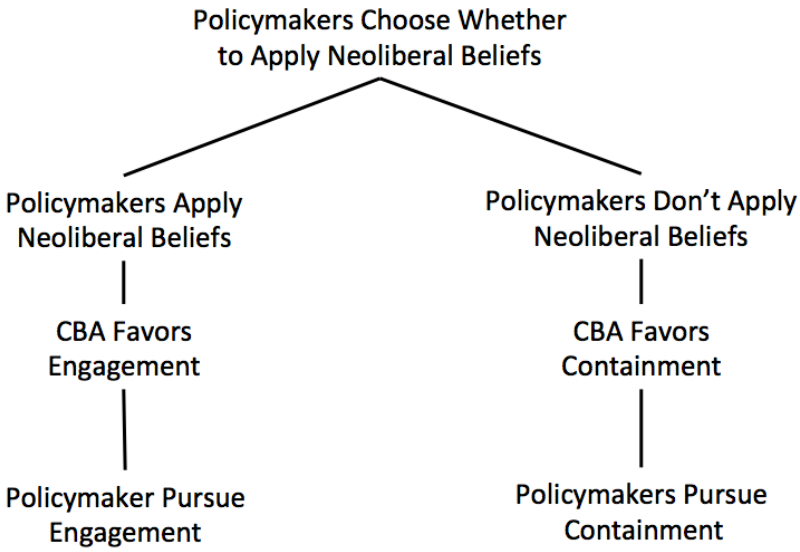
Hypothesis 3—While policymakers' default causal beliefs are neoliberal, they do not apply these beliefs to all states.

While these neoliberal causal beliefs represent policymakers' default assumptions regarding the costs and benefits of engagement and containment, they are not applied to all states. If these neoliberal beliefs were applied universally, then policymakers would never pursue containment, and this would be a purely ideological explanation of American foreign policy. However, American policymakers employed a containment strategy against numerous countries during the Cold War—most notably the Soviet Union. Even in the post-Cold War era, American policymakers have continued to rely on containment strategies in relations with North Korea, Iran, Libya, Cuba, Iraq, Syria, Zimbabwe, Sudan, Burma, and a range of other "pariah" or "rogue" states at various times. Why prefer engagement with some countries and not with others? This is the primary question for the next hypothesis. For now, my only point is that while American policymakers have continued to engage China, they have simultaneously worked to contain other nations. Thus, while policymakers' default beliefs and calculus may favor engagement, there are clearly exceptions to this norm. Engagement might be the norm for American post-Cold War policies, but it is not universal. This leads to my third hypothesis:

H3—While policymakers' default causal beliefs are neoliberal, they do not apply these beliefs to all states.[93]

[93] This hypothesis could be falsified by demonstrating that policymakers were applying the five neoliberal beliefs outlined in H2 to *every* relationship—not just most. In this instance, one would only need to rely on an ideological explanation. As with H2, finding cases in which policymakers expressed these views in relationship to a given country while simultaneously pursuing a containment strategy with that country would also falsify this hypothesis.

Figure 2.4:



Deciding Which Beliefs to Apply to Which States:

H4—The target state's behavior—not its relative size or growth—is what influences policymakers' causal beliefs about engagement.

So why apply these beliefs to relations with some countries and not others? If American policymakers were prioritizing the relative distribution of material capabilities, then they should have been far more likely to employ a containment strategy against China in the post-Cold War than against any of the above-mentioned "rogue" states, which are far weaker than China according to any calculation of power.

As an alternative to neorealism's material-centric explanation, I offer a *behavior-centric* explanation. Based on their interpretation of the target state's behavior, policymakers make an assessment about the nature of each country and the regime governing it. Is the regime satisfied with the existing order, or is it unsatisfied? If it is unsatisfied, is it committed to

revising those aspects with which it is unsatisfied through peaceful means that are in accordance with prevailing norms of how countries should settle disputes with one another? Or is it more likely to attempt a violent realignment of the existing order?

The ways in which policymakers answer these two questions lead to three categories of states in terms of how they relate to the existing liberal order. The first are *status-quo* powers. These states are largely satisfied with the structure and nature of the order.[94] The second category is *moderate reformist* powers. These states would prefer to see changes to the existing order. However, policymakers calculate that these states are committed to pursuing revisions through peaceful means. Finally, *aggressive revisionist* powers are those that want to see major revisions to the existing order and are willing to use force to bring about these changes.

Most nations fall in the moderate reformist camp. Examples could include any number of countries in Latin America, Asia, Africa, and even some in Eastern Europe and the Middle East. Indeed, this thesis argues that both China and Russia have been viewed as moderate reformist powers for *most* of the post-Cold War era.[95] The threshold for being classified as an aggressive revisionist power is very high, which is why America has so seldom resorted to full-scale containment of other nations in the post-Cold War era. Perhaps the most prominent examples of states that American policymakers have put in this category in the post-Cold War era are North Korea, Iran, and Iraq—all three members of President George W. Bush's infamous "Axis of Evil."[96]

[94] No state—including the United States—is ever truly satisfied with all aspects of the existing order. However, status quo powers are more or less content with the existing structure.

[95] In Chapter 8 of this thesis, I demonstrate that in recent years American policymakers have grown increasingly alarmed by renewed assertiveness from both China and Russia. This has caused many policymakers to re-visit their classification of China and Russia as moderate reformist states. I argue that while Putin's actions in Ukraine have caused many American policymakers to move Moscow into the more aggressively revisionist category, Beijing's actions have yet to reach most policymakers' threshold for classification as an aggressive revisionist state. Hence, engagement remains the dominant preference for China—much more so than for Russia.

[96] (J. Fuller, 2014)

How does all of this relate to the question of when and why policymakers decide to apply their neoliberal beliefs? Basically, I argue that these classifications help policymakers anticipate how a given state will respond to different strategies—in this case, containment versus engagement. For example, engaging with status quo powers is believed to create substantial benefits from trade for both states. These benefits, in turn, create powerful incentives for both nations to avoid conflict.

The same is true for moderate reformist states. Even though they may be unhappy with certain aspects of the existing order, moderate reformists are not seen as likely to use force to revise these areas of discontent. Therefore, while engaging these states and integrating them more fully into the liberal order may eventually require adjustments to that order, the threat of conflict (and hence the concern about relative gains) is mitigated from the beginning. As a result, policymakers are willing to push for higher levels of interdependence, which is expected to only increase the benefits for both states. These benefits are not only desirable in their own right, but they also provide powerful incentives for both states to behave responsibly in order to avoid a conflict that would jeopardize those benefits. American policymakers also calculate that this high level of interaction with and exposure to the norms and institutions of the liberal order will eventually help encourage domestic liberalization. Because these policymakers believe that the threat of conflict within the community of liberal democracies is largely obsolete, an engagement strategy that eventually normalizes the target state into this community of liberal democracies will significantly ameliorate the threat of future conflict. In contrast to all of the benefits of engagement, trying to contain these states would only have a self-defeating effect by pushing these states from moderate reformist to aggressive revisionist.

For states that are already deemed aggressive revisionist, the initial threat of conflict is felt to be much higher. Therefore, policymakers are more reluctant to engage these states from the outset, because they fear that the state in question is likely to use any relative gains it might

accrue against America in the future. For these states, policymakers do work to keep them as weak and isolated as possible to minimize the damage they could do in a future conflict. Because these states often approach relations from a more mercantilist point of view and because they are deemed "untrustworthy" and "unreliable", policymakers also lack the confidence that trade and interdependence with aggressive revisionist states will actually generate significant benefits for America. Furthermore, because these regimes almost always maintain such a firm grip on their populations, American policymakers do not believe that the liberalizing effects of engagement are likely to take root in those countries—much less ultimately blossom. Consequently, policymakers fear that engaging aggressive revisionist states will only embolden their aims and empower them to continue harassing their neighbors and oppressing their people. In short, policymakers do not expect to benefit from engagement with an aggressive revisionist state the way they do with status quo and even moderate reformist states. More importantly, they fear that engaging an aggressive revisionist state will increase not only the cost, but also the probability of conflict.

Because both moderate reformist and status quo powers are expected to respond positively to engagement, we can consolidate status quo and moderate reformist into one category. This dichotomizes our classification into two types: those states policymakers believe they can trust to respond positively to engagement and those states for whom policymakers fear engagement will not illicit positive responses and might even have significant negative consequences by empowering these states to fulfill their aggressive agendas.

How do policymakers assign states to these categories? A neorealist explanation would emphasize the importance of material factors. The more powerful a state is, or perhaps more importantly, the faster its power is rising relative to America's, the more likely American policymakers are to fear that country. Again, the problem with this material-centric explanation

is that in the post-Cold War era, all of the nations that American policymakers have categorized as aggressively revisionist have been smaller and growing more slowly than China. In light of the inability of material factors to explain this classification, I argue that policymakers classify states as status quo, moderate reformist, or aggressive revisionist based on their actual behavior. Behaviors that indicate a genuine willingness to resolve disputes peacefully and in accordance with the prevailing norms of the liberal order will ensure the state is classified as a status quo or moderate reformist power worthy of engagement. Indeed, as mentioned previously, states fall into this engagement category by default. The only conditions that cause policymakers to even doubt—much less completely reject—these beliefs are when the state in question behaves in ways that seem to indicate an aggressively revisionist agenda.

So what behaviors could cause policymakers to fear that the regime in question might be an aggressive revisionist power? I outline four basic behaviors in descending order of importance to policymakers. These are: using un-sanctioned military force against another state to grab territory (particularly from an American ally or partner), actively supporting terrorist networks intent on attacking America and its allies, waging systematic genocide, and violently suppressing domestic calls for liberalization. In other words, I list two types of external policies (using un-sanctioned military force and supporting terrorism) and two types of internal policies (waging genocide and violent suppression of reform movements).

I argue that external behaviors are more likely than internal behaviors to cause policymakers to label a state aggressively revisionist and pursue containment for three reasons. First, the two internal categories of behavior are potentially more ambiguous and more subjective than the two external behaviors. Second, because what constitutes aggressive or unacceptable behavior when dealing with one's own citizens enjoys less of a consensus across the international community, it is harder to persuade other nations—or even the American public—that employing violence against one's own citizens is worthy of labeling a state a

"rogue" actor and subsequently bearing the costs of containment. This is important because American policymakers prefer to work in international coalitions when constructing a containment regime. Trying to execute a unilateral containment regime is far costlier and far less effective in the globalized era than relying on multilateral sanctions that include at least the tacit compliance of the other major economies.[97] Third, internal actions, by definition, pose less of an immediate threat to America and its allies than the two external behaviors.

Two clarifying statements should be made at this point. First, while these claims about what impact different behaviors have on policymakers' thinking could easily be framed in generalizable terms, this thesis is only assessing their relevance to America's approach to China in the post-Cold War era. Thus, the specific claim here is that I only expect to see American policymakers questioning engagement with China and the neoliberal causal beliefs that undergird this strategy in the aftermath of Chinese behaviors that fall under one of the above four categories. In Chapter 4 and 9, I will also give some initial evidence that would indicate the ability of this claim to be extended beyond America's approach to China. However, any comments on these claims' more general applicability are downgraded to constituting only initial findings with the hope of further exploration in future projects.

Second, I do not argue that if another state takes any one of these four aggressive actions that American policymakers will inevitably reject their neoliberal beliefs and push for containment. There are countless factors at the international, domestic, bureaucratic, and even individual levels that play a role in determining whether any re-evaluation of engagement will ultimately result in its abandonment. While one can try to describe the ways in which these factors interacted in hindsight, I do not think there is any reliable way to predict how they will play out in ongoing cases…much less make deterministic claims about how these factors will interact in all cases.

[97] (Wolfowitz, 2015; Zoellick, 2014)

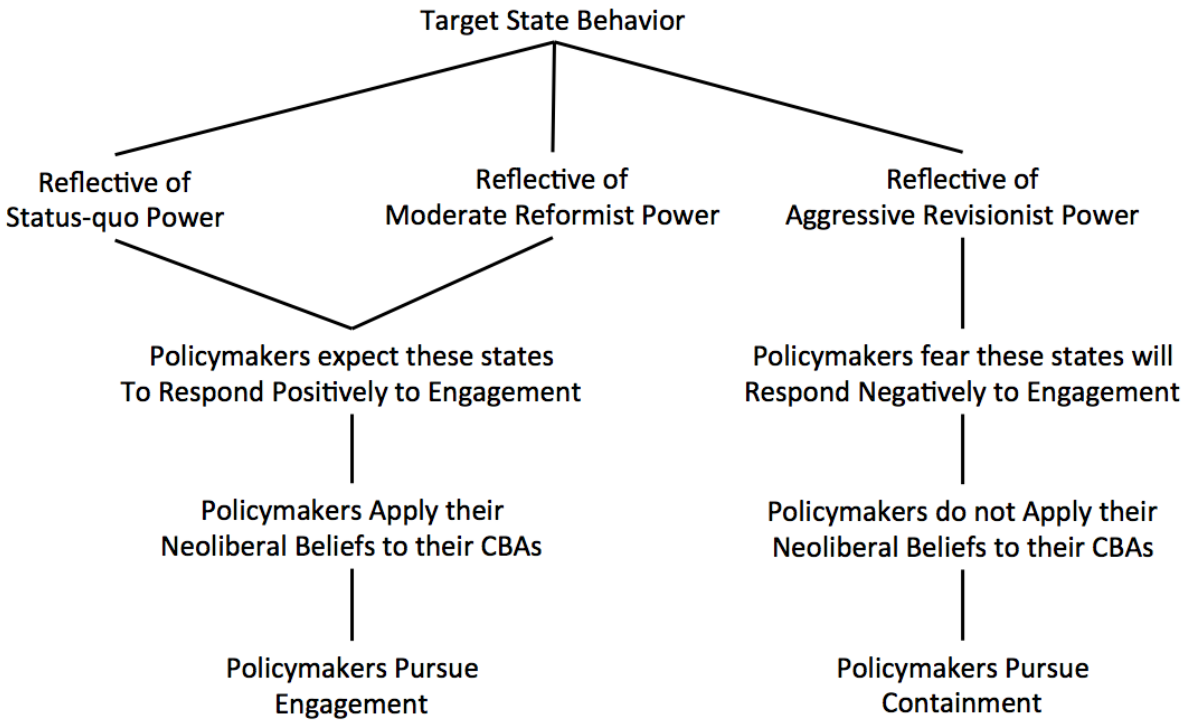
Therefore, my argument is two-fold. *First, if China takes actions that fall into one of the above four categories of behavior, these actions will trigger policymakers to conduct a re-evaluation of America's engagement strategy. Second, such a re-evaluation will only take place as a result of one of these behaviors—not simply as a result of China's rising power and influence.*

my fourth and final hypothesis:

H4—The target state's behavior—not its relative size or growth—is what influences policymakers' causal beliefs about engagement.

Figure 2.5:

Importance of Behavior in Shaping Policymakers' Strategic Preferences



Summary:

In total, this leaves four core hypotheses, which are summarized in Table 2.1:

Table 2.1:

Four Core Hypotheses of the Thesis

H1	Policymakers conduct a cost-benefit analysis (CBA) when deciding whether to pursue engagement or containment.
H2	Policymakers' *a-priori* beliefs about the causal effects of engagement and containment undergird this CBA.
H3	While policymakers' default causal beliefs are neoliberal, they do not apply these beliefs universally or indiscriminately.
H4	The target state's behavior—not its relative size or growth—is what influences policymakers causal beliefs about engagement.

As these hypotheses and the above discussion demonstrate, my argument is neither wholly based on dispassionate bean counting, nor wholly ideologically determined. In this instance, policymakers do use a rational CBA framework to evaluate whether to pursue a containment or engagement strategy. However, policymakers do not approach this CBA void of underlying causal beliefs about the general effects of engagement; specifically, a CBA of engagement relies on *a priori* beliefs about the effects of engagement, especially on how regime characteristics and the benefits of engagement itself change the likelihood of conflict.[98]

These neoliberal causal beliefs are pervasive within the American foreign policy establishment and play a vital role in driving American policymakers' CBA. However, ideology and beliefs alone are not sufficient because policymakers do not apply them universally or indiscriminately. Instead, they decide whether or not to apply these beliefs in a given case based off how they expect the other state to respond to engagement. This expected response is dependent on how policymakers interpret the other state's behavior, which makes

[98] Realists also bring *a priori* beliefs to their CBA. However, their causal beliefs highlight that conflict is inevitable—or at least highly likely—between rising and declining great powers. Hence, they do not believe policies that aim to reduce the probability of conflict are rational if they also increase the costs one will experience in a future conflict. Therefore, both sides bring *a priori* beliefs to their analysis. Neorealists view engagement and cooperation as futile attempts to escape the inevitability of conflict. Neoliberals reject this realist premise that conflict is inevitable, and instead fear that containment is often a self-fulfilling strategy that results in otherwise avoidable conflicts.

this a rational assessment. In the process, policymakers may make miscalculations. However, these mistakes are acceptable within a theory of bounded rationality, which acknowledges that policymakers are encumbered by various cognitive constraints, as well as a lack of complete information. Therefore, these neoliberal causal beliefs are foundational not because they override rational analysis, but because they shape policymakers' understandings of the mechanics of engagement and the dynamics of interdependence in an American-led international order.

Placing my Argument in the Literature:

Where does my argument fall within the existing IR literature? Perhaps it is easiest to begin by reiterating its foil—structural realism of the Kenneth Waltz and John Mearsheimer variety. As I have stated, a material-centric argument like structural realism would anticipate that America (as the leading hegemon) would do all it could to contain China (its rising challenger). Indeed, John Mearsheimer has predicted this outcome throughout the post-Cold War period, including in a 2006 article, in which he summarized his position candidly:

> "Can China rise peacefully? My answer is no. If China continues its impressive economic growth over the next few decades, the United States and China are likely to engage in an intense security competition with considerable potential for war…Therefore, *the United States can be expected to go to great lengths to contain China and ultimately weaken it to the point where it is no longer capable of ruling the roost in Asia* [my italics]. In essence, America is likely to behave toward China much the way it behaved toward the Soviet Union during the Cold War."[99]

As the evidence in the subsequent chapters will demonstrate, America's actual policy towards China in the post-Cold War era could not be more diametrically opposed to Mearsheimer's prediction. Thus, my primary antagonist is structural realism, or any theory for which material factors of relative power serve as the basis upon which states are expected to make decisions.

[99] (J. J. Mearsheimer, 2006, p. 160-162)

There are, of course, a myriad of other authors who would join this thesis in rejecting the utility of Mearsheimer and other neorealists in understanding America's post-Cold War foreign policy decisions. However, perhaps the theoretical work most helpful in providing an overarching framework for my thesis is Stephen Walt's Balance of Threat (BOT) theory, which he developed in his article and book on *The Origins of Alliances*.[100] BOT is a refinement of Waltz's Balance of Power (BOP) theory.[101] Unlike Waltz, Walt does not look solely at the distribution of relative power within the system as the only independent variable driving state behavior—particularly the choice of whether to bandwagon with or balance against an existing or rising great power. Instead, Walt includes four variables in his theory: *aggregate power, geographic proximity, offensive capabilities,* and *offensive intentions*.[102] These four variables provide a helpful framework for my own theory, and Walt's model is one that is broadly understood throughout the literature. However, this model does require some adaptation because Walt and I are not exploring identical questions.

First, Walt is primarily interested in how medium and small states (second tier states) respond to one another and to more powerful states. This is most evident by the fact that Walt uses the formation of alliances in the Middle East for his case studies.[103] The Middle East is a classic case of small and medium powers deciding how to relate to one another and to the outside great powers that are heavily invested in the region. In contrast, I am asking how the system leader (US) responds to the rise of a clear potential challenger (China). While both of these questions are examining the same relationship, they are approaching it from two different points of view. I am looking at the relationship from the view of the more powerful state. Walt

[100] (Walt, 1985, 1990)

[101] (Waltz, 1979)

[102] (Walt, 1985, p. 9)

[103] (Walt, 1985, 1990)

is examining it from the perspective of the less powerful state. Nonetheless, his BOT model is useful for framing the calculus of both nations.

The second difference is that I am asking why states choose to engage or contain. This is similar to Walt's question of whether they bandwagon or balance. However, they are still separate questions because while both states can balance, bandwagoning is a strategy only considered by less powerful states. For example, China might choose to bandwagon with the United States, but it is hard to see how the U.S. would choose to bandwagon with China. The U.S. no doubt has a choice of whether to engage China or not, but engagement carries a different connotation than bandwagoning, which by definition implies that the less powerful state is choosing to cast its lot with (or bandwagon with) a more powerful state in order to secure the more powerful state's protection and avoid its wrath.[104] In contrast, both the less powerful and more powerful state can choose to engage or not because engagement does not carry explicit or latent understandings of power differentials between the two actors. By the same token, the U.S. could choose to contain China, but it is hard to see how China, as the less powerful state would attempt to contain the U.S. Regardless of these minor definitional differences, Walt's theory and my own are both fundamentally asking whether the state in question will cooperate with or work against the target state in question. Thus, the model he provides—in particular the four variables he outlines as potential factors that policymakers consider—is helpful for framing the variables in my own theory.

Which of Walt's four variables are relevant for my behavior-centric theory? Walt's first variable is *aggregate power*. In my research, I found no evidence that calculations of *aggregate power* play a role in policymakers' decision to engage or contain or their decision to hedge or not hedge. Therefore, *aggregate power* is not included in my model of state behavior. In fact, my theory explicitly rejects the relevance of *aggregate power* for understanding how American

[104] See (Walt, 1990) for a more thorough discussion of bandwagoning.

foreign policy leaders in the post-Cold War era have decided which states to contain and which ones to engage.

I do not evaluate Walt's second variable regarding the importance of *geographic proximity*. I do not discount its relevance to other empirical and theoretical questions, but none of the policymakers with whom I talked mentioned *geographic proximity* as playing a role in their decisions of whether to engage or contain. More importantly, because the primary focus of this thesis is a detailed analysis of America's relations with China—not a cross-comparison of America's relations with many different states—there is no way to assess the importance of *geographic proximity* because there is no variation in proximity.

Instead, I focus on Walt's later two variables: *offensive capabilities* and *offensive intentions.* In particular, I argue that policymakers consider the target state's *offensive capabilities* in deciding whether to invest the military and diplomatic resources required to hedge the target state or not. However, I argue that *offensive capabilities* do not factor into policymakers' calculus of whether to engage or contain a given state. For this decision, I argue that policymakers care only whether the target state is perceived to have what Walt calls *offensive intentions*. Therefore, Walt's *offensive intentions* constitute the primary independent variable for my thesis. I then demonstrate that policymakers determine whether the state in question has *offensive intentions* or not based on its actual behavior.

In summary, I argue that whether or not policymakers assess the target state as having *offensive intentions* or not is the key factor in determining whether policymakers favor an engagement or containment strategy with the state in question. This assessment is, in turn, dependent on how policymakers interpret the target state's behavior. Behaviors that indicate a willingness to use force to revise the existing liberal order or threaten America and its allies will result in policymakers classifying the state in question as an aggressively revisionist state with *offensive intentions*, and hence result in a containment strategy. Policymakers do consider

offensive capabilities when deciding whether to hedge or not hedge these engagement bets by committing significant resources to maintain a definitive military advantage over the target state in its respective region. However, I do not consider Walt's first two variable, *aggregate power* and *geographic proximity*, in my analysis. Indeed, I demonstrate conclusively that *aggregate power* has not factored into either American policymakers' decision to engage or contain or their decision to hedge or not hedge in the post-Cold War era. Table 2.2 summarizes these findings:

Relevance of Walt's Four Variables to this Thesis:

Aggregate Power	Explicitly rejected; no relevance to any of policymakers' calculations
Geographic Proximity	Not evaluated; no variation because proximity does not vary within a single case
Offensive Capabilities	Relevant to calculations of whether to hedge or not hedge, but not relevant to calculations of whether to engage or contain
Offensive Intentions	Relevant to decisions of whether to engage or hedge, which is the central focus of this thesis; revealed through target state behavior

Potential Alternative Explanations:

In the chapters for each post-Cold War administration (Chapters 5-8), I address a range of alternative explanations that could be offered for why America has maintained a positive-sum strategy of neoliberal engagement with China in the post-Cold War era. However, there are two over-arching alternative explanations that I feel are important to address in the theory sections at the beginning of this thesis. The first alternative hypothesis would be that policymakers would have preferred containment or at least more moderated levels of engagement and interdependence, but were compelled to pursue a more comprehensive strategy of deep and expansive interdependence because of pressure from powerful corporations that wanted access to the vast Chinese markets. I label this the *corporate capture* argument. This hypothesis essentially argues that the American political system—to include

its foreign policy establishment—was effectively captured by large corporate interests concerned not with the national interest, but with their own private profit.

> **ALTERNATIVE HYPOTHESIS #1: American policymakers preferred containment, but powerful business interests forced them to pursue a neoliberal engagement strategy in order to boost corporate profits.**

Another potential alternative explanation would fit with those arguments that stress the unique characteristics of a unipolar structure. For example, neoclassical realist scholars like William Wohlforth, Randal Schweller, and Gideon Rose have argued that the reason second-tier states, like those in Europe, did not switch to a balancing strategy vis-à-vis the United States after the collapse of the Soviet Union was because America's power surpassed that of all other states by such a wide margin that any attempt to build a balancing coalition would have been futile.[105] A structural realist might transfer this same "unipolar moment" argument to justify why America has not attempted to contain China. This sort of argument might assert that America has not pursued containment or prioritized relative gains with China because it has enjoyed such a commanding lead in both economic and military power that even though China was identified as the leading potential challenger, they were still so far behind the U.S. (particularly in military power) that policymakers remained unconcerned with relative gains. American policymakers were able to focus on the absolute benefits to be reaped from engagement because China was so far behind America in relative power that it would take many decades of accruing relative gains before China could really be in a position to challenge America for regional—much less global—superiority.

> **ALTERNATIVE HYPOTHESIS #2: American policymakers were willing to pursue engagement only because the unique characteristics of the unipolar order meant they were able to discount concerns about relative gains.**

[105] For a more detailed discussion of these sorts of arguments, see: (P. D. Feaver et al., 2000; Rose, 1998; Schweller, 2004; Wohlforth, 1994, 1999)

As with my own hypotheses, I do not provide evidence in favor or against these competing theories in this chapter. I establish them as possible alternative explanations, but will wait to evaluate their merits alongside my own hypotheses in Chapters 4 - 9.

Chapter 3 The Road Map and the Rule Book:

A Description of Methods and Structure

Methods:

Because my puzzle focuses on explaining elite perceptions and reactions, my primary method is elite interviewing. While this is a very effective method for this type of research question, interviewing elites presents many challenges.[106] First, former policymakers—especially those who have been out of office for a long period—frequently forget some of the more granular details of their time in office. To help mitigate this problem, I sent any specific factual questions to the interviewee at least one week in advance. This gave them time to review their personal files, if necessary.

A second danger with elite interviews is the introduction of bias. In order to mitigate the effect of this bias, I took several precautions. First, I interviewed numerous well-known China skeptics, because they would be the least likely to support my theory.[107] Second, my questions always specifically asked whether interviewees remembered other officials advocating for containment. Former officials tend to highlight differences between their own positions and those of their rivals, so asking whether other officials were expressing relative gains concerns ensured that the coverage extended beyond the group of people who spoke to me.[108] This was particularly helpful because several of my interviewees had held senior posts

[106] See (Aberbach & Rockman, 2002; Berry, 2002; Dexter, 2006; Lilleker, 2003; Richards, 1996) for information on the challenges and dangers of elite interviewing and how to overcome those.

[107] Examples include (among others) Daniel Blumenthal, Kurt Campbell, Bridge Colby, Douglas Feith, Aaron Friedberg, Andrew May, Michael Pillsbury, and Ashley Tellis.

[108] See (Berry, 2002; Dexter, 2006; Lilleker, 2003) for detailed discussion on the merits of this approach.

for three and four decades. An example is Ambassador Winston Lord. Lord was Henry Kissinger's deputy on the secret envoy to China in 1971, and has remained at the center of China policy since then. When I asked him whether he remembers others arguing for containment, he said:

> "*In over 40 years of working on China policy, I do not recall a single senior [American] official calling for us to contain China economically*. There were always disputes on the military and human rights issues, but never any serious discussion about China's economic growth posing a threat to the US. We couldn't have anticipated how rapidly China would develop back in the 1970s and 1980s, but if we had, that would only have affirmed the importance of engaging China. Of course, as China has grown and our interdependence has deepened, we have encountered more points of disagreement, but this has not eroded the fundamental desire to pursue a broad-based engagement strategy with China."[109]

As a third precaution, I included a roughly equal number of Republicans (40), Democrats (34), and Non-partisan civil servants and uniformed personnel (27).[110] In the hyper-partisan environment in Washington, this bipartisan coverage (to include non-partisan bureaucrats and officers) was important to shield against allowing either political party to sway the results of this project by misrepresenting their own views or those of the other party. Fourth, I wanted to ensure that none of the key departments or agencies involved in setting China policy were excluded or over-represented. For example, if I only looked at the economic agencies and departments like the Department of Treasury and Commerce Department, then I would likely miss many of the security concerns that members of the Defense Department or Intelligence agencies might prioritize. Therefore, I carefully selected a roughly equal number of interviewees from the following four general wings of the Executive Branch:

1. Senior staff and political appointees of the **State Department**

[109] (Lord, 2014)

[110] There are more Republicans primarily because the current administration is Democratic. This limited access to those officials still in the Obama administration. Furthermore, many of the Obama officials also served in the Clinton administration, which meant that I had somewhat more restricted coverage of Clinton than Bush 43, as well.

2. Senior staff, uniformed personnel, and political appointees of the **Defense Department and Intelligence Agencies**

3. **White House Staff**, including members of the National Security Council and the National Economic Council

4. Senior staff and political appointees of the economic departments and agencies (**Treasury Department, Commerce Department, US Trade Representatives Office**)

Fifth, the interviews took place in 2014 and 2015, during a period when elite concerns about China had reached an all-time high for the post-Cold War period. The fact that most of these interviewees' concerns about China were much higher at the time of the interviews than they had been during their actual tenure in government means that their responses should have over-emphasized—not under-emphasized—their relative gains concerns in hindsight. In fact, several of the interviewees conceded that in post-rationalizing their opinions and arguments, they were probably exaggerating their concerns to conform to their current outlook.[111] Therefore, if anything, we would expect policymakers' interview responses in 2014 and 2015 to have been more sympathetic to containment and relative gains than when they actually held office.[112] Sixth, as mentioned in Chapter 1, the public sentiment during this period was decidedly anti-China and anti-trade. Hence, interviewees who were trying to conform to the current political climate and posture for an appointment in a future administration for either party would have been more likely to over-exaggerate their concerns regarding China's rise and down-play their previous support for America's neoliberal trade and economic policies with China. Finally, as discussed in Chapter 1, I structured the questions to encourage responses that favored relative gains arguments, and after transcribing the interviews and inserting the relevant quotes into the text of the thesis, I then sent all of the quotes back to the

[111] (Berger, 2015; Scowcroft, 2014; Shirk, 2014)

[112] For a more detailed discussion on this topic, see Chapter 1.

interviewees in textual context for their final approval to ensure that I was not misrepresenting their true intent. I found that to the extent that interviewees amended their quotes at all, they were revising them to reflect more—not less—emphasis on engagement, and less—not more—concern over relative gains.

There might be concerns that no Chinese officials were interviewed for this project. This is because China was winning the relative gains competition, so there is no puzzle as to why they would continue favoring engagement from a relative gains framework. Furthermore, China was on the outside of the institutions and regimes that America had built, and while China was rising rapidly, it was still weaker militarily, diplomatically, and economically than the United States. Hence China was simply not in a position to contain America. Finally, my status as an American Army officer and my background working for the American intelligence community would have made interviewing senior Chinese officials impossible. In recognition of these constraints, the thesis explicitly restricts its claims to describing the priorities of American policymakers. It does not venture to make claims regarding Chinese policymakers' priorities.

To confirm the interview responses, I have also conducted archival work at the George H. W. Bush library. The Bill Clinton and George W. Bush libraries have still not declassified most of their documents, but I have been able to retrieve some documents from the primary crises and decision points for those administrations. I also read and have included quotes from numerous speeches, public statements, autobiographies, and memoirs of the presidents and their senior advisers. Beyond personal accounts, I reviewed journal articles and editorial pieces from the critical junctures discussed in the empirical chapters. Finally, in the subsequent chapters I cite a wide swath of the secondary historical accounts of America's policy towards China in the post-Cold War era.

The historical analysis in chapters 5-8 will follow the progression of US-China relations chronologically, focusing on what David Lampton refers to as the "critical junctures" in the relationship. I find this approach useful because, as Lampton describes:

> "At these critical junctures, Chinese and American leaders considered the costs of dramatically deteriorating bilateral relations and stepped back from the precipice in order to halt the decline or move in more productive directions."[113]

Likewise, Jean Garrison points out that the agency of a president and his advisers are highest in times of major crisis or turmoil, which she calls "historic opportunities for change."[114] Indeed, I see two reasons to focus on these critical junctures.

First, senior policymakers have tremendous demands on their time, which means that they often find themselves running from crisis to crisis. As long-time government official and academic Kori Schake put it, "The focus is always on the wolves nearest the sled."[115] Therefore, the degree of attention that policymakers devote to China or any other country or set of issues is not consistent. Rather it is sporadic, with tremendous attention focused on the relationship during critical decision-points or crises, which are separated by longer periods when minimal attention is allocated to that state or policy issue. During these periods, the relationship often functions on autopilot with lower level bureaucrats executing the strategies outlined by senior policymakers. Therefore, looking at these critical junctures provides the most concentrated material from interviews, internal documents, public statements, and the secondary literature. Second, if the US was going to change course and adopt a relative gains or containment strategy, this change would most likely occur at one of these critical junctures. Even if a relative-gains policy was not adopted, these are the periods when we should see

[113] (Lampton 15)

[114] Garrison (187-188)

[115] Schake 2015

advocates of a more hawkish policy (both in and out of government) making their most concerted appeals for containment.

Among these critical junctures, I am particularly interested in instances when China behaved in ways that would cause American policymakers concern that China might not be committed to a peaceful rise or might not be prepared to fully normalize into the liberal order. Examples include the Tiananmen Massacres in 1989 when Beijing violently suppressed democratic protests; the Taiwan Straits Crisis in 1995-1996 when Beijing used military exercises and threats to bully the Taiwanese people in anticipation of their first fully democratic elections; the EP-3 crisis in 2001 when a Chinese fighter pilot collided with an American spy plane; and the rapid increase in Chinese assertiveness over territorial disputes that began in late 2009 and has continued through the present.

An astute China observer will notice that there are other flash-points, like the 1998 Belgrade Embassy bombing or the 1993 *Yinhe* incident, which are not included in this analysis. This is quite simply because I focus only on the flashpoints instigated by a Chinese behavior that American policymakers might interpret as overly aggressive. In the instance of the Belgrade bombing, it was an American plane that bombed sovereign Chinese soil, killing three Chinese citizens. Therefore, it is highly unlikely that Washington's own mistake would motivate American policymakers to consider labeling China an aggressive actor or switching to containment. Likewise, in the instance of the *Yinhe* case, faulty American intelligence resulted in Washington instructing the U.S. Navy to harass, detain, and ultimately board a Chinese ocean freighter suspected of carrying chemical weapons to Iran. The U.S. inspectors failed to find any evidence of chemical weapons when they boarded the ship, which was immensely embarrassing for the U.S. Because the U.S. was at fault, there is no puzzle as to why this flashpoint failed to motivate Washington to adopt a more hardline approach towards Beijing. Thus, I focus only on those cases in which China was the guilty party or at least equally

responsible for initiating the crisis, because these are the instances when we would most expect Washington to re-consider adopting a more hardline approach, and hence are the toughest cases for my argument.

The one other group of cases that I consider are those in which the U.S. was confronted with a decision to either maintain current levels of engagement or dramatically accelerate the pace of integration, which would also make it increasingly difficult for future administration to disentangle the relationship and embark on a containment strategy. Even though these are not cases in which China's behavior would be expected to spark calls for containment, we would expect those who were skeptical of China's intentions to be most vocal in cautioning against further expanding engagement and deepening interdependence. Primary examples of these sorts of decisions include: the Clinton Administration's decision to grant China Permanent Normal Trade Relations (PNTR) and support their ascension to the World Trade Organization (WTO); the Bush 43 administration's decision to institutionalize a senior bilateral dialogue through the Senior Economic Dialogue (SED) that explicitly set aside many perennial disputes in order to advance economic engagement and interdependence; and both the Bush 43 and Obama administrations' choice to use the 2008 financial crisis as a pretense for increased cooperation—as opposed to using it as an excuse for retrenchment. These were all instances in which policymakers concerned about China's rise would have been most likely to try to prevent further bilateral integration. In total, that leaves the following sub-cases within the larger administration cases:

Bush 41 and Clinton	Tiananmen Aftermath
Clinton	1995-1996 Taiwan Straits Crisis
Clinton and Bush 43	China's WTO Accession and PNTR extension
Bush 43	EP-3 Crisis
Bush 43	Establishment of Strategic Economic Dialogue
Bush 43 and Obama	2008 Financial Crisis
Obama	Beijing's increased territorial assertiveness

General Framework for Judging Containment vs. Engagement:

Before moving to the historical chapters, I want to establish a common framework for assessing whether each administration was pursuing a neoliberal engagement strategy or a neorealist containment strategy. This framework will be used in each of the administration chapters (Chapters 5-8).

Former Director of Policy Planning at the State Department, Steve Krasner, gave a good summary of what a relative gains and containment strategy would have looked like and how that differed from the strategy of the Bush administration:

> "If we had wanted to contain China, we would have blocked American investment into China, blocked their accession to the WTO. We could have prevented them from buying US debt, and we never did any of that. We were never taking a relative gains approach to China…period! Even when we were taking tough positions like threatening with currency manipulation, it was based off of domestic political interests or a desire to try to improve America's economy, independent of what relative impact it had regarding China."[116]

As Krasner's quote highlights, to say that an administration was pursuing a neorealist containment strategy that prioritized relative gains, two conditions must be met. First, the administration must pursue or want to pursue policies that adversely affect China's economic growth and development. Second, containing China's economic growth must be the primary reason for pursuing these policies. If the administration's policies have the effect of constraining China's economy, but are motivated by a desire to change or punish certain Chinese behaviors, then this is not a containment strategy, nor does it reflect a primacy being placed on relative gains.[117]

For example, if the Chinese violate the Missile Control Regime by proliferating missile technology, then the U.S. is legally obligated to impose sanctions. These sanctions have a negative impact on China's economy, but this is not their ultimate intent. Instead, the goal of

[116] (Krasner, 2014)

[117] This concept is developed more fully in the actual thesis, but there is not sufficient space here.

the sanctions is simply to stop China from proliferating weapons. However, the actual tools available to a president for coercing, punishing, or enticing other states are limited, which means the same tool may be used for multiple different purposes.[118] Therefore, to say that a given policy reflects a neorealist strategy of containment requires one to demonstrate that a given policy *not only* had the effect of constraining China's economic growth and development, *but also* had containing its economic growth as the primary motivation.

Within this context, the following paragraphs give the general outlines of three possible strategies *containment, conditional engagement, and comprehensive engagement*. Obviously, relative gains concerns would be paramount for a strategy of containment and virtually irrelevant under a strategy of comprehensive engagement. I also include *conditional engagement* as an intermediary framework. While I did not find any policymakers advocating for containment in the post-Cold War era, some have supported a strategy of conditional engagement. However, it is important to clarify that conditional engagement does not mean that any priority is being placed on relative gains, nor are proponents of this strategy any more sympathetic to Machiavellian objectives of undermining or containing China's growth. Proponents of conditional engagement are firmly in agreement with their counterparts in the comprehensive engagement camp that a neoliberal strategy of engagement is the desired end goal. However, they simply feel that some aspects of this engagement should be contingent on Beijing complying with the core tenants of the liberal order from which China is benefiting tremendously.[119]

For some advocates of conditional engagement, this is a normative stance. They do not feel it is fair for China to receive the full benefits of engagement if it is unwilling to shoulder

[118] (Rice 2011, p.645-646)

[119] (Christopher, 2001; W. Clinton, 1993; Lord, 1989)

the responsibility of what Robert Zoellick later referred to as a "responsible stakeholder".[120] For others, it is a strategic calculation. They believe the importance of the American market to China's economy should provide Washington with leverage to force Beijing into greater compliance on trade, human rights, and nonproliferation practices. To not place conditions on engagement—in this view—is to waste this leverage. In contrast, proponents of comprehensive engagement do not believe that Beijing will comply with formal conditions, and therefore conclude that the best strategy is to continue to push comprehensive engagement, even if China's progress in certain areas is frustratingly slow.[121] Regardless, both camps fully support a strategy of neoliberal engagement as the ultimate goal, and the empirical chapters will demonstrate that the overwhelming consensus has been behind unconditional engagement.

In constructing the outlines of these hypothetical strategies, I have broken down the aspects of each strategy into four central questions. The answers to these questions will distinguish among the three strategies.

1. *What was the administration's general approach and outlook on trade and investment with China?*

An administration committed to a strategy of **containment** would oppose trade with China unless America was winning the relative gains competition. If this could not be achieved, it would attempt to sever trade completely or at least restrict it by raising tariffs, increasing import quotas, and revoking China's Most-Favored-Nation trade status.

A strategy of **conditional engagement** would want to engage China, but would insist that China must first comply with the rules and norms of the liberal order. In particular, we would expect the administration to support withholding China's most-favored-nation status

[120] (Zoellick, 2005)

[121] A commitment to comprehensive engagement does not hobble policymakers from taking action to punish China if it violates its agreements in a way that harms American companies in an absolute sense. It simply means that American policymakers will not hold the entire relationship hostage to Chinese non-compliance on any one specific issue.

and other trade benefits unless China complied with U.S. demands for economic and political reform.

A strategy of **comprehensive engagement** would seek wherever possible to expand the depth and breadth of engagement with China, without any conditions. To this end, the administration would categorically reject not only containment, but also attempts to place conditions on this engagement. However, it would retaliate if China violated trade agreements in such a way that clearly harmed American interests.

2. How did the administration handle disputes with China?

An administration committed to a strategy of **containment** would use these disputes as pretense for containment or at least more hardline policies. Even if it could not rally sufficient support for multilateral containment, it would work to leverage these disagreements to limit trade and interdependence bilaterally. Instead of working through disputes in good faith, the administration would adopt an obstructionist agenda, under the hope that a breakdown in negotiations would provide an excuse for containment.

An administration committed to a strategy of **conditional engagement** would want to engage China, but it would place stipulations on this engagement. If Beijing failed to meet all or most of Washington's demands, then MFN would not be renewed. In trying to resolve these disputes, the administration would be cooperative but uncompromising.

An administration committed to a strategy of **comprehensive engagement** would still confront Beijing when its actions were in clear violation of international agreements and/or directly injurious to American interests. However, it would not be willing to jeopardize the entire relationship over any of these individual issues. If forced to choose between jeopardizing the larger engagement strategy or overlooking individual Chinese abuses in certain areas, they would press forward with engagement and interdependence.

3. How did the administration respond to major crises involving the Chinese?

An administration committed to **containment** would capitalize on popular anger after events like the Tiananmen Massacres, the Taiwan Straits Crisis, the EP-3 crash, and the financial crisis to justify containment and to push for more hardline policies. Indeed, instead of attempting allay public concerns and anger, the administration would seek to stoke them.

A strategy of **conditional engagement** would not capitalize on popular anger in the wake of crises, but it also would not try to justify, downplay, or ignore these abuses either. Likewise, a strategy of conditional engagement would not use public anger as cover for shifting to a Machiavellian strategy of containment, but they might be willing to threaten withdrawing MFN and other trade benefits if China did not recant and reform. As indicated above, however, the purpose of these policies would be to reform Chinese behavior—not contain Chinese power.

A strategy of **comprehensive engagement** would seek first and foremost to de-escalate the crises and return the relationship to normal as quickly as possible. It would work to mollify public anger and resist congressional demands for more hardline responses. If the administration did take punitive action, the primary motivation would be to pre-empt Congress from demanding more sweeping reprisals.

4. *How did the administration respond to domestic pressures from Congress, special interest, and the public?*

An administration pursuing **containment** would constantly be seeking to maintain support for containment in Congress. Even if the administration did not actively stoke frustrations and fears regarding China, they would certainly not try to abate these concerns after crises. In particularly, they would consistently comply (without objection) anytime Congress proposed more hardline measures for China.

An administration pursuing a strategy of **conditional engagement** would support policies that mandated specific Chinese reforms if China wanted to continue to receive MFN

and other trade benefits. Even if the administration did not initiate these proposals, they would at least support legislation of this sort that Congress sent to the president.

An administration firmly committed to a strategy of **comprehensive engagement** would not back-down in the face of congressional and public demands for more hardline policies. Instead, they would actively fight to preserve their preferred strategy of comprehensive engagement and would be willing to expend considerable political capital to avoid policies that even placed conditions on engagement with China.

All of these categories are briefly summarized in **Table 4.2**.

Table 4.2:

Distinguishing Among Engagement and Containment Strategies

	Containment	**Conditional Engagement**	**Comprehensive Engagement**
Overall Approach	Oppose engagement unless U.S. clearly winning relative gains	Favor engagement; BUT only if China meets conditions	Seek to deepen and widen interdependence without conditions
Dispute Resolution	Exploit disputes; Attempt to subvert negotiations	Cooperative fully in negotiations; but likely uncompromising	Minimize disputes; Concede if necessary to preserve relationship
Response to Crises	Use crises as pretense for containment; Seek to initiate new crises	Don't encourage public anger, but also don't justify Chinese action	Mollify public anger; Work to return relations to normal ASAP
Handling Congress	Willing to use political capital to protect containment	Less willing to expend capital as long as long as policy is within reason	Willing to use political capital to protect liberal engagement

At the end of each chapter on the four post-Cold War presidential administrations (Chapters 5-8), the findings of the historical case studies are used to determine which of these three strategies most accurately describes the administration's policies: *containment, conditional engagement*, or *comprehensive engagement*? What these results will demonstrate is that *comprehensive engagement* has been the consistently dominant strategy. A powerful testament to this fact is found in Winston Lord's 1999 testimony before the House Committee on Foreign Relations. As Clinton's Assistant Secretary of State, Lord was one of the earliest

and most ardent advocates for placing conditions on China's MFN trade status. Thus, we would expect him to be one of the sharpest critics of the comprehensive and unconditional engagement strategy that the Clinton administration ultimately adopted. Furthermore, Lord was no longer in government in 1999, which left him free to speak his mind.

However, in this critical period leading up to the battle over granting China Permanent Normal Trade Relations (PNTR), he gave a ringing endorsement of the importance of engaging Beijing comprehensively by humorously prescribing his "Ten Commandments for Dealing with China." His first three "commandments" capture the perspective of the Clinton administration, and really of every other post-Cold War administration with regards to the central question of how to approach China:

> 1. *"Thou shalt not demonize China*. It is not the Soviet Union. It does not claim or seek a global mandate for its system or its ideology…
>
> 2. *"Thou shalt not sanitize China*. China represents our greatest international challenge. It is the world's fastest-growing economic power. Its military strength is advancing…
>
> 3. *"Thou shalt not contain China*. It is neither necessary, desirable, nor possible. To treat China as an enemy would be a self-fulfilling prophecy when the jury is out on its future course…"[122]

Lord's testimony does a nice job of capturing the perspective of not just the Clinton administration, but all post-Cold War administrations. And the fact that they came from someone who had originally supported conditional engagement demonstrates how pervasive the comprehensive engagement consensus has been throughout the post-Cold War period.

Time Period:

Lastly, it is important to justify the time span used for this thesis. The 1989 Tiananmen massacre serves as a natural starting point because the nature of U.S.-China relations

[122] (Lord, 1999)

underwent a fundamental change in 1989. President George H.W. Bush's national security adviser, General Brent Scowcroft, described the extent of this transformation, saying:

> "For the first 20 years or so, it [U.S.-China relationship] was an agreement to stand up to the Soviet Union. Then, that changed very abruptly. It changed with Tiananmen. The Cold War ended just about that same time, so the original reason for the relationship was gone, and people were outraged, so Tiananmen Square was the biggest crisis in our relationship. There's this big gulf in the nature of the relationship before and after Tiananmen."[123]

Likewise, Deputy Secretary of State Lawrence Eagleburger stated in his testimony before the Senate Foreign Relations Committee:

> "The changes in the Soviet Union and Eastern Europe are so fundamental that it [the balancing rationale] is not by any means a dominant or controlling factor [in relations with China] as it would have been a decade ago."[124]

This view is also the consensus within the secondary literature. For example, in recognition of this "abrupt change", long-time China correspondent, James Mann, titled his book on U.S.-China relations *About Face,* in which he describes Tiananmen as the pivot point for America's China policy.[125] In his book, *Beyond Tiananmen*, former member of the National Security Council and National Intelligence Council, Robert Suettinger, states:

> "It is broadly accepted conventional wisdom that the downfall of eastern European communist regimes, which took place at such breathtaking speed in the latter half of 1989, contributed greatly to the decline of support in the United States for a 'strategic' relationship with China. With the communist bloc in disarray and the Soviet Union in serious economic and political difficulties, the notion of maintaining close relations with China to keep it from returning to the Soviet orbit seemed increasing anachronistic to American opinion makers."[126]

In fact, Harry Harding argues that Tiananmen did so much damage to the relationship that in the early 1990s the U.S. and China had to go through a "renormalization" that was just as difficult, controversial, and tedious as the initial "normalization" had been in the 1970s.[127]

[123] Scowcroft 2014

[124] (Eagleburger 1990; Mann 1999, p. 227-228)

[125] (Mann, 1999)

[126] (Suettinger 2004, p. 103)

[127] (Harding 247-248)

Henry Kissinger reiterates this point in his book *On China*, reflecting that, "In the wake of Tiananmen, Sino-U.S. relations found themselves practically back to their starting point [in 1972]."[128] In *Same Bed Different Dreams*, David Lampton begins his analysis of U.S.-China relation with Tiananmen because, "The violence of Tiananmen served as a catalyst for change in Chinese and American policies toward each other…and acted as a solvent on the grand bargain [security cooperation against the USSR]."[129] Jean Garrison's book *Making China Policy: From Nixon to George W. Bush* also draws a sharp line in her analysis between Cold War and Post-Cold War relations. She titles this section "The *Post-Tiananmen* (my italics), Post-Cold War Context of U.S.-China relations,"[130] affirming that Tiananmen serves as a natural breaking point for analysis.

Why did Tiananmen spark such a sudden and massive shift? There were three main causes. First, the strategic rationale that had served as the bedrock of the relationship since 1972 was a mutual desire between the United States and China to balance against the U.S.S.R. However, by 1989 the Soviet Union was clearly in decline, which rapidly eroded the foundation of the bilateral relationship. As Ambassador Winston Lord said, "When Tiananmen came around, we no longer had the anti-Soviet glue to hold us together, so it was crucially important that we find other reasons to justify preserving the relationship."[131] Likewise, in his book, *America's Response to China,* Warren Cohen says:

> "The strategic rationale for the unusual sensitivity of American leaders to the concerns of China's leaders was [traditionally] the desire for Chinese support in the great struggle against the Soviet Union. But by 1989, it was becoming apparent that the Cold War was virtually over."[132]

[128] (Kissinger 447)

[129] (Lampton 2-3)

[130] (Garrison 187-196)

[131] (Lord, 2014)

[132] (Cohen 2010, p. 215)

The erosion of this "anti-Soviet glue" is particularly important for this project because realists explain the lack of concern among American policymakers for relative gains during the Cold War as being justifiable because of the strategic advantage it gave the Americans against the Soviets. At the time, the priority was containing and defeating the Soviet Union, but this rationale collapsed after the disintegration of the Soviet Union and the end of the Cold War.

Second, the American people and many of their leaders had assumed that, like Eastern Europe, China was on an inevitable path towards liberalization and democratization.[133] Deng Xiaoping, in particular, had been hailed as a posterchild for liberal reform.[134] In fact, *Time* Magazine named him "Man of the Year" in both 1978 and 1985.[135] This made the crackdown and Deng's role in it all the more infuriating to Americans.

Finally, this all occurred at the dawn of a powerful new phenomenon—cable news. According to Secretary of State and White House Chief of Staff, James Baker, "Americans saw on their living room screens the excesses of the tanks rolling against the unarmed demonstrators. And that phenomenon had never really happened before."[136] This constant coverage allowed many Americans to develop a bond with the Chinese students that otherwise would not have been possible. As career China State Department official, Donald Keysar, put it:

> "American citizens had seen interviews with all of these innocent looking, young, democracy-advocating students who were peacefully demonstrating in Tiananmen Square, and this is in the context of the Berlin wall and communism collapsing everywhere, and here were millions of strong, young idealistic Chinese wishing they had what Americans considered a basic human right."[137]

[133] (Kissinger 436)

[134] (Mann 193)

[135] (Harding 242)

[136] (Baker, 2014)

[137] (Keysar 2014)

Harry Harding said:

> "Over time, the mass movement in Tiananmen Square began to appear irresistible, and the use of force came to be perceived as unlikely or even impossible. The savagery on June 4 dashed those expectations, with an emotional impact greater than if such hopes had never arisen at all."[138]

As a testament to the transformative power of this footage, U.S. public opinion surveys before the 1989 crackdown showed 78% of Americans having favorable views of China and only 19% seeing China as an. In the aftermath of Tiananmen, the number seeing China as an enemy rose to 39%, and those viewing it as a friend fell to 16%, which was virtually equivalent to Americans' views of the Soviets.[139]

Thus, the Tiananmen massacre provides a natural juncture to divide one's analysis of the relationship. Before Tiananmen, the relationship was one of classic *Realpolitik* with the U.S. turning a blind eye to those policies and practices in Beijing that it found troubling or frustrating. After Tiananmen, human rights, labor standards, intellectual property rights, and currency manipulation would become highly contentious perennial disputes, often packaged in Congressional attempts to remove China's Most-Favored Nation (MFN) trade status. Both countries' defense establishments would shift their primary war-gaming scenarios from focusing on the Soviet Union (and later Russia) to focusing on one another as China quickly emerged as America's most powerful potential foe.[140] As a result, instead of hedging with China against the Soviets as they had during the Cold War, America would begin to hedge with its other Asian and Southeast Asian partners against China. All of this makes Tiananmen a logical starting point for our analysis.

I conclude this study with the end of the first Obama Administration in 2013 in order to achieve some degree of temporal distance between the end of the analysis and the writing

[138] (Harding 241)

[139] (Harding 243; *Roper Reports 90-10* (New York: Roper Organization, January 1991)

[140] Andrew May 2014

of this thesis. Furthermore, my research relies on interviewing foreign policy elites, reading their memoirs, and reviewing declassified documents. All of these sources of information are more difficult to acquire for officials still in office because they have yet to write their memoirs, and virtually all of their documents remain classified. It is also simply more difficult to schedule interviews with current government officials, and they are often less forthcoming than their counterparts who have already left government.

Chapter 4 will begin applying these various methods to test the hypotheses outlined in Chapter 2, by systematically comparing these hypotheses against the actual historical record.

Chapter 4 Straight from the Horses' Mouths:

Policymakers' Strategy in Their Own Words

To begin this theory application chapter, I include the hypotheses from Chapter 2.

Table 4.1:

Four Core Hypotheses of the Thesis

H1	Policymakers conduct a cost-benefit analysis (CBA) when deciding whether to pursue engagement or containment.
H2	Policymakers' *a-priori* beliefs about the causal effects of engagement and containment undergird this CBA.
H3	While policymakers' default causal beliefs are neoliberal, they do not apply these beliefs universally.
H4	The target state's behavior—not its relative size or growth—is what influences policymakers causal beliefs about engagement.

Outlining Policymakers' CBA and the Influence of Causal Beliefs:

I present the evidence for **Hypotheses #1 and #2** jointly because policymakers' neoliberal causal beliefs are so intertwined within their CBA that it is difficult to find quotes that address one without the other. As H1 expects, policymakers were analyzing whether to engage or contain China through a CBA. However, as H2 contends, policymakers have approached this CBA with a powerful set of neoliberal causal beliefs regarding the effects of engagement.[141]

[141] As stated previously, the inclusion of neoliberal causal beliefs as essential factors in policymakers' CBA does no negate the rationalist foundation of this thesis. Both (Goldstein & Keohane, 1993) and (Fearon & Wendt, 2002) clarify that rationalism does not preclude individuals from relying on beliefs about cause and effect relationships to help guide their decision-making processes.

Neorealists expect policymakers to conduct a CBA, but they do not expect them to approach this analysis with a set of neoliberal *a priori* beliefs regarding the benefits of engagement, because neorealists view conflict between great powers as ultimately inevitable (or at least highly likely). Consequently, neorealists anticipate that states will place a greater priority on reducing the costs of conflict by attempting to isolate and contain potential rising challengers. In particular, neorealist theorists would argue that since engagement is benefitting China *relatively* more and enabling them to grow *relatively* faster, then engagement is ensuring that China will be in a *relatively* better position vis-à-vis the United States in a future conflict. If America had remained committed to containment, then its costs in the event of a conflict would have been less than they are as a consequence of engaging China. Multiple policymakers acknowledged this reality, but perhaps none as succinctly as James Keith, who served on the National Security Council and in the State Department from 1990 until 2007.

> "As we integrate economically, are we more vulnerable? The answer is yes, and I think there was a realization on the part of all the major players that integration comes with risks and benefits. It makes us vulnerable not just on the security side, but vulnerable economically, too. Our employment rate, our inflation rate, is now much more intricately bound up with decisions made elsewhere, including in China. Again, I think that's a decision that the decision makers of China policy made at multiple points. Yes, we would be giving more power to China, which in some ways weakened our position so that we couldn't dictate to China. But there was a sense that was going to happen anyway, so better to happen like this than in a way we couldn't control."[142]

Beyond the many quotes that could be included to attest to this fact, one need only review **Figures 1.1 to 1.8** to see empirically that America's engagement with China has helped facilitate China's rise, and increased America's exposure to China. As a result, a conflict in 2016 would be costlier for America now that it has pursued engagement than it would have been if policymakers had remained committed to containment or at least highly restricted engagement. With this in mind, how could policymakers' CBA favor engagement? The answer is that contrary to neorealist expectations, the cost of a conflict is not the only (or even the most

[142] (Keith, 2014)

important) factor that policymakers consider when deciding whether to engage or contain. Instead, given that the costs of conflict would be extraordinarily high in any scenario, policymakers' primary concern has been focused on minimizing the probability of conflict. As Thomas Christensen put it:

> "The problem with the relative gains approach is that it is not always about who is bigger and stronger, but who can hurt you, and the Chinese can already hurt you. It's not always necessarily about degrees. It is often more about thresholds, and the Chinese crossed some thresholds long ago."[143]

Therefore, even if engagement increases the marginal costs of a potential conflict by contributing to China's rise and increasing America's exposure to China, policymakers believe that engagement will significantly reduce the likelihood of having to face conflict in the first place. They also believe that increasing the depth and breadth of engagement and interdependence will multiply the absolute benefits (economic and otherwise) that America gains from the relationship.

Ideally, policymakers would have pursued a strategy that maximized America's absolute gains from engagement, while minimizing both the probability and cost of a potential conflict. However, as Keith's quote indicates, policymakers have understood that—at least for relations with China—they could not achieve all three of these objectives. Therefore, they have had to prioritize. In doing so, they have consistently chosen to focus on lowering the likelihood of conflict and maximizing the benefits of trade. President Clinton articulated this strategic prioritization in a 1997 speech before the Asian Society, in which he described the goal of American policy as:

> "[To facilitate] the emergence of a China as a power that is stable, open, and nonaggressive, that embraces free markets, political pluralism, and the rule of law, that works with us to build a secure international order. That kind of China, rather than a China turned inward and confrontational is deeply in the interests of the American people…Of course, China will choose its own destiny. Yet by working with China and expanding areas of cooperation…we can advance the interests of the American people"[144]

[143] (Christensen, 2014)

[144] (W. Clinton, 1997)

To try to mitigate the rising costs of a potential military confrontation with China, policymakers have invested heavily in maintaining a military and diplomatic advantage in the region to hedge these economic bets on engagement.[145] In fact, most policymakers have viewed this military hedge as adding to—not detracting from—the power of economic engagement to create the long-term conditions for peace. As Former Deputy Assistant Secretary for Asia, Thomas Christensen, writes in his new book:

> "Contrary to common assumption that U.S. toughness in East Asia only breeds Chinese intransigence and spirals of tension in the region, the second half of the 1990s demonstrates that a robust U.S. security presence and commitment to East Asia, in the proper diplomatic context, can incentivize China to behave more moderately toward its neighbors."[146]

In this sense, policymakers have deemed the optimal strategy as being one with big juicy carrots *and* big scary sticks. As James Keith said:

> "There's uncertainty about China's future, so the best way to deal with that uncertainty is to visit the approach that everyone has taken thus far, which is work towards the best outcomes, but *hedge* against the worst outcomes."[147]

Christensen's and Keith's boss at the State Department, Secretary Condoleezza Rice, emphasized that sticks come in the form of military hedging—not economic containment:

> "[In the Bush administration] We had a very traditional, American view that 'the economic pie can get bigger' in our approach to China. So there was never any sense of containing their economic growth. There was a sense of conditioning their environment by making sure that we had a strong, modernized military relationship with Japan and South Korea, but there was no sense of containing China's growth."[148]

Even within economic issues, American policymakers maintained this carrot and stick approach, while remaining fully committed to a strategy of comprehensive engagement with deeper and broader interdependence as the long-term goal. As former Ambassador and Deputy Secretary of the Treasury, Robert Kimmitt put it:

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[145] Refer to introduction, pages ( )

[146] (Christensen 2015, p. 195)

[147] (Keith, 2014)

[148] (Rice, 2015)

> "It was important to me, Secretary Paulson, and to the President that the Chinese understand that we're ready to compete with them in the global economy, but they can't expect to have wide open opportunities here in the United States and not give our companies opportunities in China. We believe in open investing, in trade, and in competition, but that open investment policy is—to some degree—contingent on reciprocity of opportunity. We didn't necessarily require total reciprocity, but it couldn't be only a one-way street. "[149]

James Steinberg, former Deputy Secretary of State, Director of the Policy Planning Staff at the State Department, and Deputy National Security Advisor also affirmed that while American policymakers have not prioritized relative gains in relations with China, they have cared deeply about absolute gains. In other words, they have not offered the Chinese a license to abuse American companies with impunity. In Steinberg's words:

> "We didn't care about the relative growth of China to the US. We only cared if China's economic approach was unfairly denying American corporations and the American economy the benefit they deserved. We felt strongly that China had to abandon a purely export-led model and abandon its other mercantilist policies. However, the concern was not that China was gaining more than we were. It was just that their unfair practices were hurting our companies." [150]

In short, policymakers were fully committed to engaging China economically. However, economic engagement was not seen as mutually exclusive with military hedging. Nor was this commitment to engagement seen as prohibiting policymakers from punishing the Chinese when they violated trade agreements in such a way that imposed direct harm on American companies.

Before moving on to our other hypotheses, though, I explore in more depth how policymakers conceptualized and articulated this CBA for whether to engage or contain China and how their neoliberal causal beliefs impacted that CBA. As a reminder, in Chapter 3, I distilled these neoliberal causal beliefs down to the following:

1. Increased trade and interdependence with China benefits the U.S. economy.
2. Engagement and interdependence help moderate China's foreign policies.
3. Engagement and interdependence help facilitate reform and liberalization in China.

[149] (Kimmitt, 2014)

[150] (Steinberg, 2014)

4. Consequently, engagement and interdependence reduce the likelihood of conflict with China.

5. In contrast, containment has a self-fulfilling effect, leading to unnecessary conflict.

How have these beliefs impacted policymakers' CBA? First, I have argued that one of policymakers' objectives is to maximize the absolute benefits accrued to their society, and that they have firmly believed the best way to maximize these benefits in the long-run is through pushing for deep and comprehensive trade and interdependence.[151] As Secretary Rice said, "You cannot imagine sustained American economic growth without Chinese economic growth."[152] Accordingly, they calculate that breaking down barriers to free trade between the U.S. and China promises major benefits for the American economy on the whole. As Clinton's Chief of Staff, John Podesta, said:

> "We believed that increasing openness between the U.S. and Chinese market would be beneficial to the long-term U.S. economy. It would provide an opportunity for American companies and American workers to sell goods in China and own businesses in China."[153]

In contrast, policymakers have calculated that increasing protectionism and resorting to autarky, while potentially advantageous to certain factors of production, sectors, industries, or firms, nonetheless imposes a net welfare loss on the overall economy.[154] Former Speaker of the House, Dennis Hastert, said:

> "You really couldn't contain China's economic growth without hindering our own economic opportunities. You could do tariffs and sanctions, but you would also be hurting your own productivity."[155]

If policymakers are starting from a position of autarky, containment only requires bearing the opportunity costs of continuing to deny their state the future benefits of trade. These

[151] (Baker, 2014; Evans, 2014; C. Powell, 2014)

[152] (Rice, 2015)

[153] (Podesta, 2014)

[154] (Hayden, 2014; Zoellick, 2014)

[155] (Hastert, 2015)

opportunity costs are obviously proportional to the size of the target state's economic potential, which means that the opportunity costs for refusing to trade and engage with China have been much larger than for relations with other countries like Iran and North Korea. As Thomas Mahnken, who served in senior defense roles for both the Clinton and Bush 43 administration, described:

> "It gets back to initial conditions. Look, part of the reason that Iran doesn't matter to us is that it hasn't mattered to us for a long time. And North Korea just doesn't matter period. It's not like we're cutting off something that we're doing. We're essentially just continuing to not do something we've already not done for a long time."[156]

However, if policymakers begin from a position of existing engagement and interdependence, which has been the case for the United States and China throughout the post-Cold War period, then shifting to containment also imposes significant short-term adjustment costs. These adjustment costs are proportional to the depth and breadth of interdependence. Consequently, these adjustment costs are much larger for a relationship like that between America and China than, for example, between America and Zimbabwe. Likewise, within the U.S.-China relationship, these adjustment costs have only continued to increase over time. As Peter Feaver articulated:

> "You are only going to see relative gains dominate strategy when relative gains policies are perceived to be cheap. If there is only minimal existing engagement, then pursuing relative gains policies is unlikely to lead to great costs. But because engagement with China was so intense, the costs of pursuing relative gains were so high that they were never even considered."[157]

Policymakers' second priority in our CBA model focuses on minimizing the chance of conflict with China, because any conflict with China would assuredly exact significant costs on the American people. Indeed, there is a strong argument to be made that this is the most important calculation for policymakers, because their other two calculations (the costs of conflict and the benefits of engagement) both hinge on whether conflict actually emerges. To

[156] (Mahnken, 2015)

[157] (P. Feaver, 2014)

that end, policymakers have believed that deepening engagement with China will minimize the chance of conflict. As Christensen describes:

> "Since 1978, there arguably has been no greater beneficiary of the existing international order than China. By integrating into that order with a speed and intensity rarely seen in the developing world, China has built a vibrant economy that has pulled hundreds of millions out of poverty and, ironically perhaps, has legitimized the ruling Chinese Communist Party in a post-Communist world…Now that it is so deeply entrenched, why would China want to change international trade and financial institutions fundamentally, particularly when it has been doing so well within that system?"[158]

While Andrew May, who now runs the Office of Net Assessment (ONA) at the Pentagon, does not personally subscribe to this belief, he nonetheless confirmed its prevalence among most of the American foreign policy establishment:

> "Personally, I do not buy the argument that China's economic self-interest alone will be sufficient to stave off a competition, but that has often been the consensus among much of the senior leadership of DOD and certainly in the rest of the government. In ONA, we have been attentive to China's economic rise and our growing interdependence with China, but the consensus among many actual policymakers, dating all the way back to the nineties, has been that the economic relationship would help prevent military conflict or at least keep it from escalating out of control."[159]

As May's quote indicates, the causal mechanisms behind this belief are that by engaging with China, America can create powerful incentives for Beijing to moderate its external behavior in the short-term in order to continue reaping the benefits of participating in the liberal order. Reflecting this assessment, former Deputy Assistant Secretary of State for East Asia under Clinton, Susan Shirk, remembers:

> "This whole issue of relative gains, in my memory nobody thought that way back then. I really believed and still believe that the market reforms were a very important element in moderating China's foreign policy behavior, and in increasing its incentives to cooperate with other countries."[160]

Former Secretary of State, National Security Adviser, and Chairman of the Joint Chiefs, Colin Powell went even further, saying:

[158] (Christensen 2015, p. 56)

[159] (May, 2015)

[160] (Shirk, 2014)

> "Why in the name of God would they want to be our enemy when they have done so well by being our trading partner?…People in Congress are like, 'They're trying to achieve military superiority.' Give me a break! They're not coming after us. They're too busy keeping down riots from the 800 million over there who are trying to eat…They need these 300 million [Americans] to buy their stuff, to invest in them, and to build the technology that they will hack into."[161]

Beyond simply providing incentives to avoid conflict in the short-term, policymakers have believed that in the long-term, exposure to and engagement with this liberal order will lead the citizens of China to demand greater personal and civil liberties, which will eventually lead to its evolution from an authoritarian government to a liberal democratic one. Here, again, Christensen remembers:

> "As a State Department official, I used to give talks at chambers of commerce in China. My message to these business leaders was that they were the true U.S. diplomats, the best transmitters of the American message. U.S. companies promote liberal ideas by setting fair labor standards, bringing ideas about life in an American democracy, and providing opportunities to Chinese personnel who might otherwise feel compelled to work in a state-owned enterprise under a Party chief's direct control."[162]

Thomas Mahnken spent years in the Defense Department. He described another facet of this neoliberal belief: that interdependence would lead to economic growth in China, which would, in turn, facilitate the rise of a powerful middle class that would demand greater liberalization. In Mahnken's words:

> "The Chinese are moving to a consumption-based model because they want to create a big middle class, but the track record of authoritarian regimes surviving the rise of a large middle class is pretty dismal."[163]

This calculation led John Podesta to argue:

> "Seeing China succeed economically was—in its own terms—thought to be an important element of our strategy because it would help in building the middle class [in China] and creating constituents inside China that would advocate for a more open forum in their society and for less of an iron grip of the Party on society. This was much better than an inept attempt at containment."164

[161] (C. Powell, 2014)

[162] (Christensen, 2015)

[163] (Mahnken, 2015)

[164] (Podesta, 2014)

As proof of the bipartisan consensus around this topic, Republican Speaker of the House Dennis Hastert said of the leadership in the Republican Party:

> "We thought, let's get everybody to start brushing their teeth and buying toothpaste and toothbrushes. We're better off trading with them and seeing their economy develop, creating a middle class…[because] if you change the economy, you change the basic way people think. Even though you had a government that talked about Communism, you had an economy that was moving towards a free enterprise system and eventually that'll give you change."[165]

The final piece in policymakers' calculations has been the belief that liberal democracies do not go to war with one another. Thus, if engagement increases the chance of China developing into a liberal democracy, then China would no longer pose a threat to America and its alliance of other liberal democracies. As former Deputy Secretary of Defense, Paul Wolfowitz said: "A more representative government in China would be less revisionist and more willing to settle issues peacefully, which is America's biggest priority."[166]

The analogue of these theories is that pursing containment would increase the chance of conflict. Without the benefits of participating in the liberal order, China's leaders would be incentivized to seek the power and influence they desire through other means. Indeed, policymakers have feared that ostracizing China would be a self-fulfilling prophecy in that it would ensure that Beijing did follow an aggressively revisionist path. As Kenneth Lieberthal remembers:

> "President Clinton believed if we tried to aggressively "contain" China economically, the best we would be able to do is slow China's growth, but it is unsure how much we would slow that growth, and in the process we would be certain to create a powerful enemy."[167]

Joe Nye expressed a similar concern in his Congressional testimony:

> "If we treat China as an enemy now, we're guaranteeing an enemy. If we treat China as a friend, we're not guaranteeing a friend for the future, but we're keeping open that long-run possibility."[168]

[165] (Hastert, 2015)

[166] (Wolfowitz, 2015)

[167] (Lieberthal, 2014)

[168] (Nye, 2014)

This assessment was predicated on the belief that trying to isolate or contain China would confirm Chinese fears that America will never allow it to rise. It would also remove the powerful economic incentive that China has to cooperate. This confluence of factors would leave Beijing feeling at once vulnerable to and yet unencumbered by the liberal order. As Former U.S. Trade Representative, Deputy Secretary of State, and World Bank President Robert Zoellick said:

> "Here's the problem with a purist balance of power logic. OK, let's accept for a second the premise that you don't want China to grow anymore….If you tried to actively contain China, it would turn China into a revisionist state. There are no certainties in life, but I think that would be a highly probable event. And moreover, you'd be doing it by yourself, because U.S. allies and partners will not and cannot contain China."[169]

Policymakers also viewed this fear of succumbing to a self-fulfilling prophecy as historically grounded. For example, Secretary Condoleezza Rice said that her strong opposition to anything that even bordered on containment was rooted in her read on the successes and failure of previous hegemons:

> "When you think about the history of the international system's accommodation of rising powers, it's when the extant power has resisted that you tend to have problems. So not making room for the rise of Germany after Versailles, not making room for the rise of imperial Japan. You have to wonder, "Was there a better way?" You look at the one that worked really well: Great Britain and the U.S. Britain did extremely well by accommodating the rise of American power. So I think the lesson is don't try and stop the rise of a new great power. Try to shape it; try to accommodate it; try to encase it in the rules of the game that protect your interests. And because the United States had, after WWII, already created a liberal economic order, it was available to integrate China."[170]

Furthermore, policymakers have feared that inflicting the pain of containment on the people of China would only encourage militancy and provide a scapegoat for the Communist Party stalwarts. This comports with another liberal axiom that poverty breeds discontent, nationalism, and violence. As Deputy Secretary of State Richard Armitage said, "I used to tell

[169] (Zoellick, 2014)

[170] (Rice, 2015)

the President, and I still tell people, 'the last thing we want is a *grumpy* China on our hands.'"[171]

Likewise, a senior official in the Clinton Administration said:

> "I don't see how you help inculcate notions of human rights or religious freedom by isolating the country using the North Korean example. And as for China, the periods of greatest repression in China was when it was isolated from the international community. The period of Mao. Estimated 30 million people died of starvation."[172]

The official went on to say that this was also the President's view:

> "Bill Clinton used to tell people in Congress who wanted to take a tougher line (with China). 'Take Cuba. It's a tiny country, 90 miles from our coast. We tried to manage Cuba through containment. And the only thing our policy in Cuba has resulted in is the following: Fidel Castro has outlasted nine US Presidents. But we're going to change China by ostracizing them? 1.3 billion people half way around the world when we couldn't change Cuba? Get a grip!'"[173]

Therefore, pushing for more comprehensive engagement and interdependence with China was viewed as increasing the absolute benefits that America would enjoy, while also decreasing the chance of conflict. In contrast, trying to isolate or contain China would levy several costs on the American people (both in terms of long-term opportunity costs and short-term adjustment costs). Policymakers also feared that this strategy would only increase the likelihood of conflict.

Put in this framework, the decision to engage China seems to be the only rational choice. As Secretary of State and National Security Adviser Condoleezza Rice said:

> "People saw this freight train called China coming down the road, and they said, 'integrate them quickly so they are playing by some rules.' So I just don't think the idea of trying to shut the Chinese out has ever had much resonance, either for Democratic presidents or Republican presidents."[174]

Indeed, many policymakers went so far as to argue that the nightmare scenario was not that China continued to grow until it eventually passed the U.S. in terms of overall GDP or some other measure of economic power. Instead, the nightmare scenario was that China would

[171] (Armitage, 2014)

[172] Senior Clinton official

[173] Senior Clinton official

[174] (Rice, 2015)

not continue to grow and that this could destabilize China in dangerous ways.[175] While numerous policymakers raised these types of concerns, no one articulated them as clearly as James Keith:

> "If you look at the potential problems arising with China on the Korean peninsula, in the Taiwan Strait, and in the South China Sea, it all pales in comparison to scenarios in which China faced economic failure at home and imploded as a result. That's a far worse outcome with far more serious consequences for the global economy and regional security than any of the others. The idea of China imploding or breaking into factions...that's the nightmare."[176]

Similarly, Kenneth Lieberthal, who served as the Senior Director for Asia on the National Security Council during Bill Clinton's second term, stated:

> "To the extent we worried about economic issues on the NSC, it was not about China's economic growth per se. We wanted China to grow, because this would present opportunities for American companies, benefit America's economy, and reduce the likelihood that China would become a revisionist state."[177]

Nothing could be more counter to neorealist expectations than these findings. However, when I mentioned the prevalence of this logic to John Mearsheimer, he did not disagree with the descriptive assessment of policymakers' preference for engagement. Prescriptively, however, he cautioned that in his estimation, "American policymakers have made a major strategic error that will help facilitate the re-emergence of an Asian behemoth…You're creating Godzilla!"[178]

Ashley Tellis is another prominent critic of this neoliberal consensus on China. I asked Tellis whether he had heard senior policymakers make arguments like those found in Keith's and Lieberthal's quotes. Tellis' response:

> "I've heard that quite often. I think that is a completely muddled argument. But it is absolutely true that many policymakers think a Chinese collapse would be a nightmare for us. It's the absolute gains argument that weighs so heavily in their minds, which is you know Chinese collapse means a real ripple effect in the US economy."[179]

[175] (Armitage, 2014; Hayden, 2014; Keith, 2014)

[176] (Keith, 2014)

[177] (Lieberthal, 2014)

[178] (J. Mearsheimer, 2014b)

[179] (Tellis, 2015)

Recently, this neoliberal consensus has also attracted numerous critics in the popular press, who question the existence of any inherent link between capitalism and wealth on one hand and democracy and liberalism on the other. For example, in a recent *New York Times* editorial, David Brooks recounts:

> "In the 1990s, the central political institutions radiated confidence, derived from an assumed vision of the post-Cold War world. History would be a slow march toward democratic capitalism. Nations would be bound in peaceful associations like the European Union. The United States would oversee a basic international order."[180]

But Brooks goes on to highlight a range of instances in which these beliefs do not seem to have been realized. Central to this claim is his argument that, "China's growing affluence hasn't led to sweetening, but in many areas to nationalistic belligerence."[181] Regardless of whether these critics agree with this belief prescriptively, however, they do not deny with the descriptive claim that it has dominated thinking within the foreign policy establishment. So how do neorealists, like Mearhseimer, address their failure to predict American behavior towards China in the post-Cold War era?

One argument is to just say, "wait and see." This has been neorealism's response to many of the post-Cold War developments that have appeared at odds with their theory. Examples include the failure of second-tier states to form a balancing coalition against the U.S., and the absence of renewed security competition among the core European powers. In this retort, realists may eventually prove correct. In the future, the Franco-German rivalry may return, second-tier states from different regions may begin actively balancing against America, and America may begin to actively contain China. At present, however, there is simply no way to confirm or deny this prediction. Even if realism's predictions are eventually realized, however, neorealists would still need to explain why America did not try to "strangle the babe

[180] (Brooks, 2015)

[181] Ibid.

in the crib" before China grew so powerful?[182] This is important because if realists are right that conflict between the U.S. and China was inevitable given China's growth trajectory, then it would seem unwise for the U.S. to have not only allowed China to continue to grow, but to have actually worked to help facilitate that growth for over three decades after China was no longer needed to balance against the Soviets. And it would seem even less likely that the U.S. would have waited until China's relative power and its influence over the American economy had increased exponentially before deciding to embark on containment, because switching to containment at this later date would prove immensely more costly for the U.S. than if it had simply worked to isolate and contain China from the very beginning.

Reflecting this inability to explain why American policymakers would have waited so long to switch to containment (if it even happens), neorealists' other response is to simply say that in facilitating the rise of this "Asian behemoth" under the false hope of "taming" it, American policymakers have made a gravely naïve mistake. Regardless of whether Mearsheimer and other neorealists agree or disagree with America's policy from a prescriptive standpoint, however, their theories do not anticipate nor can they explain America's actual policies towards China in the post-Cold War era. For a theoretical tradition that prides itself in providing a dispassionate explanation of state behavior that is sufficiently transcendent to carry predictive power, this is a major setback. It is true that no social scientific theory can be right 100% of the time. However, not all failures are the same, and this is a particularly damning failure because America's approach to China's rapid ascendency is not only a most likely case for realism, but also arguably the most important case in the post-Cold War era.

A final defense is that in using American foreign policy to critique structural realism, I am using essentially micro-data to discredit a macro-theory. Advocates of this justification would argue that macro theories are not designed to make micro-predictions. Hence testing

[182] See (Mearsheimer 2010, 2014)

them with micro-data is unfair. I acknowledge this defense, but do not find it satisfactory for two reasons. First and most importantly, neorealists themselves frequently use their structural insights to make predictions regarding individual state behaviors. Indeed, the quote from John Mearsheimer on page 56 of this thesis is a perfect example of this case.

Furthermore, as the two most powerful actors in the system, the decisions of the U.S. and China do have impacts on the regional and even global system. Consider the end of the Cold War. The material balance of power between the U.S. and the Soviet Union did not change dramatically from 1986 to 1991; but the decisions that these two nations made about how they would relate to one another entirely altered the structure of the global system. In particular, the decisions of the leaders in both countries to relax their ideological competition and to begin to cooperate with one another rapidly transitioned the world from one of intense bipolarity to one of unprecedented unipolarity. By the same token, if the U.S. and China chose to begin a competition with one another similar to that between the U.S. and the Soviet Union during the Cold War, then we could see a rapid shift (at least within Asia) from a more relaxed and fluid structure, to one of fierce bipolar competition.

Thus, the nature of the bilateral relationship between leading actors (like the U.S. and China) does have an impact on the regional and even global structure. No doubt, this recognition is why neorealists themselves attempt to use their structural insights to explain the behaviors and strategies of great powers. Therefore, the failure of neorealism to anticipate the strategy employed by the system leader (America) against its clear potential rival (China) is a valid critique on their theory, because these states' behavior have a direct affect on the structural questions that neorealism prioritizes.

In fairness, Mearshiemer's skepticism of engagement does have sympathizers in government. However, even these dissenters from the neoliberal consensus readily concede

that they are a small minority. For example, Andrew May, who works in the Pentagon's Office of Net Assessment, said:

> "Most policymakers felt that a richer China would be less revisionist either because 1) rich people are not malevolent or 2) they would not fight a war with us because it would not be in their economic self-interest."[183]

Ashley Tellis likewise lamented:

> "The people who care about trade expansion and economics in general in this country are not people who think about the national security implications of what they're doing. They're still operating on the neoclassical model. They're not thinking about the intrinsic connection between economic expansion and state power. Even Republicans who might otherwise be skeptical about China, have drunk too much of the neoclassical Kool-Aid."[184]

Once again, even those individuals who critiqued the neoliberal consensus from a prescriptive standpoint, agreed with the descriptive conclusion of this thesis that this has been the dominant narrative among officials and that it has rested on a pervasive set of neoliberal causal beliefs regarding the benefits of engagement and the costs of containment.

Neoliberal Beliefs Not Applied in All Instances

This brings us to our third hypothesis:

> **H3: While policymakers' default causal beliefs are neoliberal, they do not apply these beliefs universally.**

A quick glance at America's foreign policy will reveal that American policymakers do not always choose engagement. For example, America worked vociferously to contain the Soviet Union during the Cold War, and American policymakers continue to prefer containment to engagement in relations with numerous rogue states like Iran and North Korea. This is because many policymakers do not believe that engagement will help liberalize these countries' domestic policies or moderate their foreign policies. Hence they do not believe that

[183] (May, 2015)

[184] (Tellis, 2015)

engagement will minimize the chance of conflict. To the contrary, many American policymakers fear that engagement with these rogue or aggressively revisionist states will only enrich and embolden these regimes, making it less likely that they will feel the pressure to reform and moderate. In this sense, engagement is viewed as not just unproductive, but actually counterproductive. I will not linger on this point because the fact that America has pursued a containment strategy with numerous states in both the Cold War and post-Cold War eras is apparent.

American Policymakers' Decision to Apply Neoliberal Beliefs to China:

Why would policymakers decide to apply these beliefs to some states and not others? More specific to the focus of this thesis, what would cause American policymakers to develop doubts or even reject the neoliberal beliefs that motivate their preference for a liberal engagement strategy with China? The answer proffered in the preceding theory chapter was the following:

> **H4: The target state's behavior—not its relative size or growth—is what influences policymakers' causal beliefs about engagement.**

As mentioned in Chapter 2, my H4 contrasts directly with strict versions of neorealism, like Waltz' Balance of Power or Mearsheimer's Offensive Realism. Stephen Walt's Balance of Threat provides a much more helpful framework for evaluating my theory because he includes not just *aggregate power,* but also *geographic proximity, offensive capabilities,* and *offensive intentions.*[185] Relying on Walt's four variables helps contextualize my theory within the literature by using a widely understood model to demonstrate what factors I am endorsing and which ones I am rejecting. For example, my theory finds that *aggregate power* was not a factor for post-Cold War American foreign policymakers in deciding which states to engage and which ones to contain. Though I do not reject the relevance of *geographic proximity,* my

[185] (Walt, 1985, p. 9)

data set simply lacks the capacity to evaluate this particular factor. Instead, I prioritize Walt's final two variables—*offensive capabilities* and *offensive intentions.* In particular, I argue that *offensive capabilities* play a role in determining whether policymakers will invest in hedging or not. However, I argue that *offensive capabilities* do not play a role in determining whether policymakers prefer engagement or containment. Instead this engage vs. contain decision, which is the core question for this thesis, is based purely on calculations of what Walt calls *offensive intentions,* which I argue are revealed through state behavior.

How do I test the explanatory value of these variables? As mentioned, this thesis does not have evidence with which to confirm or deny the importance of *geographic proximity*, but it does have evidence to evaluate *aggregate power, offensive capabilities,* and *offensive intentions*. I begin with *aggregate power*. If *aggregate power* were driving policymakers' decision-making calculus, then a rise in China's military and economic *aggregate power* should result in American policymakers growing increasingly concerned about relative gains and increasingly receptive to containment strategies. Conversely, if China began to decline relative to the United States, or if the rate of China's ascendency began to slow, then theories that prioritize *aggregate power* would anticipate interest in containment strategies among American leaders to subside.

How does this map onto the dynamics of the U.S.-China relationship in the post-Cold War period? On the macro level, the rate of China's rise relative to the United States was steadily increasing throughout the 1990s, rapidly accelerating in the 2000s, peaking in the aftermath of the financial crisis, and then decelerating starting around 2011 and 2012. Therefore, a dynamic neorealist perspective would expect America's concern about relative gains and the receptivity of policymakers to a strategy of containment to track this same pattern: increasing through the 1990s, accelerating in the 2000s, peaking in the immediate aftermath of the financial crisis, and then subsiding after the rate of China's rise began to

decelerate in the 2011-2015 timeframe. In reality, the opposite was true. American policymakers' concerns about China and their receptivity to a strategy of containment gradually declined through the 1990s, began to decline more rapidly in the 2000s, reached their lowest points in the period directly after the financial crisis, and then began to rise rapidly in the 2010-2015 period.

What is the explanation for this inverse pattern? My explanation is that China's behavior—rather than its relative size or growth rate—is what has motivated policymakers. Policymakers view this behavior as a reliable signal of whether Beijing harbors offensive intentions or not, whereas raw calculations of China's *aggregate power* convey no such insight. Indeed, by matching China's behavior with American policymakers' concerns in the same way I did for China's growth rates, I find behavior tracks much more closely with American policymakers' level of confidence in liberal engagement. Coming off of the Tiananmen Square massacre, American policymakers' perceptions of China were at an all-time low in the post-rapprochement era. However, as China continued to reform and open up throughout the 1990s and 2000s, American policymakers grew increasingly convinced that engagement with China would benefit the U.S. economy; moderate China's foreign policy; liberalize their domestic policies; and hence minimize the chance of conflict. This confidence in the power of engagement reached its peak at the beginning of the Obama administration, when Deputy Secretary of State James Steinberg launched his approach of "strategic reassurance."[186]

However, China's behavior in 2009 and 2010 left Washington feeling that Beijing had not only rejected its "olive branch", but had actually adopted an even more aggressive policy on both economic and military fronts.[187] Beijing became increasingly assertive over territorial disputes in the South and East China Seas and began reverting to an increasingly mercantilist

[186] (Steinberg, 2014)

[187] (Dollar, 2014; Huntsman, 2014; Keith, 2014; Paal, 2014)

set of economic policies.[188] These revisionist behaviors appeared in direct contrast to Beijing's publically stated intention to rise peacefully and assume the role of a "responsible stakeholder." Consequently, some policymakers began to fear that Beijing might harbor intentions more offensive than they had previously thought. This began to erode policymakers' confidence in the applicability of the neoliberal beliefs hitherto undergirding their support for liberal engagement.

However, to get a clearer picture of the relationship between China's growth rates and American concerns, I narrow my focus to the 2000s.[189] As **Figure 4.1** indicates, China's annual growth rates rose higher and higher from 2000 to 2007, ultimately climbing to 14.7%. At the same time, the growth rates in America declined, recovered, and then began to decline again. During this period, a theory that prioritized relative gains would expect to see support for containment rising among America's foreign policy elite. Yet the exact opposite occurred. Numerous officials reported that the Bush administration's commitment to engagement only increased and solidified over the course of their term.[190] Ian Johnston's *International Security* article also demonstrates that public perceptions of China as a revisionist power remained consistently low throughout the 2000s, but began to increase exponentially from late 2009 up through 2012.[191]

While the financial crisis hit both countries hard, the United States suffered more. Once again, this should have increased support for containment among America's policymakers if they were prioritizing relative gains because the pace of American decline seemed to be rapidly

[188] There is a robust debate as to whether China's recent behavior is, in fact, newly assertive. I will address this debate in detail in Chapter #8. For now, see (Christensen, 2014; Friedberg, 2011, 2012; Johnston, 2013; M. Swaine, 2010, 2011) for arguments on why China's behavior is or is not newly assertive.

[189] Many analysts did not really consider China as having reached the threshold to really deter the U.S. militarily or economically until the 2000s.

[190] (Green, 2014; Keith, 2014; Negroponte, 2014; Rice, 2015; Schriver, 2014)

[191] (Johnston 2013, p. 10-12)

accelerating, closing the window of opportunity for America to try to prevent China's rise.[192] However, as I will demonstrate in Chapter 8, the Obama administration entered office even more committed to engagement than Bush had been, and worked hard to embrace China wherever possible during its first year. Therefore, at the very moment when structural realism would expect relative gains concerns and support for containment to be at their peak among America's foreign policy elite, they were actually at their lowest levels of the entire post-Cold War period.

Only in 2011 did the administration begin to make a noticeable shift in its strategy toward a more hardline approach to China. However, looking at **Figure 4.1** demonstrates that in 2011, the U.S. economy had returned to stable growth rates that were relatively closer to China's than at any point in the previous ten years. In contrast, China's annual percentage growth rates continued to decelerate. Indeed, though the data set that was used to construct this graph does not include the growth rates for 2014 and 2015, the gap between the U.S. and China continued to narrow even further, with China's growth continuing to decelerate to 7.4% and America accelerating to 2.5% in 2014. In fact, in 2015 China's official growth rate dipped to 6.9%, with many economists arguing that it was actually closer to 5%.[193] Regardless, even 6.9% would still be the slowest growth China had experienced since the year after the 1989 Tiananmen Massacre, when the developed economies imposed crippling sanctions on China.[194] Therefore, if China's economic rise was truly fueling concerns, the tenor of concerns about China should have also declined during this period because while China was still growing faster than America, the degree to which it was outpacing American growth was declining. However, the opposite trend transpired, with concerns rising rapidly.

[192] See (Copeland, 2001) for a discussion of his Dynamic Differentials Theory.

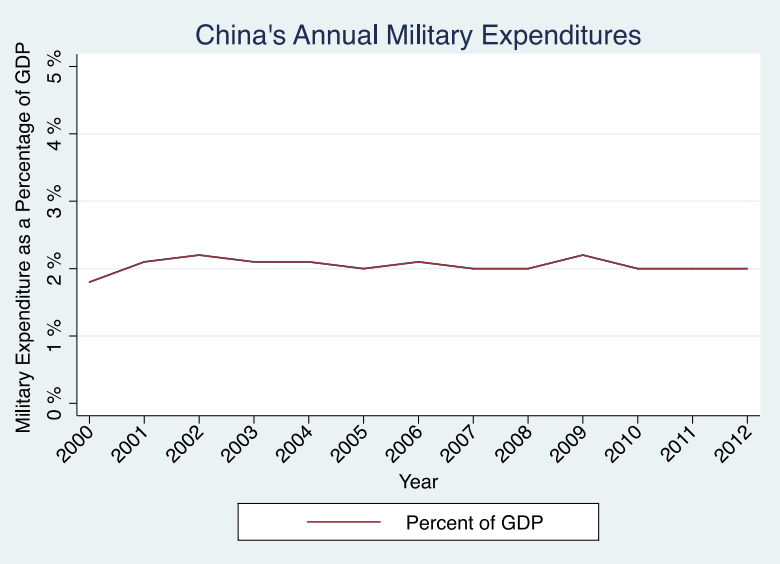
[193] (Magnier, 2016; "Whether to believe China's GDP figures," 2015)

[194] (Magnier, 2016)

Figure 4.1

Looking at military expenditures also fails to explain changing levels of concern about China's rise among American policymakers. **Figure 4.2** demonstrates that Chinese military expenditures held constant between 2% and 2.2% of GDP throughout the 2000s. In fact, they were on average higher during the Bush administration (typically between 2.1% and 2.2% of GDP) than during the Obama administration (usually at 2%). Again, there was no significant increase in Chinese military expenditures as a percentage of GDP that correlated to the increase in concerns among American foreign policy elites beginning in 2011. Military expenditures then climbed to 2.2% of GDP in 2009, when confidence in the engagement strategy was at its peak among American leaders, and then dropped back down to 2% throughout the 2010-2014 period when concerns in America about China rose so rapidly.

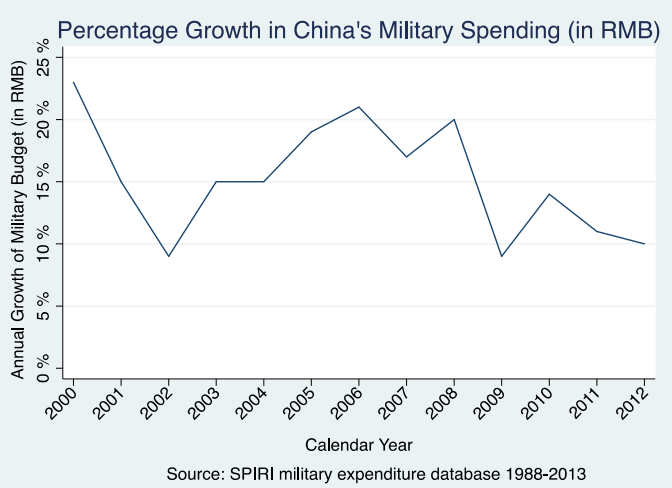
Figure 4.2



Source: SIPRI Military Index

Therefore, the percentage spent on the military actually dropped and then held constant over the period when American concerns about China were rising. When this is combined with the fact that the rates of China's GDP growth were decelerating through the period as well, the result is that the rate of China's nominal military spending was also decelerating. **Figure 4.3** captures this reality.

Figure 4.3:



As the graph demonstrates, the growth rates in Beijing's nominal military budget were quite volatile—achieving over 20% growth rates in 2000, 2006, and 2008, and bottoming at just over 5% in 2009. Therefore, if American policymakers were primarily focused on the increase in Chinese military expenditures in a nominal sense, then concerns should have been rising in the 2002-2005 period, and then declining significantly in the 2009-2012 era when percentage increases in the military budget were at their all time low for the period. Again, however, there was no significant increase in concerns about China or any erosion of commitment to neoliberal engagement through the 2002-2005 period, but there was a significant uptick in concerns in the 2011-2013 years, during which military spending rates were growing at their slowest pace of any point in the 2000s.

All of this reaffirms that it is not China's size, wealth, or latent potential that cause policymakers to question their commitment to a neoliberal strategy of engagement. Instead, it is the actual behavior that China exhibits. For example, Clinton's Deputy Assistant Secretary of State for East Asia, Susan Shirk, said, "China is going to develop its military. That is inevitable. But if we get the intentions right and the relationships right, then there is no need to worry about capabilities."[195] Reflecting this (and providing perhaps the most official

[195] (Shirk, 2014)

confirmation of the preeminent importance of behavior), Secretary of Defense Ashton Carter recently said in a speech before the Reagan National Defense Forum:

> "As a rising power, it is expected that China will have growing ambitions and a modernizing military, but **how China behaves** will be the true test of its commitment to peace and security. This is why nations across the region are watching China's actions in the maritime domain and cyberspace."[196]

It would be harder to design a statement that more strongly emphasized the overriding importance of behavior in terms of shaping American policymakers' perspective towards China. And as a demonstration of the bipartisan nature of this consensus, I also include an exchange with former Deputy Secretary of Defense under George W. Bush, Paul Wolfowitz:

> **"(Riley):** Would you agree that, if you looked at different foreign policy debates in the U.S., our approach to China enjoys one of the most bipartisan degrees of consensus?
>
> **(Wolfowitz):** I think that's true, and it's actually been true for quite a long time.
>
> **(Riley):** And why do you think that is? As opposed to relations with Iran or North Korea?
>
> **(Wolfowitz):** I guess I'd say, first of all, because China **behaves a lot better** than Iran or North Korea- the level of hostility is generally pretty well managed. Plus, the potential positive gains are enormous where there is none of that with North Korea, obviously, and not a whole lot of that with Iran either. So the incentives in that direction are powerful, as well."[197]

However, perhaps the most powerful confirmation that recent concerns about China stem from China's behavior rather than its growth in material capabilities came in my final interview for this project, which was with Thomas Mahnken, who served as the Assistant Secretary for Policy Planning in the Defense Department during the Bush administration and who previously held a variety of other positions in the Defense Department. I include his entire response for a few reasons. First, Mahnken worked in the Office of Net Assessment (ONA) in the Pentagon. ONA is the only department or agency in which I consistently found individuals expressing relative gains concerns. This makes sense considering that ONA's primary function

[196] (Carter, 2015)

[197] (Wolfowitz, 2015)

is to assess long-term, existential military threats.[198] Second, Mahnken's background as a professor of International Relations allowed him to lucidly translate his own practical experience into theoretical terms. Third, as Dr. Mahnken himself would readily admit, he is far more skeptical of Beijing's long-term intentions than many of his colleagues. Here was his response to my initial question about concerns regarding China's rise:

> "When people talk about the rise of China, they don't really say what they mean. Is it really the rise of China (AKA Chinese economic growth) that people are worried about? I don't think so. I think there are four aspects of China's rise that bother us. One is the fact that China today is more externally focused than it has been in the past. Second, the Chinese leadership has more of a maritime focus relative to a continental focus. Third, they appear to be increasingly anti status quo. Finally, and this is the one people don't like to talk about, China is drifting from more participatory and democratic back to more authoritarian. I would argue that if you turned all four of these rheostats to the other position, but left everything else the way it is now, including economic growth, we'd be much less concerned. So a China that's more internally focused; that's more focused on the Asian continent as opposed to maritime economies; that appears to have bought into at least the major elements of the status quo; and that is more pluralistic and democratic would be of much less concern to us, even with a more rapidly growing economy. And the proof of that is India. India's economy right now is growing even faster and most people believe they have even more long-term potential, but we're not worried about India because India is a democracy that does not appear aggressive and has bought into the status quo."[199]

I further develop this argument in the Obama chapter by showing that policymakers only began to re-evaluate their confidence in the moderating and liberalizing effects of engagement after the 2010 period. This was done not in response to China's growth, but in response to Beijing's increasingly aggressive approach toward territorial disputes in both the South China and East China Seas, as well as the PLA's anti-satellite tests and increased cyber attacks on both U.S. civilian and military targets. Paralleling these more aggressive military policies was an equally concerning drift back towards a more mercantilist set of economic policies.[200] This included Beijing's continued refusal to enforce intellectual property rights; the introduction of new policies (like indigenous innovation requirements) meant to force

[198] (Schake, 2015; Slaughter, 2014)

[199] (Mahnken, 2015)

[200] (Celico, 2014; Huntsman, 2014; Schwab, 2014)

foreign companies to turn over technology secrets to their Chinese counterparts; persistent efforts to deny market access to international competitors in sectors Beijing had agreed to open as a result of entering the WTO; and perhaps most alarming, a growing boldness and sophistication in the practice of corporate espionage.[201]

Certainly, some policymakers have always had doubts about whether engagement would ultimately transform China into a liberal democracy with a peaceful foreign policy and free-market economy. However, China's recent actions have exacerbated these concerns. Secretary Condoleezza Rice contextualized this percolating doubt by saying:

> "Americans are very ideological and the view that eventually liberal economics and liberal politics go together is still out there. More hopeful than certain right now, but it's still out there."[202]

Paul Wolfowitz also acknowledged that some of the neoliberal beliefs that have undergirded America's policy towards China are experiencing renewed skepticism:

> "I think it's [confidence in the power of engagement] been weaker in this administration [Obama] than either Bushes or Reagan. I think the Clinton people came in with an exaggerated expectation that they could directly leverage human rights improvements in China, but they eventually retreated on this…I would say it's more a matter of motivating internal reform and the hope that a more open, more liberal China would be somewhat less inclined to adventurous foreign policy. Although in both cases you are doing an awful lot of hoping. Especially now."[203]

In spite of these doubts, however, there have been no serious calls to abandon engagement. This reflects the fact that the degree of confidence required to revert to a containment strategy in 2015 is much higher than it would have been in 1989. This is because China is more powerful economically and militarily in 2015 than it was in 1989, and because the American economy is far more intertwined with the Chinese economy in 2015 than it was in 1989. Hence, trying to switch to a containment strategy at this point would involve far higher adjustment costs for the United States. Furthermore, given that China is now a member of the

[201] (Celico, 2014)

[202] (Rice, 2015)

[203] (Wolfowitz, 2015)

World Trade Organization, the Financial Stability Board, and many other multilateral institutions and because China has become an integral piece in the global product chain—particularly in East-Asia—it would be much more difficult to actually implement a meaningful containment strategy.[204]

Thus, while recent actions indicate that Beijing might not be fully committed to a peaceful rise (or at least that engagement and interdependence with America might not produce the degree of liberalization and moderation that American policymakers had hoped), more substantial evidence that China is, in fact, an aggressive revisionist power is required given the massive levels of interdependence that the two countries have now reached. Indeed, several policymakers indicated that it would probably take the sort of overt aggression, like that which Russia displayed in Ukraine. The below exchange with James Keith provides a good example of this thinking:

> **"(Riley)** So what would it take for the U.S. to move towards a containment strategy?
>
> **(Keith)** Take for example the situation with Russia, its taken quite explicit black and white kind of actions on the part of the Russians to build the international consensus for sanctions. With China, however, there was never a catalyst for abandoning engagement and moving towards a policy that framed China as a much more direct threat that required a more direct and immediate counter.
>
> **(Riley)** So China's current actions in the South China Sea are not sufficient, but if China were to begin taking actions that were more black and white, like what Russia did in Ukraine, then we would act?
>
> **(Keith)** Right, the devil's advocate would say it's too late. You should've taken action sooner if you're a responsible world leader as the Americans should be. You should have seen this coming and taken steps to prevent it.
>
> **(Riley)**: But no one ever made those arguments within the (Bush) administration?
>
> **(Keith)**: There was never anything close to it! The policy consensus on engagement remained firmly intact."[205]

[204] (B. Gates, 2015; Nye, 2014; Petraeus, 2014; Zoellick, 2014)

[205] (Keith, 2014)

As Keith indicates, doubts about Beijing's future intentions have yet to reach the point of collapsing the neoliberal beliefs that support engagement. In fact, in responding to why American policymakers have not approached the Chinese the same way they did the Soviets, Paul Wolfowitz was almost incredulous:

> "Because what the Chinese have been doing in recent years with these artificial islands in the South China Sea is nothing compared to what Soviet ambitions appeared to look like. And more importantly, it's nothing compared to what China's ambitions looked like before the break with the Soviet Union."[206]

Reflecting this assessment in his diary, President George W. Bush says he considered his Chinese counterpart, President Hu, to be "a practical leader focused inward, not an ideologue likely to stir up trouble abroad."[207] In recent years, however, cracks in this neoliberal consensus have begun to emerge. To this end, Paul Wolfowitz now warns that while China's actions so far have not warranted a full policy reversal, "If China becomes more overt in the naval challenge, or in the nuclear challenge, you'll get somewhat different—more hardline—reactions here in the U.S."[208] The example that most people gave for the types of behavior that could bring about this type of policy reversal typically used Russia's recent actions in Ukraine as an example.[209]

If we put all of these hypotheses together, they demonstrate that American policymakers have favored an engagement strategy with China because of a CBA that was heavily influenced by a powerful set of neoliberal causal beliefs. As long as these beliefs remained intact, policymakers' confidence in engagement remained steadfast. The only thing that ever brought these beliefs and the engagement strategy they endorsed into question was China's behavior. Therefore, contrary to what structural realism would anticipate, it has not

[206] (Wolfowitz, 2015)

[207] (Bush 2010, p. 427-428)

[208] (Wolfowitz, 2015)

[209] (Burrows, 2015; Gordon, 2014; Panetta, 2015; Slaughter, 2014)

been the rise of Chinese power that has raised American policymakers' concerns as of late. Instead, it has been the rise in Chinese assertiveness that has alarmed American policymakers. Capabilities have mattered only in so far as the pursuit and prioritization of particular weapons systems indicate potentially offensive ambitions among China's senior leadership. Even here, the tangible effect of these concerns on American foreign policy has been restricted to increasing policymakers' willingness to invest more heavily in hedging China. As of yet, concerns have not reached the level for a full abandonment of engagement.

Corollaries:

Anti-China Campaign Rhetoric Dissipates Quickly in the Oval:

In addition to these primary hypotheses, there are two interesting corollaries that emerged from this analysis. First, to appease domestic audiences, many of the presidents—particularly Bill Clinton and George W. Bush—have campaigned for president on a platform of "getting tough with China." However, as James Keith points out, this electoral agenda is soon abandoned once confronted with the realities of governing:

> "China policy is politicized during the campaign, but then when either right or left comes into power, they tend to govern from the center because that's where they define American interest. So despite the fact that many different kinds of administrations have been in power in the United States since normalization, you've had either slightly left of center or right of center policies all the way through…But the core agenda for China is pretty straight-forwardly captured by engagement."[210]

In fairness, some administrations have tried to carry their campaign rhetoric into the White House. This was particularly true of the Clinton administration. However, as George H. W. Bush's Senior Director for Asia on the National Security Council, Doug Paal, put it:

> "Even if administrations come into office and bluster around for a bit, they quickly realize that dealing with China is much messier than they thought or prepared for, and they begin to accept that messiness and work with it." [211]

[210] (Keith, 2014)

[211] (Paal, 2014)

This view that administrations quickly move back to the engagement consensus once in office is not new. Former U.S. Ambassador to China and long-time State Department official, Stapleton Roy, argues that this perspective goes back even further:

> "It was both Clinton and Bush's perspective that the best way to handle the relationship was to not try to contain them [China], which would ensure that they become an enemy. Instead, it was to engage them, believing that the force of our economy would help liberalize and modernize them…this has been the perspective of every presidential administration dating back to Nixon."[212]

This leads to my first corollary:

> ***C1:*** **Even presidential candidates who rely on hardline rhetoric towards China during the campaign quickly reverted to a neoliberal engagement strategy once in office.**

The Power of the President in China Policy:

The second corollary emerges from the fact that throughout the post-Cold War period the American public, the media, and Congress have frequently opposed a neoliberal strategy of comprehensive engagement with China. In fact, a study by former Labor Secretary Robert Reich found that Americans were actually willing to take a cut in their own salary in order to inflict relatively greater economic damage on Chinese workers.[213] Because they are much more responsive to popular demands (and because none of them are individually responsible for foreign policy), Congressmen are traditionally far more aggressive in their rhetoric about China, as well. Indeed, Peter Trubowitz and Jungkun Seo demonstrate how Congressmen from both parties have traditionally deployed "The China Card," against Presidents from the opposing party.[214] Thus, when a Republican is in the White House, he can expect fierce opposition from Democrats on Capitol Hill for being too cozy with Beijing, and the reverse is true of Democratic presidents. The below exchange with former Director of the Central

[212] (Roy, 2014)

[213] Examples include (Mastanduno, 1991; Reich, 1990)

[214] (Trubowitz & Seo, 2012a, p. 204-206)

Intelligence Agency and National Security Administration, Michael Hayden is pretty indicative:

> **"(Riley)**: Most of the people I have interviewed indicate that the executive branch is fairly consistent on China policy from administration to administration.
>
> **(Hayden)**: That's right.
>
> **(Riley)**: The fault line is between the Hill and the executive branch. The Hill constantly wanting to take a more aggressive, assertive stance?
>
> **(Hayden)**: Yeah, always."[215]

When I asked interviewees why there was this divide, I typically got an answer that emphasized the importance of "parochial" interests. Anti-China groups come together in a rather strange alliance that includes labor, human rights, and environmental groups within the Democratic Party and evangelical Christian, anti-Communist, and pro-Taiwan factions within the Republican Party. Sandy Berger, former National Security Adviser to Bill Clinton, gave a good description of why Congress is much more hardline in its China policies:

> "People are far more critical of China on the Hill. The president has the broader view. He looks at the strategic importance of China in the region, and can't imagine a stable Asia without a stable China and without a strong U.S.-China relationship. Congressmen have a much more parochial view; and there's no question—particularly on the Democratic side—that there's been a harder line, and it's come very much from the special interests. Labor has been very tough on China. Labor believes that tens of millions of jobs have gone from the United States to China, so labor is very anti-China. The human rights community, which is not large in number but is vocal and well organized, believes China is a repressive place. So your observation is correct. The president has a much broader responsibility and Congress has always been tougher because it's responding to a much narrower set of pressures that are domestic."[216]

As Berger indicates, while some of the concerns that these Congressmen express are couched in national security arguments, these are primarily a veneer. The real source of these "hawkish" statements stem primarily from labor, manufacturing, environmental, and human rights groups that oppose trade with China for a variety of normative and self-interested

[215] (Hayden, 2014)

[216] (Berger, 2015)

reasons. National security is merely a more politically salient mask for these interest groups.[217] As former House Speaker, Dennis Hastert put it:

> "The Democrats played the union and environmental angle; but for Republicans who were against China, it was basically an anti-communist reason. I think another factor that people never really pay much attention to is that the country of Taiwan is very active in Congress. When a freshman member of Congress comes in, either in their first or second year, they're always invited to come to Taiwan on a big trip."[218]

Regardless of the motivation, however, the fact remains that Congress was so hostile to China and neoliberal engagement with Beijing that they rejected MFN extensions under both Bush and Clinton.[219] Consequently, both Presidents had to expend significant political capital in not just vetoing the legislation, but also in working to prevent a two-thirds majority from coalescing around a veto-override measure. This domestic opposition would soften to some degree during the 2000s, but it was nothing less than vitriolic for much of the 1990s. Charles Kupchan and Peter Trubowitz also demonstrate convincingly that this broad, bipartisan consensus for liberal internationalism has not returned in the Obama years, as many had hoped. Indeed, if anything bipartisan support for engagement has eroded both in Congress and among the general populace in the past eight years.[220] In spite of this opposition from the general public and Congress, however, I argue that presidents throughout the post-Cold War period have consistently prevailed in maintaining their broad-based engagement strategy. There have been instances when this domestic outrage became so intense that the President had no choice but to comply. However, these instances were isolated almost exclusively to the immediate aftermath of the Tiananmen massacres, when domestic opposition to China was at its peak. This period will be covered in great detail in the George H. W. Bush chapter. While

[217] Multiple Senators, Congressmen, staffers, and others who interact with Capitol Hill confirmed this explanation, including (Jonston, 2014; Kapp, 2014; Lugar, 2014; Paal, 2014; Rosen, 2015; Sasser, 2014; Shirk, 2014)

[218] (Hastert, 2015)

[219] (Trubowitz & Seo, 2012a, p. 207-208)

[220] (Kupchan & Trubowitz, 2010, p.95-96)

it will reveal that Bush did have to take a more hardline stance than he preferred, it will also demonstrate that because he was willing to expend significant political capital, he was able to maintain the pillars of neoliberal engagement and isolate the more hardline responses to the margins of the relationship.

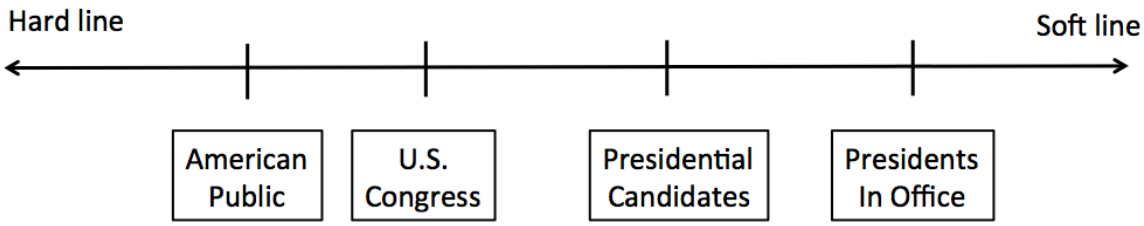
This leads to my second corollary:

***C2:* Presidents have consistently prevailed in executing their preferred strategy of neoliberal engagement with China, despite fierce domestic opposition.**

If we put C1 and C2 together, we are left with another confounding puzzle for neorealists, who might try to justify America's pursuit of engagement by saying that domestic politics were hamstringing the president from pursuing containment. In reality, though, the American public has tried to push their leaders to pursue a more hardline strategy, but presidents have consistently rejected this pressure and pursued their broad-based engagement strategy in spite of, not because of, domestic political factors. This phenomenon is represented visually in **Figure 4.4**

Figure 4.4

Preferences for China Policy of Different Actors



Potential Alternative Explanations:

In Chapter 2, I identified two potential competing explanations. The first was:

ALTERNATIVE HYPOTHESIS #1: American policymakers preferred containment, but powerful business interests forced them to pursue a neoliberal engagement strategy in order to boost corporate profits.

In order to for this to be true, one would need to demonstrate that American policymakers within the Executive Branch wanted to contain China, and backed away from this preferred strategy only (or at least largely) in response to pressure from corporations who feared that such a policy would damage their private profits. However, as this chapter has demonstrated, policymakers had no desire to contain China in the first place. The subsequent historical chapters will demonstrate that business leaders were powerful allies for members of the Executive Branch in securing support for a neoliberal engagement strategy among the more anti-free trade and anti-China factions on Capitol Hill. In this sense, corporate interests played a powerful facilitating role, but not a causal role. Policymakers within the Executive Branch, which are the focus for this paper, favored a strategy of neoliberal engagement independent of corporate lobbying efforts. I offer two pieces of evidence for this fact.

First, if this explanation were true, then those members of the administration most attune to the interests of powerful corporations and prospective donors (namely the presidents' political advisers) should have been advocating most strongly for increased engagement, while officials who did not have frequent contact with lobbyists and hence who were less susceptible to such pressure (particularly officials in the intelligence agencies, Department of Defense, and National Security Council) were fighting to restrict engagement and interdependence. However, the subsequent historical chapters will demonstrate that the opposite was often true. At numerous junctures, security officials were encouraging faster and more comprehensive engagement, while political advisers were advocating a more gradual and restricted approach due to domestic political opposition.

For example, during the Tiananmen Crisis, it was the President and his National Security Adviser, Brent Scowcroft, who were most adamant that full engagement be restored

as quickly as possible after Tiananmen.[221] Meanwhile the President's long-time political adviser, James Baker, was cautioning Bush against an overly conciliatory response due to domestic outrage against China.[222] Furthermore, during the 1990 fight with Congress over MFN, multiple sources in the administration, in Congress, and even those associated with corporate lobbying efforts acknowledged that corporations and even the U.S. China Business Council remained largely silent in those initial debates due to PR concerns about being seen as to blatantly supportive of the "butchers of Beijing."[223]

During President Clinton's crucial decision of whether to sign the bilateral agreement that would admit China into the WTO, the President's national security team (including Madeleine Albright, Sandy Berger, Ken Lieberthal, and Susan Shirk) were fervently in support of signing the agreement as soon as possible (during Zhu Rongji's visit in the Spring of 1997), while key members of President's political team (including John Podesta, Gene Sperling, and Bob Rubin) were more reluctant.[224]

Multiple officials within the Bush 43 administration remembered that those individuals most concerned about expanding and deepening political and economic engagement with China were members of Bush's political team. In particular they remeber Karl Rove (the President's chief political adviser) and his staff worrying about how this pro-engagement strategy would play with domestic constituencies that were much more anti-China.[225] Reflecting this assessment, Ambassador Susan Schwab, who served as President Bush's U.S. Trade Representative, recalls that there was never any pressure from the State Department,

[221] (G. H. W. Bush & Scowcroft, 1998; B. Gates, 2015; Kimmitt, 2014; Paal, 2014; Scowcroft, 2014; Sununu, 2014)

[222] (Baker, 1995, 2014; Kimmitt, 2014; Paal, 2014; Sununu, 2014)

[223] (Baker, 2014; Hastert, 2015; Jonston, 2014; Kapp, 2014; Lugar, 2014; Sasser, 2014; Sununu, 2014)

[224] (Albright, 2003; Barshefsky, 2014; Berger, 2015; Lieberthal, 2014; Podesta, 2014; Shirk, 2014; Summers, 2014)

[225] (Armitage, 2014; Burrows, 2015; Gordon, 2014; Green, 2014; Schake, 2015; Schriver, 2014)

Defense Department, or others within the National Security Council to take a tougher line in negotiations with the Chinese. To the contrary, she remembers that it was her practice to notify officials within these departments before USTR took any punitive action against the Chinese for trade violations to ensure that these reprisals would not overly complicate the administration's broader engagement strategy.[226]

The architect of Strategic Reassurance, which represented the apex of the Obama administration's pro-engagement strategy, was James Steinberg; but Steinberg was a long-time national security professional and academic—not a political adviser.[227] Finally, numerous officials remember that President Obama's imposition of the tariff on Chinese tire imports was a contentious battle within the administration that placed the President's national security and economic advisers on one side (against imposing the tariff), and the President's political advisers in the opposite camp (in favor of imposing the tariff).[228]

Thus, to the extent that there were any disagreements within the various administrations regarding how quickly or how far to pursue increased engagement and interdependence, the breakdown usually pitted the presidents' political advisers, who favored a more moderated and cautious approach to engagement, against his actual security advisers, who preferred a bolder and more aggressive engagement strategy. This is the exact opposite from what one would expect if these administrations were only supporting an engagement strategy as a result of pressure from powerful corporate interests. The political advisers, who should have been most susceptible to corporate pressure, were often less enthusiastic about enhanced engagement than their colleagues in the security departments and agencies, who were more insulated from any sort of corporate lobbying efforts.

[226] (Celico, 2014; Schwab, 2014)

[227] (Hu & Obama, 2009; Steinberg & OHanlon, 2014; Steinberg, 2009)

[228] (Jeff Bader, 2012; Jeffrey Bader, 2014; Brainard, 2014; Steinberg, 2014; Summers, 2014)

Second, those individuals who were at the forefront of lobbying on behalf of American corporations doing business in China readily acknowledge that while they worked tirelessly to secure support for engagement on Capitol Hill, they were always working in concert with—never in opposition to—the Executive Branch. For example Robert Kapp served as the President of the U.S.-China Business Council (USCBC). USCBC serves as the primary entity representing the various businesses involved in bilateral trade and investment with China. He vividly recalled his efforts as USCBC President to secure support for various economic liberalization packages on Capitol Hill, but he readily acknowledged that the vast majority, if not the entirety, of these efforts were focused on Capitol Hill—not the Executive Branch.[229] To the contrary, not only did the Executive Branch agree with these business groups, they frequently relied on them as effective surrogates in lobbying members of Congress to back legislation that would facilitate increased interdependence and trade. In fact, all of the senior members of Congress that I interviewed affirmed that it was the Executive Branch working in concert with these business groups to persuade reluctant Congressmen to support this neoliberal engagement strategy.[230] Therefore, there is compelling evidence to reject Alternative Hypothesis #1.

The second potential competing explanation is:

> **ALTERNATIVE HYPOTHESIS #2: American policymakers were willing to pursue engagement only because the unique characteristics of the unipolar order meant they were able to discount concerns about relative gains.**

This alternative explanation is harder to disprove. First, it is a counterfactual, because it posits that America would have responded to China differently if China's rise had occurred in a bipolar or multipolar system. Because this is a counterfactual claim, there is no way to definitely prove or disprove its veracity. One way to more thoroughly assess this argument

[229] (Kapp, 2014)

[230] (Berger, 2015; Hastert, 2015; Jonston, 2014; Lugar, 2014; Sasser, 2014)

would be to compare America's approach to China with similar historical examples that took place in multipolar or bipolar structures. However, the research design for this project does not include these detailed comparative case studies. Consequently, this project would benefit from a future study that conducted these sorts of detailed cross comparisons. Some potential cases could include America's response to the rise of the Soviet Union or Imperial Japan; Britain's strategy for managing America's rise; or any number of cases involving power transitions among the various European powers.

The best I can do in this project is to examine whether confidence in this neoliberal engagement strategy has diminished as America's relative share of global economic and military power has waned, and/or as its relative advantage over China in these two measurements has dwindled. This has been the central question of this project, and the conclusion that I have reached is a definitive, "No!" Policymakers have not prioritized relative gains or favored containment, and to the extent that support for this neoliberal engagement strategy has varied over time, this has been in response to changes in China's behavior—not changes in its aggregate power relative to America's. This is abundantly clear from the quotes and other facts already presented in this thesis, and will be reinforced in the subsequent historical chapters.

Furthermore, policymakers do not believe that their preference for engagement was contingent on unipolarity, because they explicitly stated that behavior—not measurements of aggregate power—were the focus of their calculus. Because so many of the individuals I interviewed served in both Cold War and post-Cold War administrations, one would think that when asked why relative gains and containment were so much more important in relations with the Soviet Union than in relations with China, these officials would have emphasized the different dynamics of a bipolar versus multipolar order if that was important. At least they would have highlighted the fact that relative gains were more of a concern with the Soviet

Union because the Soviet Union's aggregate power was much closer to America's than China's has been at any point in the post-Cold War era, and that this relative advantage has made policymakers more comfortable accepting relative losses with China than they were with the Soviets. However, none of the interviewees drew this distinction. Instead, the distinction that they universally made was the difference in the behavior and ultimate aims of China and the USSR. The USSR was more aggressive in its behavior and ambitious in its ultimate goals, which caused policymakers to frame the relationship in more zero-sum terms. Indeed, whereas China has willingly joined the international economic order that America and its allies created in the post-WWII era, the Soviets created a parallel order designed to compete against and ultimately usurp this order.

Nonetheless, even though I found no evidence to support this claim, I concede that it is still possible that policymakers' willingness to pursue a neoliberal economic engagement strategy towards China has merely been an epiphenomenal consequence of unipolarity. Given the fact that I began this project as a structural realist, looking for a structural explanation to America's behavior, I would have quickly highlighted any such evidence that emerged from the interviews, memoirs, or declassified government documents. This makes the dearth of any such evidence all the more powerful. However, the absence of evidence cannot alone falsify a hypothesis. Indeed, the problem with counterfactual claims of this sort is that they are largely non-falsifiable. Thus, I will accept that there is a possibility that policymakers' neoliberal beliefs and preference for engagement are merely epiphenomenal effects of the unipolar distribution of power within the post-Cold War order. However, given that there is no evidence to support this claim, and there is overwhelming evidence to support my behavior-centric explanation, I do not see this as requiring me to dilute or place caveats on my theory.

The historical case studies in the following chapters will provide a more robust defense of my behavior-centric theory, and will refute in greater detail these and other potential

competing explanations. For now, though, I am content to have provided strong evidence in support of my four hypotheses and two corollaries, to have disproved one alternative hypothesis, and to have set aside the other competing explanation as possible, but neither probable nor falsifiable.

Chapter 5 George H. W. Bush

The Fight to Preserve Engagement After Tiananmen

Executive Summary: This Chapter evaluates the applicability of my four hypotheses and two corollaries to the George H. W. Bush administration. It finds that the administration strongly preferred a strategy of comprehensive engagement to either conditional engagement or containment. The President and his team's preference for engagement were the result of a rational cost-benefit analysis (CBA) that evaluated the short and long-term costs and benefits of engaging China as opposed to trying to contain China **(H1)**. This CBA relied on a powerful set of neoliberal causal beliefs about the transformative and pacifying effects of engagement **(H2)**. However, the administration did not apply these beliefs to relations with all states, which makes this a predominantly rational—as opposed to ideological—explanation **(H3)**. Consistent with my behavior-centric model, Beijing's brutal suppression of the Tiananmen protests forced the administration to re-evaluate their engagement strategy **(H4)**. However, because the Chinese expressed a strong desire to move past these tensions, the Bush administration's re-evaluation of its engagement strategy did not result in a reversion to containment, or even conditional engagement. Considering the Bush 41 administration began its tenure decidedly supportive of engagement, **(C1)** is not applicable in this case. However, because the American public and Congress vociferously opposed the administration's continued preference for comprehensive engagement after Tiananmen, **(C2)** is highly relevant.

Introduction:

Balancing against the Soviets had been the initial strategic rationale for allying with China, and it continued to provide the underlying justification for the relationship through the end of the Cold War. However, as Chapter 3 demonstrated, this rationale was gone by Tiananmen. Indeed, the father of U.S.-China relations and America's most famous "realist" practitioner, Henry Kissinger, summarized the monumental shift that took place over the course of the Tiananmen crisis this way:

> "No American president in the 1970s would have risked confrontation with China so long as the Soviet Union loomed large as a strategic threat. On the American side, however, the disintegration of the Soviet Union was seen as representing a kind of universal triumph of democratic values. A bipartisan sentiment held that traditional "history" was being superseded: allies and adversaries alike were moving inexorably toward adopting a multiparty parliamentary democracy and open markets [institutions

> that, in the American view, were inevitably linked]. Any obstacles in the way of this wave would be swept aside."[231]

This outlook is also confirmed by Robert Gates, who was serving as the Deputy National Security Adviser at the time of the Tiananmen massacre and then went on to serve as Director of the CIA for George H.W. Bush. Gates reports:

> "By Tiananmen, the Soviet angle was of diminishing importance. The Soviet Union was changing dramatically, and by 1989, it was clearly in big trouble…I think it (support for maintaining engagement) had to do more with the reality of China being a major player in the post-Cold War era…and the importance of the U.S. having a sustained relationship with them in terms of how they conducted themselves."[232]

Indeed, General Brent Scowcroft said, "After Tiananmen, the Cold War justification was over, so we had to build a new justification for the relationship with China. Basically, we had to start over again completely."[233] Thus, while neorealist theories might be able to account for the close cooperation between the United States and China up through Tiananmen as balancing against the Soviets in a sort of classic *Realpolitik* example of "the enemy of my enemy is my friend," this justification loses traction in the aftermath of Tiananmen.

Understanding this broader strategic context, as well as the public outrage after Tiananmen, underscores just how easy it would have been for the Bush Administration to switch to a strategy of containment towards China. Indeed, Bush's longest-serving political adviser and Secretary of State, James Baker, highlighted how politically attractive this decision might have been in the short-run for a Republican President:

> "[During the Cold War], my party won a lot of elections on having an enemy, because we were the stronger party on national security issues. But when the Soviet Union collapsed and the Cold War ended, we lost our enemy; so there were a lot of people, particularly in the hard right of the Republican Party, looking for an enemy. China was a great possibility there."[234]

[231] (Kissinger 2011, p. 459)

[232] (B. Gates, 2015)

[233] (Scowcroft, 2014)

[234] (Baker, 2014)

However, George Bush not only refused to use public consternation over Tiananmen as a pretense for containment; he actually sacrificed considerable political capital in order to resist congressional demands for a more hardline response. Bush and his advisers did this—in no small measure—because they understood the power of path dependency. If they acquiesced to popular demands to ostracize Beijing, this easily could lead—intentionally or unintentionally—to containment. Once on a path of containment and alienation, those who favored and benefitted from alienation in both societies would gain the upper hand, making it extremely difficult to renew relations.[235] In contrast, if the administration could shepherd relations through this tumultuous time and allow the commercial, cultural, and political intercourse between the two nations to continue deepening, then breaking relations in the future would become increasingly difficult.

After almost half a century on the exhausting and perilous marathon that was the Cold War, Bush and his team desperately wanted to build "A New World Order".[236] There was simply no appetite to begin anew another epoch conflict with China of the sort they were just finishing with the Soviets; and Beijing was giving them little cause to embark on such a journey.[237] Beijing did not have an ideological agenda, so there would be no renewed "competition for the soul of mankind."[238] Unlike the Soviets, the Chinese wanted to participate in the global economic system that America and its allies had created. They were not pursuing a competitive parallel system, but asking for admission into the existing one.[239] At the same time, however, Bush was ultimately accountable to his electorate; and amidst the demise of communism in Europe and the ascendency of cable news, the American people refused to

[235] (Baker, 2014; Paal, 2014; Sealock, 2014; Sununu, 2014)

[236] (G. H. W. Bush, 1991)

[237] (Baker, 2014; B. Gates, 2015; Paal, 2014; Roy, 2014; Schultz, 2014; Scowcroft, 2014; Sununu, 2014)

[238] (Leffler, 2007)

[239] (Baker, 1995; B. Gates, 2015; Roy, 2014; Schultz, 2014)

accept—much less embrace—a government that would brutally massacre its own people for peacefully requesting the very rights and liberties that Americans considered "self-evident."[240] The question for the Bush administration, therefore, was whether it would cave to powerful short-term political pressure to lock the Chinese out of this "New World Order", or whether Bush and his team would fight to preserve a strategy of "uncomfortable" but unconditional engagement with China.

What would a relative gains policy have looked like?

The above discussion provides a general framework for what the differences between a containment and engagement strategy might have looked like for Bush 41. However, in the following paragraphs, I will put these differences in more concrete terms by adapting the general framework for distinguishing among *containment*, *conditional engagement*, and *comprehensive engagement* that was developed in Chapter 4 to the specific issues the Bush administration faced.

A **containment** strategy would have sought to further stoke domestic and international anger with Beijing after Tiananmen to secure support for a more comprehensive containment regime. The Bush administration would have done everything possible to prevent a subsequent re-normalization of relations. At a bare minimum, a containment strategy would have imposed sweeping economic sanctions, and would not have granted exceptions to these sanctions. This strategy would also have tried to keep China isolated from other nations (particularly the other leading economies), and would never have tried to mollify domestic or international criticism of China. As such, public or private emissaries would have been completely out of the question.

Under a **conditional engagement** strategy, Bush would have been unequivocal in his condemnation of Beijing. He would have made renewed engagement—both politically and

[240] (Kapp, 2014)

economically—contingent on a full apology and reconciliation for the massacre. It would also likely have mandated that China demonstrate significant progress in human rights, anti-proliferation, and trade compliance. While the administration would have preferred to return to normalcy as soon as possible after Tiananmen, Beijing would have to make the initial overtures. Thus, both the exchange of emissaries and the renewal of most-favored nation trade status would be contingent on Beijing recanting its actions, forgiving the students and demonstrators, and making significant improvements in human rights protections.

A **comprehensive engagement** strategy would have favored the rapid and complete re-normalization of economic, political, and cultural relations after Tiananmen without conditions. To this end, it would have sought to mollify the American public, Congress, and even international allies that wanted to take a more hardline response. The administration would have been willing to expend significant political capital both at home and abroad in order to protect liberal engagement. When the administration did take punitive action or criticize Beijing publically, the motivation would be to stave off and pre-empt even more hardline demands from Congress. The President would have also been willing to take big risks, such as sending secret emissaries, in order to try to restore relations.

With this framework, I now review the administration's actual policies and the rationales for those policies.

Historical Record:

The Initial Response to Tiananmen:

In the days leading up to the crackdown, President Bush had been vacationing at his home in Kennebunkport, Maine. White House Chief of Staff, John Sununu, was the President's only senior advisor in Maine when he received the initial reports of the crackdown on the morning of June 4. While being isolated from his foreign policy team might have been a

problem for most presidents, Sununu recalls that "Bush was the expert on China, and he knew how he wanted to respond."[241] During his time as America's Ambassador to the United Nations from 1971-1973, Bush oversaw the PRC's investiture at the U.N. He later was dispatched to China as the Chief of America's Liaison office in Beijing from 1974 to 1975, and served as Director of Central Intelligence from 1976-1977. In fact, several of Bush's senior advisers endearingly referred to the President as "the government's desk officer for China," or "Our top China Hand."[242] Bush's long-time friend and Secretary of State, James Baker, said bluntly, "China policy during Tiananmen was pretty much determined by George H.W. Bush."[243]

According to Sununu, Scowcroft, and Baker, the President had decided what the broad strokes of America's response should be by mid-day on June 4 Washington time. While political realities caused some changes in his desired approach over the ensuing months, his personal assessment of was best for "America's national interest" never wavered. As Cohen describes it, "Publicly, the President worked to appease popular outrage…Privately, the President acted as he thought best for the nation."[244]

The basic tenants of what Bush "thought best for the nation" are outlined here. First, the President recognized that considering the severity of the violence and the degree of popular outrage, he had no choice but to immediately censor China. At the same time, he believed the administration should do everything in its power to minimize any long-term damage to the bilateral relationship. As General Scowcroft said, "We knew we had to do something, but we

[241] (Sununu, 2014)

[242] (Baker 1995, p. 100; Baker 2014)

[243] (Baker, 2014)

[244] (Cohen 2010, p. 219)

wanted to do the bare minimum that would still make sense."[245] This meant constraining the duration, breadth, and severity of the censorship.[246] As Baker described:

> "The President's fundamental philosophy toward China was building on the Reagan administration's policy of broad engagement. China was an emerging Pacific colossus that could not be ignored".[247]

Neorealism would expect this assessment that China was "an emerging Pacific colossus" to lead American policymakers to a strategy of containment. In reality, however, the administration viewed China's potential power as emphasizing the importance of "broad engagement". While Baker "wholeheartedly agreed" with Bush's strategic assessment, he was also keenly aware of the domestic political realities. As such, he argued:

> "We needed to proceed in a measured way…[Therefore] in expressing our outrage…it was important to do so in a way to preempt punitive congressional legislation that might be difficult to reverse."[248]

Thus, even when the administration did criticize China, the intent was not to build support for hardline policies or containment. Instead, this criticism was meant to appease Congressional critics, and pre-empt calls for even more hardline policies. The ultimate goal remained unchanged: "to limit the scope and duration of any economic punishments that had to be imposed."[249]

President Bush concurred with both of Baker's assessments: that a firm condemnation must be issued, but that it should be crafted in a way to prevent Congress from demanding even harsher measures. To that end, the President immediately issued a press release and held a White House Press Conference on June 5th, at which he laid out his response:

> "I am ordering the following actions: Suspension of all government-to-government sales and commercial exports of weapons, suspension of visits between U.S. and Chinese military leaders, sympathetic review of requests by Chinese students in the

[245] (Scowcroft, 2014)

[246] (Baker, 2014; B. Gates, 2015; Paal, 2014; Sununu, 2014)

[247] (Baker 1995, p. 100)

[248] (Baker 1995, p. 105)

[249] (Sununu, 2014)

> United States to extend their stay, and the offer of humanitarian and medical assistance through the Red Cross to those injured during the assault"[250]

However, many in Congress and the media viewed this response as too timid. They wanted the President to impose more sweeping sanctions and to express more impassioned and unequivocal criticisms of Beijing. To these critiques, Bush justified his "measured approach" by cautioning:

> "The process of democratization of Communist societies will not be a smooth one, and we must react to setbacks in a way that stimulates rather than stifles progress to open and representative systems."[251]

True to his neoliberal instincts, Bush firmly believed that the best way to stimulate further progress was to continue engaging China. Therefore, he was particularly adamant that the sanctions be limited to the military, stating:

> "On the commercial side, I don't want to hurt the Chinese people. I happen to believe that the commercial contacts have led to this quest for more freedom [in China]. I think as people have commercial incentive, the move to democracy becomes more inexorable. So what we've done is suspend certain things on the military side [and protected the commercial side]."[252]

As proof that this public position also reflected the President's private view, Bush wrote in his diary on November 5:

> "The matter [Tiananmen crackdown] got out of hand, and they made some terrible mistakes…but somehow, we've got to get the relationship back on track. It's in our strategic interest; it's in our cultural interest; it's in our commercial interest."[253]

Long-time Beijing correspondent, James Mann, said that this represented the first instance of what would become Bush's familiar pattern of further cracking down on China only when forced and trying to do so in a way that would illicit minimal anger from Beijing. In his words, "The Bush administration moved against China almost apologetically, always

[250] (Bush 1989; Lampton 2001, p. 22)

[251] (Kristof 1989; Suettinger 2004, p. 67)

[252] (Kristof 1989; Suettinger 2004, p. 67)

[253] (Bush and Scowcroft 1998, p. 157)

aware that if it didn't act, Congress and the American public would demand that it go still further."[254]

Despite strongly preferring a strategy of engagement, Pentagon leaders did not fight the military freeze for two reasons. First, they recognized it was a measured response, considering the PLA had attacked the demonstrators. Second, they believed taking these preemptive steps was the best way to protect the broader economic and political relationship, which they viewed as providing the bedrock for the long-term bilateral relationship.[255] Indeed, General Sealock remembers, "We (DOD) wanted to do everything in our power to limit the damage to the relationship."[256] Therefore, to the extent that Pentagon leaders worried about the President's response, it was not that it was too little, but too much. In particular, they feared that DOD "would be left holding the bag" in the sense that these military sanctions would be left in place even after all other aspects of the relationship had returned to normalcy.[257]

In spite of the military sanctions, Congressional anger over the administration's "timid" response continued to build. Immediately following the crackdown, the State Department began crafting a plan that would prevent international financial institutions like the IMF and World Bank from continuing to lend to China. However, Baker and other senior leaders made the politically astute decision to delay calling for these sanctions until Secretary Baker's June 20th testimony before the Senate Foreign Relations Committee, where he was certain to face intense scrutiny for the temerity of the administration's response. Baker announced the administration's intention to pursue this second round of sanctions in his opening statement, knowing that doing so would pre-empt further demands.[258]

[254] (Mann 1999, p. 198)

[255](Suettinger 2004, p. 67)

[256] (Sealock, 2014)

[257] (Sealock, 2014)

[258] (Garrison 2005, p. 118-119; Harding 1992, p. 226; Suettinger 2004, p. 83; Tyler 1999, p. 362-363)

These sanctions called for revoking China's lending privileges at the World Bank and other international financial institutions, which gave them a far more consequential effect than the military freeze, because China desperately relied on access to these international loans. In fact, China was the World Bank's largest borrower at the time, taking $1.3 billion in 1988-1989 and scheduled to receive another $2.3 billion in 1989-1990.[259] At the July G-7 meeting in Paris, all of the world's leading economies agreed to suspend lending to China.[260] By combining the moratorium on loans from international institutions with a cessation of all bilateral loans from the major economies, China was effectively locked out of the international lending markets so critical to its development agenda. The most significant of these were the Japanese, who ceased dispersing a $2.4 billion loan that had already been finalized and suspended indefinitely the completion of a new $5.5 billion loan package.[261]

Baker also used the SFRC hearing to announce that he was suspending all senior exchanges between American and Chinese officials. Combined with the announced freeze in international lending, this achieved Baker's intent of providing a temporary reprieve from Congressional pressure. However, at the same time Baker was publically announcing this prohibition against senior exchanges, he and the President were secretly arranging for National Security Adviser, Brent Scowcroft, to visit Beijing in July.[262] The intent of the mission was clear: to re-establish contact in hopes that Bush and Deng could begin to rescue the relationship.[263]

Knowing that Congress and the public would be outraged by such an overture, Bush went to extraordinary lengths to maintain the secrecy of the visit. Initially, Baker and

[259] (Mann, 1999)

[260] (Harding 1992, p. 227)

[261] (Harding 1992, p. 263)

[262] (Baker, 2014; Scowcroft, 2014; Sununu, 2014)

[263] (Kissinger 2011, p. 416; Tyler 1999, p. 364-366)

Scowcroft were the only other American officials who knew about this plan. Indeed, this was the most tightly held secret of the Bush Administration,[264] which emphasizes the importance that the President placed on preserving the relationship, and the outrage he knew this secret mission would spark if it leaked. It was so secret that the military plane carrying Scowcroft and Eagleburger removed its identification markers and refueled in air to avoid any suspicion from landing in Hawaii or Alaska.[265] The trip was so secret that a PLA air defense battery almost shot down the plane as it approached Chinese air space because Deng had not informed the military of the visit.[266]

The overarching intent of the trip was simple: to reassure the Chinese leadership that the President and his advisers were committed to preserving the relationship, but that they needed the Chinese to rein in the public trials and executions and begin making amends.[267] Anticipating Chinese rebuffs that this was its own internal affair, Bush wanted Scowcroft to emphasize that while China's treatment of its citizens was its own internal affair, the way the American people responded to this treatment and the punitive censorship that they demanded from their government was America's internal affair.[268] In essence, Bush was conveying that he would put forth his best effort to minimize the length, breadth, and severity of America's response, but he was warning that further abuses and defiance might "tie his hands."[269] Lilley described the mission's intent as conveying to the Chinese that, "Bush wanted to preserve the relationship, but we had to sanction them because of the public pressure in the United States."[270]

[264] (Kimmitt, 2014)

[265] (Suettinger 2004, p. 80)

[266] (Scowcroft, 2014)

[267] (Cohen 2010, p. 219)

[268] (Kissinger 2011, p. 420; Suettinger 2004, p. 81)

[269] (Suettinger 2004, p. 80)

[270] (Mann 1999, p. 208)

One of the other major controversies that developed between the President and Congress was over how to handle Chinese students currently studying in America. Because of their support for the protests, many students feared that upon returning home a great many of them would face the same fate as their colleagues in China. To prevent this from happening, several members of Congress introduced bills to guarantee that the students would not have to return to China. The leader of this movement was a junior Democratic Congresswoman from San Francisco, Nancy Pelosi.

The White House vehemently opposed Pelosi's bill, The Emergency Chinese Adjustment of Status Facilitation Act of 1989 (H.R. 2712).[271] Bush and his advisers saw it as an un-warranted overreach into the executive's authority to set foreign policy, and knew it would only further antagonize Beijing.[272] The administration also feared Pelosi's bill would jeopardize future student exchanges, which they viewed as vital to educating a new generation of Chinese leaders who would help bring about the very reforms that the student protestors in Tiananmen had sought.[273]

In spite of the administration's opposition, the Pelosi bill sailed through Congress with a 403 to 0 majority in the House. Undeterred, Bush vetoed the bill and immediately began an intensive legislative campaign to prevent a veto-proof majority from coalescing in the Senate. To do this, President Bush issued an executive order granting all Chinese students the same visa extension offered in the Pelosi bill.[274] In the President's view, granting this guarantee to the students made the Congressional measure an unnecessary complication on the road to restoring the relationship.[275] The President also expended tremendous political capital, hosting

[271] (Lampton 2001, p. 23-24; Suettinger 2004, p. 95)

[272] (Garrison 2005, p. 118)

[273](Baker 1995, p. 105; Bush and Scowcroft 1998, p. 158-159; Garrison 2005, p. 119; Harding 1992, p. 239; Lampton 2001, p. 24-25)

[274] (Suettinger 2004, p. 96)

[275] (Harding 1992, p. 234)

a series of lunches and breakfasts for Republican Senators. Vice President Dan Quayle, James Baker, John Sununu, Brent Scowcroft, and Richard Nixon also made numerous personal appeals to various senators to uphold the veto. Bush and Scowcroft later reflected that the override proved to be "one of the most difficult legislative fights during the administration,"[276] but ultimately the administration succeeded in sustaining the veto.[277]

Congressional critics refused to give up, however. That autumn they attached numerous amendments to the Foreign Aid Authorization Bill for the upcoming year. These amendments imposed a series of sanctions that:

> "Suspended OPIC financial support in China, halted previously authorized funds for trade and development, mandated opposition for six months to liberalization of export controls, and banned the export of crime control equipment and nuclear equipment that could be used for military purposes."[278]

Though many members of the administration opposed these measures, they conceded that the animosity within Congress had reached such a feverish pitch that there was simply nothing the President could do to actually stop the legislation. A veto in this instance would almost certainly have been overridden, and a successful veto override might only embolden China hawks in Congress to push for further measures that could do far more significant long-term damage to the relationship. Therefore, instead of attempting to block the legislation, the administration made the strategic calculation to merely push for "language that permitted the President to lift sanctions if he thought it was in the national interest."[279] This was a proviso that the President (and his successors) would invoke frequently in subsequent years to justify continued engagement.

[276] (Bush and Scowcroft 1998, p. 178)

[277] (Suettinger 2004, p. 102)

[278](Garrison 2005, p. 112; See also Friedman 1989 and Rasky 1989)

[279] (Bush and Scowcroft 1998, p. 158)

Another development that had taken on tremendous significance was the dissident Fang Lizhi's presence in the U.S. Embassy in Beijing.[280] On the afternoon of June 5, Fang and his wife had fled to the U.S. Embassy to seek asylum. As China's most high-profile dissident, Fang feared that he was at the top of the regime's list of people to arrest. Raymond Burghardt and McKinney Russell had originally turned Fang away from the embassy, but the State Department leadership in Washington later instructed Burghardt and Russell to find Fang and invite him to return to the Embassy.[281] Fang remained at the embassy for another year before receiving permission to leave the country, and the fight over Fang's fate became the defining symbol of tension between Beijing and Washington—one that China considered a valuable bargaining chip with the Americans.

To secure Fang's release and to make headway on a range of other disputes, the Administration decided to send Scowcroft and Eagleburger back to China in December 1989. At this time, the public and Congress were still unaware of the secret envoy five months earlier. Even so, the American public was appalled that the administration would send such a high-level delegation only six months after the massacre, fearing that it would help the leadership in Beijing begin restoring a semblance of international legitimacy. This legitimacy was precisely what the American public and many in Congress wanted to deny Beijing. In addition to desperately wanting the trip for its symbolic significance, Beijing also wanted to try to negotiate a relaxation in the sanctions—particularly the freeze on international lending.

For its part, the Bush administration wanted Beijing to demonstrate some public signs of progress on the human rights front, which would ease political pressure back home. In particular, they wanted to secure Fang Lizhi's release to the United States, for the Chinese to stop jamming the Voice of America broadcasts, to stop the public trials and executions, to lift

[280] (Kissinger 2011, p. 429)

[281] (Suettinger 2004, p. 70)

martial law, and to stop proliferating missile technology to the Middle East.[282] Despite noble intentions, few tangible measures were achieved on the trip. In fact, it only added fuel to the fires of the administration's domestic critics. Particularly infuriating to the human rights crowd were the pictures of Scowcroft toasting the Chinese, and encouraging the Chinese that while, "In both our societies, there are voices of those who seek to redirect or frustrate our cooperation. We must both take bold measures to redirect these negative forces."[283]

These images emboldened Congressional critics. Chief among these critics was Democratic Senate Majority Leader George Mitchell, who denigrated the trip as "an embarrassing kowtowing to a repressive Communist government."[284] Partisan politics almost definitely weighed heavily in Mitchell's calculations,[285] but—in fairness to Mitchell—he would prove to be just as onerous to the Clinton administration on China issues as he was to the Bush administration. In this sense, while Mitchell found Bush's handling of China policy a useful tool with which to batter the new President, he also genuinely believed that America could not legitimize a regime that brazenly abused its people and flagrantly disregarded trade agreements.

Like most congressional "China-hawks", however, his motivation was not containment for its own sake. There was no talk that China's rise was inherently something America should oppose, which reflected the fact that no one believed China posed the sort of existential threat that the Soviets had posed.[286] As such, containment was not an end, but merely a means. The end was to get China to change its practices on human rights, trade, and proliferation. Imposing economic pain through sanctions was simply seen by some as the best way to coerce

[282] (Garrison 2005, p. 121; Suettinger 2004, p. 98)

[283](Suettinger 2004, p. 99; Tyler 1999, p. 367)

[284] (Mann 1999, p. 223)

[285] (Trubowitz & Seo, 2012, p. 206)

[286] (Baker, 2014; B. Gates, 2015; Schultz, 2014; Scowcroft, 2014; Wolfowitz, 2015)

compliance. Furthermore, much of the motivation for legislators like Mitchell was based off constituent concerns about human rights abuses and job outsourcing. One good example of this is captured in an exchange between Senator Mitchell and the CEO of Reebok, Paul Fireman. Fireman had come to inform Mitchell that many of these retaliatory measures he was considering would hurt Reebok's business. Mitchell replied, "If you [Reebok] need a place to make shoes, I've got about 20,000 unemployed shoe workers in Maine who could use the jobs."[287] As Mann describes:

> "China was an issue where the Democrats in Congress could oppose the Republican administration and know, with certainty, that they had public opinion on their side…If George Bush wasn't going to convey the country's outrage over Chinese repression, then Democrats in Congress would happily volunteer."[288]

Likewise, Peter Trubowitz and Jungkun Seo point out:

> "Since the 1970s, Republicans had 'owned' foreign policy and national security as electoral issues. With the Tiananmen crackdown, Democrats suddenly had an opportunity to regain lost ground in foreign affairs and put Republicans on the defensive on their home turf."[289]

However, it wasn't just the Democrats who were criticizing the administration. The *Washington Post* derided Scowcroft's mission as a "Placatory concession to a repressive and bloodstained Chinese government."[290] The *New York Times* ridiculed the administration for "hailing the butchers of Beijing."[291]

Softening Sanctions:

All of this demonstrates simply that the President was under immense pressure from the American public, the media, and Congress to take a far more aggressive and hardline response to Beijing. Consequently, Bush could not avoid imposing sanctions completely, but

[287] (Mann 1999, p. 199)

[288] (Mann 1999, p. 199)

[289] (Trubowitz & Seo, 2012, p. 208)

[290] ("Tiananmen," 1989a)

[291] ("Tiananmen," 1989b)

he did work to make them as brief and narrow as possible. Indeed, just over a month after imposing military sanctions, Bush already had begun to make exceptions and ease the restrictions. In July of 1989, Bush approved a waiver to allow Boeing to sell the Chinese government a series of Boeing 757s. These planes' advanced navigation systems were barred for export to China because of their potential military utility. However, viewing the military threat as minimal and the benefit to bilateral relations and the American economy as substantial, Bush approved the sale.[292] In October, the administration relaxed its position on the Peace Pearl Program, allowing Chinese scientists to resume their work on the planes at the Grumman plant and Wright-Patterson Air Force Base.[293] At a price tag of $550 million, the program was by far the largest of the military sanctions; so lifting it was a major concession to the Chinese.

On December 19, Bush made another important exception by approving the exportation of satellites from Hughes Electronics, an American corporation that had sold satellites to Australia and Hong Kong.[294] China had won the commercial bid to launch these satellites, but because of the potential military utility of the satellites, this export was prohibited under the sanctions. Once again, viewing the potential economic and strategic benefits as outweighing the military threat, Bush approved the waver.[295] That same month, Bush also granted the Export-Import (EXIM) Bank permission to resume loans to American corporations seeking to expand in China. On January 10, China responded to these various overtures by lifting martial law.[296] In return, the Bush administration announced the next day that it would support a reinstatement of China's lending privileges at the World Bank, so long as the Chinese could

[292](Garrison 2005, p. 120; Harding 1992, p. 229)

[293] (Lampton 2001, p. 25)

[294] (Garrison 2005, p. 119; Suettinger 2004, p. 100; Tyler 1999, p. 370)

[295] (Harding 1992, p. 252)

[296] (Harding 1992, p. 254; Tyler 1999, p. 370)

demonstrate that the loans were assisting in the provision of "basic human needs" for the Chinese people. On January 18, Beijing again responded in kind, announcing the release of 573 individuals it had imprisoned in connection to the Tiananmen protests.[297]

The next major round of negotiations and steps toward re-normalization would come in June 1990, when the Chinese agreed to allow Fang Lizhi to leave the country. Kissinger devotes an entire section of his book to negotiations surrounding Fang's release saying:

> "Fang's presence in the Embassy was a source of constant tension: the Chinese government was unwilling to let its most prominent critic leave the country…Washington was unwilling to turn over a dissident espousing liberal democracy to face harsh retribution."[298]

After more than a year of negotiations, Fang, his wife, and his son all finally left China on June 25, 1990.[299] What did the Chinese get in return? Of upmost importance was the restoration of China's full lending privileges from international financial institutions—not just those for the provision of "basic human needs". The United States and its major allies announced this policy change at the annual meeting of the G-7 on July 10, just two weeks after Fang's release. These loans were worth billions, and provided a desperately needed injection of capital into the Chinese economy, which had been under extreme duress in the aftermath of the crisis. With the resumption of international lending providing political cover, the Japanese and many other OECD countries resumed bilateral loans to the Chinese, which were even more valuable than the multilateral loans. Thus, one way of looking at the swap is that the United States secured the release of one political dissident, and China recovered over $8 billion in loans. Hardly what a hardened neorealist would expect from a reigning superpower attempting to contain a potential rising challenger.

MFN—The Beginning of a Perennial Fight:

[297] (Suettinger 2004, p. 101)

[298] (Kissinger 2011, p. 429)

[299] (Suettinger 2004, p. 110)

In the spring of 1990, Congress began considering legislation that would revoke China's Most Favored Nation (MFN) trade status, which is the foundation of the trade relationship. Without MFN, Chinese imports would be subject to prohibitively high tariffs, which experts believed would lead to at least a 50% drop in the volume of Chinese exports to America and cost the Chinese $6 billion in annual revenues.[300] The Chinese would certainly reciprocate, meaning that not only would American consumers and retailers be hurt by a sudden loss of cheap Chinese imports, but American firms that export to China, like Boeing and General Electric, would also be damaged. To demonstrate the concrete impact that revoking MFN would have, the Bush administration highlighted numerous major exports that would be lost. These included: wheat ($511 million), aircraft ($749 million), fertilizer ($544 million), cotton ($259 million), timber ($281 million), computers and electronics ($860 million), and chemical ($273 million).[301] Thus, both sides would clearly be damaged, but most experts believed that as painful as it might be for America, the Chinese economy would suffer even greater damage.[302]

How could Congress deny China MFN status? The 1974 Jackson-Vanik Amendment specified that in order for "nonmarket" countries to receive MFN, the President had to submit an annual recommendation to Congress for renewal.[303] Congress could then reject this recommendation, and with sufficient votes, they could override any veto that the President might try to impose.[304] Full revocation was initially the plan that Pelosi wanted to pursue.[305] However, Stephen Solarz, the Democratic Chairman of the House Foreign Affairs

[300] (Cohen 2010, p. 221)

[301] (Garrison 2005, p. 118)

[302] (Suettinger 2004, p. 109)

[303] (Cohen 2010, p. 221; Kissinger 2011, p. 436)

[304] (Lampton 2001, p. 27-29)

[305] (Lampton 2001, p. 27-29; Suettinger 2004, p. 108-109)

Subcommittee on Asia, suggested that instead of simply revoking MFN as a means of punishment, a more effective and politically palatable tactic would be to use the threat of revoking MFN as leverage with the Chinese.

Under this course of action, America would revoke China's MFN unless it complied with various demands pertaining to human rights, proliferation, and trade. However, Bush made it clear that he would immediately veto any bill that removed MFN or tried to place conditions on it. Jean Garrison argues that the reason for this staunch opposition was the belief that:

> "If MFN was not renewed, it could reduce U.S. leverage in market-access and other issues, hurt U.S. exports and consumers, damage the nation's reputation as a reliable trade partner, hurt investors and business in Hong Kong, and set back meaningful reform in China."[306]

Democrats and other China hawks, however, were not swayed by this logic, nor were they deterred by the threat of a presidential veto. While the business community would eventually prove to be a powerful advocate for maintaining China's MFN status, the first attempt in 1990 caught both them and the administration off guard.[307] That year, neither individual corporations nor the U.S.-China Business Council (USCBC) put forth a major lobbying effort. As Dr. Robert Kapp, who became President of the USCBC in 1994, recalled, "We really came very close to losing MFN that year, which would essentially have killed trade and badly damaged overall bilateral relations."[308] Even the administration's opposition was not nearly as well organized as it would be in subsequent years. Consequently, Democrats in the House were able to achieve the two-thirds majority needed to override the President's veto, and it appeared the same would happen in the Senate. However, the Senate adjourned for the

[306] (Garrison 2005, p. 117)

[307] (Kapp, 2014; Kimmitt, 2014)

[308] (Kapp, 2014)

summer election cycle before bringing the override vote to the floor, enabling the President's veto to stand.[309]

Why was the administration so opposed to even placing conditions on MFN? First, Bush and his team knew that China would not bend to conditions. Therefore, placing conditions would eventually put the administration in the position of either having to back down in the face of Chinese resolve, which would undermine America's credibility, or actually withdrawing MFN, which would be disastrous for the American economy and the future of bilateral relations. If MFN were actually revoked—regardless of when or for what reasons—China would most certainly retaliate by levying comparable tariffs on American exports. This would lead to major losses of market access for American corporations, and their foreign competitors would undoubtedly take advantage of this unilateral exit. Furthermore, revoking MFN would undermine the emerging private enterprises that many hoped would be the ultimate source of liberalization in China.[310] Richard Solomon, the Assistant Secretary of State for East Asian and Pacific Affairs in the Bush Administration, summarized this view in Congressional testimony.

> "Mr. Chairman, I for one have faith in the dynamism of the marketplace, in the inexorable effect of economic modernization on social and political reform. We should not underestimate the power of international commerce as a force for change. So long as China is engaged economically, the very forces for reform that boiled over at Tiananmen will be in play."[311]

This logic managed to persuade enough Senators, including Montana Democratic Senator Max Baucus, to sustain the President's veto. Baucus' support no doubt was in large part because the loss of grain exports to China would have a serious negative effect on many of Baucus' constituents. Nevertheless, at the Senate hearing, he gave a good summary of the neoliberal beliefs underlying the support for comprehensive engagement.

[309] (Cohen 2010, p. 222; Tyler 1999, p. 372-373)

[310] (Harding 1992, p. 266)

[311] (Solomon 1990)

> "Economic sanctions could cause China to further withdraw from the world community. Remember, the positive changes we saw in China in the 1980s were closely linked to expanding economic ties to the West. If the economic ties to the West are broken, the incentive for further progress will be gone…Furthermore, I am not willing to sacrifice the interests of American farmers and businessmen and workers in a hollow show of outrage. And unfortunately, I believe withdrawing MFN would be just that, a hollow show of outrage."[312]

Despite their failure, the proponents of placing conditions on MFN came back every year to fight the administration. Over time, their list of conditions grew to include concerns about forced abortions, prison labor, imprisonment of non-violent dissidents, aid to the Khmer Rouge regime, and treatment of ethnic minorities. It also included security concerns, like China's proliferation of nuclear and missile technology to the Middle East, and diplomatic disputes, like China blocking Taiwan's accession to the GATT and other international institutions.[313]

For example, Nancy Pelosi's May 2, 1991 bill, *H.R. 2212 or the United States-China Act of 1991*, stated:

> "The Government of the People's Republic of China…continues to engage in flagrant violations of internationally recognized human rights…is engaging in unfair trade practices…and has not demonstrated its willingness and intention to participate as a full and responsible party in good faith efforts to control the proliferation of dangerous military technology and weapons."[314]

Pelosi's bill went on to specify that the President could not renew MFN unless he certified to Congress that China had published a list of all those arrested in the Tiananmen crackdown and disclosed their fates, released those still in custody, and made general progress in missile proliferation, and trade compliance. The motivation for this bill was, once again, frustration with China's lack of political reform, continued concerns about China's role in missile proliferation, and unfair trade practices, which Pelosi and others believed were

[312] (Baucus et al. 1990)

[313] (Cohen 2010, p. 225; Harding 1992, p. 268; Suettinger 2004, p. 108-109)

[314] (Suettinger 2004, p. 119)

contributing to the $6.2 billion US-China trade deficit in 1989, which rose to $10.4 billion deficit in 1990.[315]

Despite these concerns, Bush was even more committed in 1991 than he had been the year before to ensuring that Congress would not tamper with or place conditions on China's MFN. In vetoing the bill, Bush said:

> "If we present China's leaders with an ultimatum on MFN, the result will be weakened ties to the West and further repression…not…progress on human rights, arms control, or trade."[316]

This was generally reflective of Bush's neoliberal view that comprehensive engagement combined with raising specific areas of concern through diplomatic channels was a better approach than isolation or even conditional engagement. As Baker would describe this neoliberal view of history: "History shows that economic and political reform are but two sides of the same coin. Give someone economic freedom and they will want political freedom."[317]

The President was so committed to engagement that he not only vetoed the measures in 1991 and 1992, but he also vetoed a similar bill to restrict trade that Congress sent him in September 1992. This forced the President to make an incredibly unpopular decision in order to preserve the relationship amidst a bitter campaign with Bill Clinton. His willingness and ability to do so only underlines Bush's unshakeable commitment to neoliberal engagement.

Despite unwavering opposition to any measure that threatened the trade relationship as a whole, Bush did not shirk from getting tough with China in specific areas where it was violating trade agreements. For example, on April 26, 1991 the U.S. Trade Representative launched an investigation of China's violation of intellectual property rights, particularly in the areas of pharmaceuticals, software, music, and books.[318] If the investigation found China in

[315] (Suettinger 2004, p. 277)

[316] (Suettinger 2004, p. 134; See Bush 1992 for orginal)

[317] (Baker, 1995)

[318] (Harding 1992, p. 281)

violation, tariffs could soar as high as 100% of the losses American companies had suffered as a result of Chinese firms' IP violations.[319] The USTR announced that a satisfactory agreement with China had not been reached in November of 1991, and that 100% tariffs would be placed on an assortment of Chinese exports, totaling over $1.5 billion. However, after China made a range of last-minute commitments to improve IPR enforcement (promises the Chinese ultimately failed to uphold), the charges were dropped in January of 1992.[320] The U.S. also threatened harsh reprisals if Beijing did not cease and desist with its proliferation efforts after a report confirmed Beijing had sold M-9 and M-11 missiles to Syria and Pakistan and helped the Algerians to build a nuclear reactor.[321]

However, these actions did not seek to constrain China's economy. Instead, they were merely designed to leverage the Chinese to cease practices that violated international law and that imposed direct harm (in an absolute sense) on American interests and the American economy. However as the previous discussion indicates, the administration rarely followed through in actually imposing sanctions…even within this highly constrained frame. In the few instances they did follow through, they provided numerous exemptions. Therefore, the administration's policies were a far cry from the sort of comprehensive sanctions regime we might see in a true strategy of containment like that employed against the Soviets during the Cold War or against various "rogue actors" like North Korea and Iran today.

Historical Re-cap:

George Bush entered office personally invested in building upon the positive relations between Beijing and Washington that had been growing stronger and stronger throughout the 1980s. However, in the first year of his Presidency, he would face the biggest crisis in U.S.-

[319] (Suettinger 2004, p. 120)

[320] (Suettinger 2004, p. 132)

[321] (Suettinger 2004, p. 121)

China relations since normalization. Footage of the brutal crackdown at Tiananmen was broadcast on loop in homes across America. Convinced that the long Cold War was thawing and that the ultimate triumph of capitalism, liberalism, and democracy were imminent, the American people refused to allow their President to simply brush aside this brutality in the name of America's "strategic interests."

This set the stage for a protracted series of battles between the President and Congress over China policy. Because Bush was willing to fight, however, he ultimately succeeded in shepherding the relationship through the next few turbulent years. Indeed, despite presiding over the "perfect storm" in relations with Beijing, Bush remained fully committed to a strategy of comprehensive engagement. This commitment was founded on a set of core neoliberal beliefs that held that America's economy would benefit from trade with China and that the best way to spur reform in China's internal policies and moderate its foreign policies was through increased political, economic, cultural, and military engagement. Commercial interdependence, in particular, was seen as sowing the seeds of democracy and capitalism and minimizing the chance of conflict by providing Beijing with powerful incentives to maintain a moderate foreign policy.

Findings:

Assessing the Bush Administration's Policies:

So where does all of this place the Bush administration on the relative vs. absolute gains spectrum? The administration's response to Beijing in the immediate aftermath of Tiananmen certainly bears no resemblance to *containment*. Quite the opposite of capitalizing on public anger to provide political cover for a more aggressive containment strategy, the administration did all it could to temper the response of Congress. In fact, when specifically

asked whether there was any discussion about using Tiananmen as political cover for adopting a harder line with Beijing, Secretary of State, James Baker was almost incredulous:

> "I don't think it's even logical to surmise that that might've happened. There was no thought given to containment…not even in the least. The sanctions were imposed not because of fear that China was going to grow economically, but because of what they did at Tiananmen—the human rights violations."[322]

Indeed, one of the most telling examples of the administration's desire to preserve comprehensive engagement was President Bush's highly secretive letter to Deng Xiaoping on June 20, 1989. In the letter, President Bush referred to Deng Xiaoping as "my old friend," and tried to excuse those punitive actions that he had already taken by saying:

> "The actions that I took as President of the United States could not be avoided. As you know, the clamor for stronger action remains intense. I have resisted that clamor, making clear that I did not want to see destroyed this relationship…I explained to the American people that I did not want to unfairly burden the Chinese people through economic sanctions."

This letter is particularly insightful because Bush knew that only his closest advisers (Baker, Scowcroft, and Sununu) would see it, which allowed him to speak candidly. It also confirms that the punitive actions he had authorized did not reflect his own personal desire, but instead reflected the political realities he was facing. Despite this domestic opposition, however, the President was doing everything in his power to preserve the relationship. While President Bush, Secretary Baker, and others did condemn the crackdown, they also repeatedly emphasized the critical importance of the relationship to America's economic and strategic interests.

Bush also took enormous political risk in sending his National Security Adviser and Deputy Secretary of State to Beijing just over a month after the crackdown, and this only underscores how committed he was to preserving his strategy of comprehensive engagement. The President also extended MFN in 1989 without conditions, and pushed hard for other members of the G-7 not to impose more sweeping sanctions at the July meeting in Paris. He

[322] (Baker, 2014)

even expended enormous energy and political capital in blocking Pelosi's student bill, which was only of symbolic significance. Finally, and most importantly, Bush vehemently opposed calls to place conditions on China's MFN status, which would have been the corner piece of a conditional approach. In fact, in each of the remaining years of his presidency, Bush not only vetoed legislation that would have stripped China of MFN, but also worked tirelessly to ensure sufficient votes in the Senate to sustain this veto. As Doug Paal, the President's Senior Director for Asia on the NSC, recalls:

> "All along, we were lobbying for legislators to minimize the extent of the sanctions both in terms of scope and duration. We would spend hours on the phone and having people to the White House before any key vote, and afterwards we would have any senators who voted with us up to the White House for celebratory drinks. It really was a full effort by the whole team—including the President—behind the scenes to do everything we could to prevent Congress from being any harsher than it had to be in its response.[323]

In fact, long-time China hand Donald Keyser recalls that even the Defense Department, where one might most expect to find advocates for containment, "was fighting a rear-guard action against the domestic politics" in the hopes of resuming military sales with Beijing.[324] Likewise, General Sealock says that DOD "was actually trying to aid Americans in getting into China to do business, because we felt that building the commercial relationship was of great strategic importance."[325]

Therefore, we see across the administration, from the top to the bottom, a strong belief that unconditional and comprehensive engagement had to be maintained, and a willingness to expend serious political capital both domestically and internationally to achieve this goal. This is an explicit rejection of conditional engagement, and it is hard to imagine anything being more diametrically opposed to what a neorealist strategy of containment would predict. In light

[323] (Paal, 2014)

[324] (Keyser, 2014)

[325] (Sealock, 2014)

of these findings, Table 5.1 below summarizes the administration's position on the engagements vs. containment spectrum.

Table 5.1

Bush 41 Administration's Position on Engagement

Policy Area	Preferred Approach
Overall Approach	Comprehensive Engagement
Response to Crises	Comprehensive Engagement
Handling Congress	Comprehensive Engagement

Why Such Strong Support for Engagement?

The next section of this chapter uses process tracing to explore why the administration was so committed to this strategy of comprehensive engagement. To answer this question, I will evaluate the relative salience of various potential explanatory factors, classifying each as a *causal, reinforcing, facilitating, negative,* or a *non-factor*. In this analysis, *causal factors* are those that are necessary to understand why each administration elected to pursue engagement.[326] *Reinforcing factors* are neither necessary, nor sufficient to the administration's initial preference for engagement. However, they did provide additional affirmation and/or confirmation in support of engagement. *Facilitating factors* were not driving the administration's initial decision, but they were nonetheless assisting officials in actually executing their preferred engagement strategy. *Negative factors* worked against the

[326] The threshold for being causal in this analysis is only necessary. The factor does not have to be solely necessary and sufficient in order to warrant classification as causal.

administration's desired strategy, either by providing reasons not to pursue it or by complicating the executive branch's ability to follow-through on that strategy. *Non-factors* simply had little to no influence on the administration's choice of strategy or its ability to execute that strategy.

Cost-Benefit Analysis:

So why were Bush and his senior advisers so committed to a strategy of comprehensive engagement? The simplest answer is that they conducted a basic cost-benefit analysis (CBA) of both engagement and containment, and concluded that a policy of engagement better served America's interests in the short and long-term. The administration believed that China was going to emerge as a "Pacific colossus".[327] Trying to contain China might slow its growth, but it would not stop it completely. While engaging China did not ensure that it would develop into a "responsible stakeholder," this strategy at least preserved that possibility. In contrast, trying to ostracize or contain China assured its rise as a revisionist power, bent on dismantling the liberal order. As Secretary of State James Baker said, "We didn't believe China was destined to be our enemy, so why would we make it our enemy by containing it?"[328] When faced with the choice of turning a major nuclear power with over one billion citizens in the center of Asia and a seat on the United Nations Security Council into an assured enemy or preserving the possibility of cooperative—if not amicable—relations, senior officials in the executive branch overwhelmingly opted to preserve the opportunity for cooperative relations.

Engagement also brought many benefits for America. It allowed for cheap Chinese imports to boost the American consumer market, and offered American corporations access to vast labor markets in China. A cooperative China would also be an immensely helpful partner in curbing global missile and nuclear proliferation and could help put pressure on rogue

[327] (Baker 1995, p. 100)

[328] (Baker, 2014)

regimes in Pyongyang, Phnom Penh, Tehran, Baghdad, and Damascus. In contrast, trying to ostracize or contain China would only encourage Beijing's support for these pariah states, which could include everything from financial aid, to arms sales, to providing diplomatic cover at the United Nations. On the economic front, containment would result in a loss of market share for American companies in China—a vacuum that foreign competitors would no doubt fill. Therefore, there were serious short-term and long-term costs associated with containment, while a policy of engagement assured substantial benefits in the short-term and held open the prospect of even greater benefits in the long-term.

Even if the administration would have been willing to suffer the costs of containment under normal circumstances, the administration had "bigger fish to fry" in facilitating the peaceful dissolution of the Soviet Union and driving Saddam out of Kuwait.[329] Creating more problems for themselves by complicating relations with Beijing was the last thing they wanted to do. Considering these facts, Bush and his team felt it only practical to pursue engagement, arguing that any attempt at containment would just be "illogical".[330]

This decision-making structure fits nicely with the basic heuristic articulated in Chapter 2. This heuristic argued that if policymakers calculate that the expected benefits **(Be)** minus the expected probability of conflict **(Pe)** multiplied by the associated costs of conflict **(Ce)** for *engagement* are greater than the expected benefits **(Bc)** minus the expected probability of conflict **(Pc)** multiplied by the associated costs of conflict **(Cc)** for *containment*, then we should expect engagement. In other words, policymakers preferred engagement with China because they calculated that **Be – PeCe > Bc – PcCc** for that particular relationship. This makes the CBA a **causal factor**, and underscores the applicability of rational choice models to this relationship.

[329] (Baker, 2014; Scowcroft, 2014; Sununu, 2014)

[330] (Baker, 2014)

Neoliberal Causal Beliefs:

However, this CBA was not taking place in a vacuum. Instead policymakers relied on a set of neoliberal causal beliefs that influenced both the inputs and outputs of the above CBA. Jean Garrison makes this argument:

> "Underpinning Bush's beliefs was a basic optimism reflecting the neoliberal assumption that trade and commercial ties promote reform…Because the Chinese needed U.S. help to sustain their levels of economic growth, the administration felt it had some leverage to encourage political reform."[331]

Bush and Scowcroft confirm this perspective in their own memoirs, *A World Transformed*. In this memoir, Bush justifies his determination to preserve the commercial relationship between the U.S. and China by saying:

> "I believed that the commercial contacts between our societies had helped lead to the quest for more freedom [in China]. If people have commercial incentives, whether it's in China or in other totalitarian systems, the move to democracy becomes inexorable. For this reason, I wanted to avoid cutting off the entire commercial relationship….We had to remain engaged with the Chinese government, if we were to have any influence or leverage to work for restraint and cooperation, let alone for human rights and democracy."[332]

This approach and these assumptions have not been without their critics. In his book, *America's Response to China,* long-time scholar of U.S.-China relations, Warren Cohen, derides the Bush administration's view that economic trade would lead to greater liberalization as "nonsense," and rebukes the administration for, "persuading themselves it [the link between commerce and democracy] was true in order to ignore the reality that they were actually strengthening a repressive regime."[333] Regardless of how strongly Cohen might reject this perspective from a prescriptive standpoint, however, his statement does confirm descriptively that this was the view of the administration officials.

[331] (Garrison 2005, p. 116)

[332] (Bush and Scowcroft 1998, p. 99)

[333] (Cohen 2010, p. 263)

In recent years, some of Bush's own advisers have conceded that the changes they anticipated in China have yet to transpire. However, in doing so, these officials have only re-affirmed how powerful this neoliberal heuristic was in their initial decision-making calculus. For example, Baker said:

> "China's economic rise is one of the most significant events of the last maybe 30, 40, 50 years. And I for one questioned whether it could happen without political change, because I'm a firm believer that the minute you give a people economic freedom, they're going to want political freedom. I've been expecting that crunch point for a long time, and it still hasn't come yet."[334]

In short, the administration and its critics might disagree about the merits of the various neoliberal beliefs that were underlying the administration's CBA. However, both sides agree that these beliefs were a powerful factor, making policymakers' beliefs a **causal factor** in the administration's approach. As articulated in the theory chapters, the presence of these neoliberal beliefs is compatible with a rationalist framework, which accepts that individuals do approach decisions with beliefs about cause and effect relationships. Thus, both the CBA framework, and the causal beliefs that operationalized that framework are necessary to understand the pervasive consensus behind engagement.

Path Dependency:

This potential explanation is asking whether the relationship had become so powerful and complex by Bush 41's term that the sheer inertia of continued engagement was too powerful to overcome. President Bush and his advisers emphasized that they "certainly did not want to completely break the relationship we had worked so hard to build since 1972."[335] This sentiment was especially strong for officials like Bush, Baker, and Scowcroft, who had a long personal history in building America's relationship with China. Regardless of the personal investment that these individual men might have put into the relationship, however, it is

[334] (Baker, 2014)

[335] (Bush and Scowcroft 1998, p. 99)

difficult to make a path dependency argument at the macro level. In 1989, U.S.-China trade was only around $17.7 billion, with the U.S. running a $6.1 billion deficit.[336] By comparison, the American economy at that time was over $5.6 trillion.[337] Thus, while it would have been costly to disentangle the relationship, it would not have been prohibitively costly at that point.

What was far more at stake in 1989 was not the past, but the future. To the extent that corporations and other interests advocated for maintaining relations with China, it was not so much to protect their current investments in China as it was to keep open the door to a market that they foresaw as having tremendous future potential. Furthermore, as students of the Cold War, Bush and his team believed that if they submitted to popular demands and ostracized Beijing, they could initiate a feedback loop that would quickly devolve to containment. Once on a course of containment, powerful interest groups would coalesce around maintaining that strategy. As President Bush put it:

> "While angry rhetoric might be temporarily satisfying to some, I believed it would deeply hurt our efforts [to bring about political and economic reform in China] in the long term."[338]

However, if the administration could remain resilient in the face of public pressure and continue promoting commercial, cultural, and political engagement, then it would be far more difficult to ever tear apart the relationship in the future. In this sense, path dependency was not so much a factor because of the effect it was having at the time, but because of the impact that leaders anticipated that it would have in the future. Containment would beget containment and engagement would beget engagement; but this tells us nothing about why they would prefer engagement to containment in the first place. To make this prior calculation requires understanding the power that neoliberal causal beliefs played in policymakers' CBA regarding the benefits of engagement and the costs of containment. If policymakers had preferred

[336] (Kennedy 2003, p. 4)

[337] (*World Economic Outlook*, 2014)

[338] (Bush and Scowcroft 1998, p. 99)

containment, it is unlikely that the relationship had become so critical to and intertwined with the American economy that it would have been impossible to shift to containment. Indeed, in the initial aftermath of Tiananmen, the administration did begin to take important initial steps towards containment in freezing China's access to international lending markets and imposing sanctions on the export of military equipment. Therefore, path dependence was a **reinforcing factor**, but it was neither necessary nor sufficient to explaining the Bush administration's perspective or policy.

The Futility of Unilateral Containment:

Another argument is that American policymakers would have preferred to pursue a strategy of containment, but their allies would not cooperate the way they had against the Soviets in the Cold War. Thus, the United States would be stuck pursuing unilateral containment, which would have had little to no effect on China.

It is true that America's allies were unlikely to commit to a long-term comprehensive containment strategy. As Robert Gates described in his memoirs, "The end of the Soviet threat also ended the compelling reason for many countries to automatically align with the United States or do our bidding for their own protection."[339] Thus, it is highly probable that any long-term strategy of containment would have been a largely unilateral effort. America's unilateral withdrawal from China would have simply handed America's foreign competitors a strong competitive advantage by not having to compete with American firms for market share in the most populous country in the world.

However, in the immediate aftermath of Tiananmen, many of America's G-7 allies were actually advocating for even harsher sanctions than the Americans were. Indeed, Bush and Scowcroft recall that at the G-7 meeting in Paris just over a month after Tiananmen:

[339] (Gates 2014, p. 150)

> "There was considerable sentiment [within the G-7] toward imposing severe sanctions on the Chinese. The President believed China should pay a price for mistreating its citizens, but he argued that the stability of the US-Chinese relationship was too important to world peace to sever it completely, as the measures would have required. After considerable discussion, during which several colleagues argued for extreme measures, the President, supported by Japanese prime minister Sosuke Uno, managed to restrict the sanctions to a reasonable and proportionate response."[340]

The President believed that engaging China was so important to the emerging "New World Order" that he not only committed to trying to help restore America's relationship with China, but also to helping China repair its relations with the rest of the West. Bush reassured Deng in a private letter on July 21, 1989 that, "the U.S. and Japanese removed some rather inflammatory language from the G-7 Communiqué" issued in July to ensure that, "in the final form it did not urge new action affecting China." Beyond helping water down the G-7's response, Bush also went on to advise Deng:

> "If forgiveness could be granted to the students and, yes, to their teachers, this would go a long way to restoring worldwide confidence. Such a move could well lead to improved relations with many countries."[341]

Bush further offered:

> "If it would be helpful to China, I could then dispatch a high-level emissary to Beijing; thus signaling to the world that our country was prepared to work our way back towards more normal relations"[342]

This response could not be more opposite from a containment strategy intent on "strangling the babe in the crib." Not only was the President doing everything in his power—and at great political expense—to preserve America's bilateral relationship with China, but he was also using his influence with other foreign leaders to temper the international response, as well. He was even trying to counsel China's leaders on how to restore their relations with other developed countries and offering to help intercede on China's behalf. Therefore, while it may

[340] (Bush and Scowcroft 1998, p. 128)

[341] (Bush and Scowcroft 1998, p. 128)

[342] (Bush and Scowcroft 1998, p. 128)

be true that America's allies would not have committed to a long-term containment effort, in the immediate aftermath of the crisis, it was actually America working to temper its allies.

However, even if the United States ultimately had been forced to rely on unilateral containment, this would still have had a constraining effect on the Chinese economy. Considering China was relying on an export-driven growth model, access to the American consumer market—by far the largest in the world—was essential to sustaining growth. Even if other states in Asia and Europe could have provided the technology and capital China needed, they would not have been able to substitute for America's consumer market as a destination for Chinese products. To this end, Doug Paal recalls that by the end of 1989, "the [American] sanctions were really hurting the Chinese, so much so that Deng was ready to accept a package deal" that involved the release of students, the cessation of efforts to jam the VOA broadcasts, agreements on missile sales, and other measures important to the Americans.[343] Therefore, even the more moderate approach that the administration pursued still had a significant impact on the Chinese economy. As Patrick Tyler describes in his book:

> "After leading the world in economic growth during the 1980s, the Chinese economy had gone keel-up after the Tiananmen crisis. Companies pulled out, expatriates fled, joint ventures collapsed, and capital retreated."[344]

In short, in the immediate aftermath of Tiananmen, America's allies wanted a harsher response, making ally preferences a **negative factor**. In less than a year, however, the other G-7 nations had lost their appetite for any form of containment. This means America would have been left largely alone in enforcing the sanctions regime. While unilateral containment would have been far less effective than a strong multilateral sanctions regime, it would still have had a significant impact on China's export-led growth model. This means that even once America's allies abandoned their support for sanctions, the futility of unilateral containment was still at

[343] (Paal, 2014)

[344] (Tyler 1999, p. 382)

best a **reinforcing factor**. However, it was never a causal factor, because the administration had no desire to contain China in the first place. In fact, the administration actually had to fight its allies to prevent them from pursuing policies that—at least in the short run—would have resembled containment.

Corporate Capture:

Another argument is that policymakers would have preferred containment, but corporations hijacked the policy process and prevented them from executing this strategy. This was a non-factor in the administration's initial response. As Robert Kapp recalls, the business community was actually relatively quiet in the months after Tiananmen, so much so that the rapid decline in membership at the US-China Business Council required the Council, which coordinated the business community's lobbying efforts, to make drastic staff cuts.[345] In fact, multiple observers commented that for a variety of reasons, the business community did not actually play a major role in the 1990 MFN debate.

Nevertheless, it is true that by 1991 and in all subsequent MFN and trade debates, the business community did become a powerful ally for the President in securing sufficient support within the Senate to preserve the commercial relationship. Thus, while corporate interests would eventually become a powerful **reinforcing factor**, initially they were **non-factors**—certainly never a causal factor.

Policymaker Miscalculation:

Arguments that U.S. policymakers made a mistake in continuing to engage China can be placed in two frames. One "mistake" argument is that American officials underestimated China's growth potential. If they had known how quickly China's economic and military power would rise, they would have been more likely to favor containment. As numerous quotes

[345] (Kapp, 2014)

from senior officials have revealed, however, they expected China to grow, but saw this as reason to engage—not contain—China. Indeed, in his book *A Fragile Relationship,* China scholar Harry Harding recalls that long-time "realist" Richard Nixon wrote a letter to numerous Senators after returning from Beijing in November of 1989, in which he argued:

> "China will inevitably become an economic and military superpower. [Therefore] It would be foolhardy, for the US to exclude itself from China's huge potential market, let alone for Washington to 'run the risk of being an adversary rather than an ally of China in the next century'"[346]

Indeed, this was the perspective of virtually every member of the Bush 41 administration that I interviewed. Maybe they did not anticipate just how quickly China would rise, but they certainly grasped the basic reality that China was destined to grow into a true "pacific colossus".[347] However, they did not fear this growth potential, but welcomed it. In fact, I explicitly asked several of the individuals I interviewed, "if you had known how rapidly China would grow, would that have made you more receptive to attempts at restraining or constraining that growth?" Secretary of State Baker's response was indicative:

> "No. Knowing that would not have mattered. As I told you earlier, we did not feel China was destined to be our enemy. So it wasn't bad that they grew, particular in that they grew by embracing our paradigm of free markets. That growth contributed to global growth, and it brought one hell of a lot of people out of poverty in China."[348]

In hindsight, therefore, Baker and others did not feel that they had made a mistake in continuing to engage China and facilitate its growth. Quite the opposite was true:

> "Our response to Tiananmen was an unalloyed success for American foreign policy because we had a President who knew the importance of maintaining that relationship. Not letting it split asunder."[349]

The second "mistake" argument is that senior policymakers' overestimated the transformative effect of engaging China. Had they known that in 2016 the transformation of

[346] (Harding 1992, p. 251)

[347] (Baker 1995, p. 100)

[348] (Baker, 2014)

[349] (Baker, 2014)

China into a liberal democracy and market economy would still be a distant visage, they would have been more likely to favor containment. This is obviously the harder "mistake" argument to refute. Several policymakers admitted that China's lack of reform and recent behavior regarding corporate espionage, regional bullying, and currency manipulation have been disheartening.[350] Nevertheless, they maintain that reform would have been even less likely and China's current behavior would be even more aggressive and revisionist if they had tried to ostracize or contain China.

In short, policymakers did expect that China would grow substantially. If they made an error, it was simply in underestimating how quickly China would rise. Nonetheless, these same policymakers maintain that since China's growth potential was the primary reason they felt it was so important to continue engaging China in the first place, then knowing that China would grow faster would only have reinforced their decision to engage. In this sense, the "mistake" argument is a **non-factor**. It is harder to rebut the claim that had policymakers known Beijing would prove so intransigent toward reform, they would still have favored the comprehensive engagement approach. However, most policymakers point out that had the United States tried to isolate or contain China, this would have only motivated China to lash out in more counterproductive and dangerous ways. Thus, this was a **non-factor** at the time, and really is not a factor in hindsight either. Certainly, neither of the "mistake" frameworks rises to the level of a causal factor. **Table 5.2** below summarizes these results:

Table 5.2:

[350] (Baker, 2014; Kimmitt, 2014; Paal, 2014; Scowcroft, 2014)

Assessing Explanations for Bush 41 Engagement Consensus

Reason	Type of Factor
Cost-Benefit Analysis	Causal Factor
Neoliberal causal beliefs	Causal Factor
Path Dependency	Reinforcing Factor
Futility of Unilateral Containment	Initially a Negative factor; Eventually a Reinforcing Factor
Corporate Capture	Initially Not a Factor; Eventually a Facilitating Factor
Policymaker Miscalculation	Not a Factor

Implications for H1-4 and C1-2:

The following paragraphs assess whether this case study supports or rejects the hypotheses laid out in this thesis. The fact that the CBA and policymakers' neoliberal causal beliefs undergirding this CBA were the only necessary factors in explaining the administration's decision to pursue an engagement strategy affirms both **Hypothesis #1** and **Hypothesis #2**. However, as **Hypothesis #3** would expect, the Bush administration was not blindly and indiscriminately applying these neoliberal beliefs to relations with all countries. Indeed, America remained committed to containment with other nations while continuing to engage China. Thus, while both policymakers' CBA and the neoliberal beliefs undergirding it were necessary, neither is alone sufficient. Only when considered together are they both necessary and sufficient.

Finally, as **Hypothesis #**4 would anticipate, there was a major re-assessment of Bush's engagement strategy and the neoliberal beliefs undergirding it in the aftermath of Tiananmen. In Chapter 2, I identified four types of behaviors that would cause this sort of re-assessment: using force to grab territory, intentionally supporting terrorist groups that threaten America and its allies, committing genocide, or violently suppressing democratic movements. The President and his team ultimately decided to continue with engagement, but the majority of Congress and the American people wanted a far more hardline response.

Given this domestic opposition to continued engagement, it is easy to see how a different man in the White House could have succumbed to these demands or even encouraged them. This is why my theory does not say that any action—even an invasion of another state—will inevitably result in policymakers abandoning engagement for containment. It only asserts that these sorts of behavior will lead to a re-evaluation of engagement. A range of other factors at the individual, bureaucratic, domestic, and international levels then come into play, and the interaction of these variables ultimately determine whether this re-evaluation will result in an actual policy reversal. In this instance, there was a behavior that fell into one of the four categories. It did spark a re-evaluation of policy throughout the government, but did not ultimately result in a reversion to containment. All of this is consistent with **Hypothesis #4**.

The fact that the President managed to salvage the fundamentals of his engagement strategy, despite vehement opposition from the media, Congress, and the American public attests to the power of the Executive over China policy, and hence affirms **Corollary #2**. However, because Bush came into office already a strong proponent of engagement with China, there is no evidence with which to judge **Corollary #1** for this chapter. These results are captured in **Table 5.3**.

Table 5.3

Evaluating Hypotheses for Bush 41 Administration

Hypothesis #1	Affirmed
Hypothesis #2	Affirmed
Hypothesis #3	Affirmed
Hypothesis #4	Affirmed
Corollary #1	Not applicable
Corollary #2	Affirmed

Chapter 6 William J. Clinton

From the "Butchers of Beijing" to "Strategic Partners"

Executive Summary: This Chapter evaluates the applicability of my four hypotheses and two corollaries to the William J. Clinton administration. It finds that while the administration initially pursued a strategy of conditional engagement, it quickly returned to the comprehensive engagement strategy that had guided its predecessors. The President and his team made this switch from conditional to comprehensive engagement after a rational cost-benefit analysis (CBA) that evaluated the short and long-term costs and benefits of both strategies **(H1)**. This CBA relied on a powerful set of neoliberal causal beliefs about the transformative and pacifying effects of engagement **(H2)**. However, the administration did not apply these beliefs to relations with all states, which makes this a predominantly rational—as opposed to ideological—explanation **(H3)**. Consistent with my behavior-centric model, Beijing's military posturing in the lead-up to Taiwan's first democratic elections forced the administration to re-evaluate their engagement strategy **(H4)**. However, because Taiwan's President was viewed as being unnecessarily provocative and because the Chinese quickly backed down after the election, the Clinton administration's re-evaluation of its engagement strategy did not result in a reversion to containment. President Clinton's quick adoption of Bush 41's comprehensive engagement strategy, despite being fiercely critical of this approach during the 1992 Presidential Campaign, supports **(C1)**. This abandonment of conditional engagement faced fierce domestic criticism, but as **(C2)** anticipates, President Clinton prevailed in steering the country towards a more comprehensive engagement of China despite his detractors.

Introduction:

The Clinton Administration came to power with the express intention of "getting tough with China". Clinton campaigned against the Bush administration's conciliatory approach to China, accusing Bush's team of "coddling the butchers of Beijing."[351] Clinton believed that in the post-Cold War era America could and should "integrate the values and interests of the United States into one grand engagement strategy."[352] Turning a blind eye to brutal violations like the Tiananmen crackdown could not be tolerated—no matter how economically or

[351] (Garrison 2005, p. 131)

[352](Garrison 2005, p. 134)

strategically important Beijing might be. Indeed, the fact that China was growing so powerful made it all the more critical for China to comply with international norms of acceptable behavior concerning both external and internal policies.

Therefore, candidate Clinton endorsed proposals from Pelosi, Mitchell, and others to withhold China's MFN status unless Beijing made measurable progress on a range of fronts, including human rights, proliferation, and trade. Clinton and his advisers did not want to see MFN revoked. Nevertheless, they felt the administration had to demand progress on human rights, and believed the fact that the Chinese were running a $15 billion a year trade surplus with America meant that MFN was more important to China than it was to the United States. To squander that leverage was inexcusable.[353]

However, even in this initial policy approach, the presence of a powerful set of neoliberal causal beliefs was abundantly clear. As candidate Clinton said in 1992:

> "China cannot forever withstand the forces of democratic change…One day it will go the way of the Communist regimes in Eastern Europe and the former Soviet Union. The United States must do what it can to encourage that process."[354]

The reason the U.S. should "encourage that process" was because the ultimate goal of Clinton's post-Cold War foreign policy was "to expand and strengthen the world's community of market-based democracies…to enlarge the circle of nations that live under those free institutions."[355] Since Russia and the other former Soviet Republics were making significant progress toward joining this "community of market-based democracies," the main holdout was China. Warren Christopher stated in his confirmation for Secretary of State that one of the new administration's top priorities, "will be to seek a broad, peaceful evolution in China from

[353] (Mann 1999, p. 276)

[354] (Rosenthal, 1993). See also (Lampton 2001, p. 32)

[355] (Clinton, 1993 Address to the U.N. General Assembly)

communism to democracy by encouraging the forces of economic and political liberalization."[356]

However, while Clinton and his team were unabashed in their hopes to transform China, there was no desire to contain China. In fact, containment and isolation were seen as prohibiting transformation. Long-time China observer and realist, Henry Kissinger, confirms this in his book, *On China*:

> "The new administration's aggressive human rights posture was not intended as a strategy for weakening China or gaining a strategic edge for the United States. It reflected a general concept of world order in which China was expected to participate as a respected member. From the Clinton administration's point of view, it was a sincere attempt to support practices that the President and his advisors believed would serve China well."[357]

Thus, unlike some in Congress, Clinton and his team did not view ostracizing or containing China as the most effective means of achieving reform, and they certainly did not view containment as a desirable end in itself. As Christopher says, "In Congress, pressures from the far right and the far left constantly push and pull us to isolate China, but this is a sure way to turn an adversary into an enemy."[358] Instead, the President's long-time friend and U.S. Trade Representative, Mickey Kantor, describes the administration's policy this way: "The Clinton Doctrine was not mutually assured destruction and a policy of containment, but mutually assured prosperity and a policy of engagement."[359]

However, Clinton and his team failed to anticipate how intransigent Beijing would prove in refusing to accede to any of the conditions that the administration placed on engagement. Therefore, the dramatic transformation in Clinton's approach to China that took place in 1994 did not represent a newfound appreciation for the power of engagement and economic interdependence. The belief that interdependence and engagement were the best

[356] (Garrison 2005, p. 133; Mann 1999, p. 276)

[357] (Kissinger 2011, p. 462)

[358] (Christopher 2001, p. 358)

[359] (Garrison 2005, p. 156)

ways to achieve both political and economic liberalization was present from the beginning. What changed was merely the recognition that the practicality and utility of placing conditions on MFN was proving futile and counterproductive. The Chinese would not relent, and severing trade would hurt both America's economy as well as the prospects for reform in China.

After reversing course and deciding to de-link MFN from human rights issues in 1994, Clinton never relented in his push for broader engagement. This commitment not only persisted, it actually increased. It increased despite serious tensions in the Taiwan Straits, numerous allegations of illegal contributions to Clinton's campaign from the Chinese government and military, and the politically charged revelation of a Chinese spy-ring that had successfully penetrated and compromised America's most sensitive nuclear secrets. Through all of this, Clinton continued to face vehement opposition to his strategy of broad-based, comprehensive engagement from labor, environmental, and human rights groups in his own party and from pro-Taiwan and anti-communist factions in the Republican Party. The politically expedient option would have been to relent under this pressure and adopt a more hardline approach. However, Clinton pushed through this opposition and ultimately prevailed in securing the foundations of US-China economic engagement by achieving a bilateral agreement for China's accession to the WTO and granting China Permanent Normal Trade Relations (PNTR) by the end of his second term.

In short, Clinton was the candidate who ridiculed Bush's coddling of the "butchers of Beijing", but he became the President that worked tirelessly to facilitate China's accession to the WTO and secure China's PNTR status. He is now the former President who considers these achievements two of the most important and lasting aspects of his legacy.[360]

[360](Tyler 1999; p. 386-387)

What would a relative gains policy have looked like?

Before jumping to detailed analysis of the Clinton administration's record on China, I first want to adapt the general framework for distinguishing among *containment, conditional engagement,* and *comprehensive engagement* that was developed in Chapter 4 to the specific issues the Clinton administration faced.

General Approach

A **containment** strategy would have never considered WTO accession or PNTR extension. Instead, it would have done everything in its power to revoke China's annual MFN and to impose sweeping sanctions, regardless of Chinese behavior.

A **conditional engagement** strategy would have imposed conditions on continuing to engage China. If China failed to meet these conditions, then MFN would be withdrawn until China complied. Because of the powerful leverage of threatening to revoke MFN, PNTR would only have been considered if China was consistently meeting Washington's annual conditions.

A **comprehensive engagement** strategy would have favored both the annual extension of MFN and the permanent provision of PNTR without conditions.

This chapter will demonstrate that while the administration initially pursued a strategy of conditional engagement, they quickly moved to one of comprehensive engagement.

Historical Record:

Linking human rights and MFN:

Clinton campaigned in 1992 against Bush's "coddling" of Beijing and vigorously endorsed Senator Mitchell and Congresswoman Pelosi's attempts to place conditions on China's MFN trade status.[361] Once in office, however, the realities of actually executing that policy proved far more difficult than candidate Clinton had anticipated. Even if breaking trade ties would hurt the Chinese economy more than the American economy, Beijing maintained that it could endure the pain longer than Washington. This was, after all, the regime that had tolerated the loss of over 30 million of its citizens in the Great Leap Forward and sacrificed countless millions more in wars with its various enemies. A loss of foreign trade—no matter how costly—would not force Beijing's hand. [362] Robert Kapp, who was the President of the US-China Business Council, put it bluntly, "Clinton said, 'the condition for any further renewal (of MFN) is substantial and meaningful progress on human rights in China.' But the Chinese basically ignored his threat."[363]

In the face of Beijing's dogmatism, Clinton and several members of his team began to alter their stance shortly after taking office, as we would expect from an administration constantly assessing and adjusting its CBA. However, this placed the administration in a political predicament.[364] The president and his surrogates had been unequivocal during the campaign about the need to impose conditions on MFN, and they were under intense pressure to deliver on these promises. Despite this pressure, Ambassador Stapleton Roy, Secretary of Commerce Ron Brown, Secretary of Treasury Lloyd Bentsen, and Chair of the National Economic Council Bob Rubin all strongly opposed placing any conditions on MFN. However, the President's political advisers, as well as Secretary of State Warren Christopher, Assistant

[361] (Tyler 1999, p. 386-387)

[362] (Kissinger 2011, p. 470)

[363] (Kapp, 2014)

[364] (Lampton 2001, p. 41-43; Tyler 1999, p. 392-393)

Secretary of State for East Asia Winston Lord, and National Security Advisor Tony Lake strongly supported linking human rights and MFN.

Ultimately, Clinton went with the latter group of advisers, but he did insist on moderating the approach. First of all, he wanted the conditions to only deal with human rights issues—not missile proliferation, trade disputes, or any of the other laundry list of items contained in Pelosi and Mitchel's legislation. Second, the administration wanted to water down the language on the human rights conditions and make it more ambiguous. This would ensure the administration greater flexibility in negotiations with Beijing. Third, instead of demanding immediate compliance, they wanted to give Beijing a full twelve months to meet the conditions. This extended MFN without conditions in 1993, but renewing that extension in 1994 would be conditional. Fourth, they did not want to give the impression that more and more conditions would be placed in subsequent years, fearing that the prospect of indefinite conditions would stiffen Chinese resolve to resist compliance. Finally, the administration wanted the conditions to come in the form of an executive order, as opposed to legislative action. Once again, this would preserve maximum autonomy and flexibility for the administration in implementation.[365]

All of this required Pelosi and Mitchell to drop their own bills and support the executive order as a replacement, which they did. In fact, there was no meaningful protest from the human rights crowd because they felt confident that the President was fully committed to achieving the concessions before renewing MFN. Thus, Executive Order 12850, which imposed conditions on the extension of MFN for the first time, was signed with much fanfare on May 28, 1993.[366] Members of the administration were enthusiastic, believing they had fulfilled their campaign pledge and pacified Congress while still retaining considerable

[365] (Lampton 2001, p. 39-41; Suettinger 2004, p. 168; Tyler 1999, p. 393-394)

[366] (W. Clinton, 1993)

flexibility and autonomy in actually administering the policy.[367] At the public signing of the Order, Clinton celebrated the end of "annual battles between Congress and the Executive over MFN," and the renewed ability of the U.S. government to "speak with one voice on China policy."[368] Clinton announced triumphantly that, "We no longer have an executive branch policy and a congressional policy. We have an American policy!"[369]

However, in many ways, this policy was driven more as a response to Congressional pressure than a natural reflection of Clinton's own perspective on foreign policy. Sandy Berger was the administration's chief negotiator with congressional Democrats, and the man Jean Garrison referred to as, "Clinton's closest and most trusted foreign policy adviser."[370] In later years, he argued that the purpose of doing the Executive Order and working with the Democrats in Congress was to avoid the possibility of ever actually having to revoke MFN while simultaneously avoiding a massive dispute with Congress over foreign policy during the first six months of the administration. In our interview, Mr. Berger affirmed that position:

> "I think President Clinton knew from the beginning that China was extraordinarily important to the United States and that we needed to get this relationship on a better footing, but he had Congress to contend with. That's why I negotiated the deal between the White House and the Hill."[371]

De-linking human rights and MFN:

The decision to place formal conditions on the extension of China's MFN did not prove to be the administration's greatest foreign policy success. America's ambassador in Beijing, Stapleton Roy, confessed that, "We made an enormous mistake by linking our human rights interest to our trade interest."[372] The Chinese followed through on their promise to reject the

[367] (Berger, 2015; W. Clinton, 1993)

[368] (W. Clinton, 1993)

[369] (W. Clinton, 1993)

[370] (Garrison 2005, p. 149)

[371] (Berger, 2015)

[372] (Roy, 2014)

premise of conditionality, and proved unwavering in their refusal to comply with the conditions. China's determination was placed on full public display during Warren Christopher's 1994 visit to Beijing.[373] The trip had been a last-ditch effort to secure at least moderate compliance with the conditions.[374] However, the Chinese not only refused to relent, but they also unleashed a barrage of criticisms on Christopher that long-time diplomat Winston Lord would later describe as "the most brutal diplomatic exchange I'd ever witnessed."[375] In addition to the lashing Christopher took from the Chinese, the American business community in Beijing also berated Christopher for holding the economic relationship hostage to intractable disagreements on human rights.[376] The trip was such a disaster that Christopher considered resigning as Secretary of State.[377]

Having failed to secure any meaningful concessions, the administration sent Richard Armacost to Beijing in the final weeks before Clinton had to make a decision about MFN.[378] Armacost was grasping for even minor concessions that would allow the administration to extend MFN without a total loss of face.[379] Sensing the administration's desperation, however, the Chinese did not budge. They released one prisoner but made no meaningful long-term policy commitments.[380] Thus, the stage was set for the final showdown. Would Clinton back down, despite achieving virtually none of his stated conditions, or would he revoke MFN?

Despite all of the debate on the policy throughout the previous twelve months, even those in the administration who had originally supported conditionality conceded defeat in the

[373] (Tyler 1999, 406-408)

[374] (Lampton 2001, p. 44)

[375] (Lord, 2014)

[376] (Suettinger, 2004)

[377] (Suettinger 2006, p. 280)

[378] (Burghardt, 2014)

[379] (Paal, 2014)

[380] (Tyler 1999, p. 410-412)

end. In fact, White House Chief of Staff, Leon Panetta, described the consensus as unanimous. Regardless of the human rights and proliferation concerns that individual members or interests groups held, Panetta said there was a general recognition that "trade was important for us all."[381] Even Warren Christopher, who described himself as the last holdout for MFN conditionality, ultimately conceded that, "While we would continue to press for human rights improvement in China, we could no longer use an economic club to force change."[382]

The final decision was made at a May 23 Principles Meeting that included the President. On May 26, Clinton announced publically that even though "serious human rights abuses continue, I have decided that the United States should renew most-favored-nation trading status toward China."[383] Clinton justified this decision on the grounds:

> "Extending MFN will avoid isolating China and instead will permit us to engage the Chinese…I am moving, therefore, to delink human rights from the annual extension of most-favored-nation trading status…The question is not whether we continue to support human rights in China, but how we can best support human rights in China and advance our other very significant interests and issues. I believe we can do it by engaging the Chinese…I believe this is in the strategic, economic, and political interests of both the United States and China."[384]

This sweeping announcement marked the beginning of the administration's new strategy of "comprehensive engagement."[385] In response, Mitchell, Pelosi, and others in Congress revived the legislation they had set aside the year prior, leaving Clinton to face the same bitter dispute with Congress that George Bush had faced and that Clinton had so desperately hoped to avoid. As Jesse Helms, the chair of the Senate Foreign Relations Committee rebuked:

> "(In renewing China's MFN), the President is discarding what he once proclaimed to be steadfast principles. And he is doing it in a shameful kowtow to China's Communist emperors…As a candidate, Mr. Clinton viciously attacked George Bush for 'coddling

[381] (Garrison 2005, p. 143)

[382] (Christopher 2001, p. 348)

[383] (Lampton 2001, p. 44-45; Suettinger 2004 p. 196)

[384] (W. Clinton, 1994)

[385] (Lord, 2014)

> the dictators in Beijing'… However, once in office, President Clinton has preferred Mr. Bush's soft approach"[386]

Rationale for de-linking human rights and MFN:

Over the subsequent seven years, Clinton would take on the mantle of fighting Congress every year to ensure the renewal of China's MFN status. In fact, Kissinger agrees with Berger and other administration officials that despite the initial decision to link MFN to human rights, Clinton never actually intended to change the basic tenants of Sino-American cooperation that had guided his five predecessors. Quite the contrary, Clinton's main motivation in imposing the conditions to start with was "because he sought to protect China policy from the swelling congressional onslaught that was attempting to deny MFN to China altogether."[387] Kissinger goes on to say:

> "Like all his predecessors and successors, he [Clinton] came to appreciate the strength of Chinese leaders' convictions and their tenacity in the face of public challenge. [As a result] Clinton toned down the confrontational tactics and emphasized 'constructive engagement.'"[388]

Garrison also supports this view that "When forced to choose between human rights and his promise to put economics at the center of U.S. foreign policy, Clinton pragmatically chose economics."[389] And one need look no further than Senator Helms' complaint regarding the softness of Clinton's policy toward China to realize that it was a far cry from containment. Indeed, Helms lamented that Clinton had done the complete opposite of containment in so far as he had:

> "Weakened nonproliferation sanctions…failed to impose penalties for violating textile quotas…failed to cite or penalize lack of compliance with IPR agreements…failed to prosecute Chinese companies conducting industrial espionage…upgraded military relations with the PLA…approved the transfer of supercomputers and satellite

[386] (Helms, 1994)

[387] (Kissinger 2011, p. 469)

[388] (Kissinger 2011, p. 470)

[389] (Garrison 2005, p. 141)

> technology that China could use to upgrade its missile arsenals…and insulted Taiwan's president."[390]

Despite the critiques from Helms and others, Clinton's decision was not necessarily an abandonment of his principles. This pragmatic cost-benefit analysis also coincided with his general belief that an interdependent and interconnected world was the primary objective for the post-Cold War era.[391] This faith in the power of interdependence and engagement was shared by all of his foreign policy advisers, including his Secretary of State, who—despite being the administration's senior advocate for MFN conditionality in the first year—wholeheartedly agreed that if China was not going to comply with the conditions, it was better to abandon that policy than to adopt an isolationist approach merely to save face and score political points. To this end, Christopher remarks in his memoirs that, "Though some in Congress believed we should isolate and shun China as we had the Soviets during the Cold War, I saw that path as leading to nowhere but trouble."[392]

Suettinger and Garrison agree. There is no doubt that Clinton chose to prioritize the broader economic and strategic importance of maintaining stable relations with Beijing. However, this was not an abandonment of the human rights agenda. Clinton simply accepted that he could not bully China into reform—at least not at that point. Instead a more patient policy of engagement appeared to be the most prudent option.[393] Broad-based commercial engagement not only helped America's economic standing, it also ensured that the U.S. would be on better terms with China. Beijing's cooperation was important for many of America's other objectives ranging from missile and nuclear proliferation to securing U.N. approval for various peacekeeping missions.[394] Ironically, a chief advocate of this "enhanced engagement"

[390] (Helms, 1994)

[391] (Garrison 2005, p.141)

[392] (Christopher 2001, p. 354)

[393] (Garrison 2005, p. 141; Suettinger 2004, p. 196-197)

[394] (Garrison 2005, p. 142)

was former Democratic National Committee Chairman Ron Brown. In the year leading-up to the 1992 campaign, no one had condemned George Bush's policy of engaging Beijing more viscerally than Brown, who quipped in one interview that "MFN should stand for 'More Failed Notions' on the part of the Bush administration."[395] However, as Clinton's Secretary of Commerce, Brown:

> "Tirelessly pressed for precisely the same MFN policy he had previously denounced, speaking of unconditional MFN for China as a matter of 'economic security,' vital for America's national security."[396]

Another unlikely advocate of improving relations with China was the Defense Department. Secretary Perry in particular wanted to rekindle relations with the PLA. He recognized that unlike his days in the Carter administration, arms sales were no longer politically acceptable. Nonetheless, high-level exchanges would go a long way towards reducing tensions and fostering trust between the two militaries. Perry also wanted Beijing's help in halting North Korea's nuclear program; and in a move to reward the Clinton administration for dropping the conditions for MFN and to demonstrate their relevance, Beijing threatened to sanction North Korea if it did not halt its nuclear weapons program. Pyongyang complied immediately, demonstrating both the power that the Chinese wielded and their enhanced willingness to use this power in constructive ways once demands on their internal practices were withdrawn.[397] Perry also traveled to Beijing in December 1994. This was the first senior military delegation to China since Tiananmen, and Perry quickly authorized re-opening official dialogue between the two forces at all levels. China also agreed to cease further proliferation of the M-11 missiles, in return for America lifting many of the military sanctions

[395] (Mann 1999, p. 294)

[396] (Mann 1999, p. 295)

[397] (Mann 1999, p. 332)

that had been imposed. These sanctions, particularly those pertaining to satellite launches, had cost the PLA dearly.[398]

Imposing sanctions and granting exemptions:

On August 25, 1993, the Clinton administration did expand the military sanctions against Beijing by prohibiting the export of various satellite and missile technologies. These sanctions banned roughly $500 million of annual exports to China,[399] but the ultimate rationale for the sanctions was not to damage or constrain the Chinese economy. The sanctions were imposed only after American intelligence agencies confirmed that China had sold M-11 missile components to Pakistan.[400] Because these sales were explicitly banned under the Missile Technology Control Regime (MTCR), Clinton was obligated to impose sanctions.[401] However, the purpose was not to "contain" China's growth. The administration was simply executing its obligations under both international and domestic law.

Furthermore, Clinton could make amendments to or offer exemptions from the sanctions if he deemed it in the "national security interests of the United States" to do so; and as former State Department and NSC official Donald Keyser remembers:

> "It didn't take long for the President to exercise his waver authority…We sanctioned and like clockwork—within nanoseconds—the major U.S. satellite production and launch firms came down on us like a ton of bricks.'"[402]

In particular, two of Clinton's campaign supporters, Hughes Electronics Corporation and the Loral Space and Communications Corporation, were among the companies directly impacted by the sanctions. Hughes and Loral had received contracts to sell weather and media satellites to the Australian and Singaporean governments. The contract to then launch these

[398] (Suettinger 2004, p. 208-209)

[399] (Williams, 1993)

[400] (Tyler 1999, p. 392)

[401] (Mann 1999, p. 286)

[402] (Keyser, 2014)

satellites into space had been won by the Chinese because "by that time the Chinese launch services were a lot cheaper."[403] If the sanctions remained in place, Hughes and Loral could not fulfill their contracts. This not only meant a loss in revenues for these two large California-based companies, but it also meant a loss of jobs and tax revenue in California, which was a key electoral state and one that had already been struggling from a recession. The governments of Australia and Singapore—both important U.S. allies—also began to apply pressure for the Clinton administration to approve the sale.[404]

Under this pressure, Clinton began granting exemptions to the sanctions as early as December of 1993—less than four months after their initial imposition. Later in the administration, reports revealed that these two companies had also illegally assisted the Chinese in improving the design of the Long March rockets to ensure the safe delivery of their satellites.[405] Despite being a clear violation of the sanctions regime, the Clinton administration continued to grant these companies and others like them exemptions throughout the rest of its tenure.

Of course, satellite companies were not the only ones seeking to eliminate barriers to doing business in China. In the weeks leading up to Clinton's final decision on whether to revoke China's MFN in 1994, the White House received over 800 letters and messages from major American corporations and trade associations, pleading that he not derail economic relations by failing to extend MFN.[406] General Electric, Boeing, and Caterpillar were just a few of the other major corporations desperately wanting into the Chinese market. Adding to concerns that American companies would be forced to unilaterally forfeit critical market share to their foreign competitors if Clinton revoked MFN, the Chinese concluded a $2 billion

[403] (Keyser, 2014)

[404] (Keyser, 2014)

[405] (Cohen 2010, p. 236)

[406] (Mann 1999, p. 309)

agreement with German Chancellor Herman Kohl in the months leading up to Clinton's final decision. And Vice Foreign Minister Liu Huaqiu emphasized to Bob Rubin, Clinton's closest economic adviser, in a meeting in January 1994 that it was not only the Germans who were putting aside human rights concerns to do business with China—so were the Japanese, French, Canadians, and British.[407] This served as a powerful reminder to anyone who might have preferred to contain China—unlike the Cold War, America would have to go it alone if it wanted to try to contain China.

In short, the administration had come into office planning to make economic, political, and military engagement contingent on reforms to Beijing's human rights, trade practices, and proliferation activities. Less than a year later, however, they abandoned this conditional approach. In fairness to the administration, the change in approach was not an abandonment of their convictions. Instead, it was a practical cost-benefit assessment that the best way to achieve progress was through engaging China—not ostracizing it. This preference for unconditional, comprehensive engagement would guide the administration's policies with China for the remaining seven years.

The Taiwan Straits Crisis:

In 1994, Taiwan's president, Lee Teng-hui began waging a campaign of "vacation diplomacy" to build support for international recognition of Taiwan. As part of this effort, Lee requested to make a visit to Hawaii en route to Central America.[408] Lee knew that Clinton had visited Taiwan four times as Governor and was fond of the Taiwanese people.[409] In contrast, Clinton had never visited China, and had been openly hostile towards Beijing in his campaign rhetoric. Therefore, Lee saw an opportunity to push the new President on America's policies

[407] (Mann 1999, p. 296)

[408] (Lampton 2001, p. 47)

[409] (Garver 1997, p. 67)

towards Taiwan. Despite his campaign rhetoric, however, President Clinton was already beginning to appreciate the importance of maintaining positive relations with Beijing. Not wanting to inflame these relations, Clinton agreed to allow Lee's plane to refuel in Hawaii, but no visa would be issued. Lee could disembark for a small reception in the Air Force hangar, but he could not leave the hangar.[410]

Lee successfully capitalized on this "snub" to build Congressional sympathy.[411] As expected, the snub generated intense outrage from members of both parties in Congress. To ease this fury going into the mid-term elections, the administration relaxed travel restrictions for American officials wanting to visit Taiwan, as well as for lower level Taiwanese officials visiting the United States. However, the prohibition remained in place for the senior leadership in Taiwan. In November of 1994, Newt Gingrich led the Republicans to a historic routing of Democrats in both houses of Congress with their "Contract with America".[412] While criticism of Clinton's Taiwan policy was not one of the central tenants of this contract, the administration's refusal to grant Lee Teng-hui a temporary visa to speak at Cornell in June of 1995 had considerable symbolic significance. Lee had earned a PhD in agricultural economics from Cornell University in 1958, and many in Congress found it reprehensible that Clinton would prevent the president of Taiwan to make even a personal visit to his alma mater. Accordingly, they passed resolutions demanding that Clinton grant Lee a visa.[413]

Though the administration had previously assured Beijing that the U.S. would not issue the visa, the resolution passed the House and Senate with 396-0 and 97-1 majorities respectively.[414] While Clinton and his senior advisers desperately wanted to avoid angering

[410] (Cohen 2010, p. 232; Lampton 2001, p. 47-48)

[411] (Tyler 1999, p. 414-416)

[412] (Garver 1997, p. 68)

[413] (Lampton 2001, p. 47-48)

[414] (Garver 1997, p. 68)

Beijing, all three were in agreement that Congress was leaving them no choice.[415] However, far from issuing the visa as a way to somehow contain or punish China, Christopher says their justification was really "fear that Congress would work some mischief into the Taiwan Relations Act if we did not."[416] In this sense, the rationale could not be more opposite from containment because the goal was explicitly to pacify Congress with this symbolic measure in order to head off potentially more significant demands on substantive economic issues. Furthermore, Congress had the votes to override a veto, and a defeat in this type of visible showdown could motivate the China hawks to pursue an even more aggressive legislative agenda against China.[417]

On April 17, Secretary of State Warren Christopher communicated to Chinese Premier Qian Qichen that while he and the President did not want to grant the visa, Congress was leaving the administration no choice. On May 19, Clinton signed an executive order authorizing the visa, and Lee traveled to Cornell just a few weeks later. In what turned into a nightmare for the administration, Lee's alumni speech was far more of a policy speech about Taiwan's status than a nostalgic reflection on his time at Cornell.[418] Though Lee did not make any formal declaration of independence, many of his remarks came close to Beijing's "redline" regarding the "one-China" policy.

Crisis Erupts:

Beijing's expression of outrage was swift. Jiang Zemin recalled China's ambassador to the US, and he refused to accept the credentials of America's new ambassador, James Sasser. Jiang also cancelled ongoing dialogues with Washington, and ordered a series of military

[415] (Christopher 2001, p. 350)

[416] (Christopher 2001, p. 350)

[417] (Lampton 2001, p. 50; Mann 1999, p. 324)

[418] (Lampton 2001, p. 49; Suettinger 2004, p. 217)

exercises and missile tests in the Taiwan Straits, the first of which began on July 19.[419] The PLA's purpose in these tests and exercises was clear: to intimidate Taiwanese voters and send a clear signal of resolve to leaders in both Taipei and Washington. The intimidation strategy worked to an extent. During the exercises and missile tests, opinion polls showed declining support for independence movements among the citizens of Taiwan, with one poll showing a 7% dip after the missile tests.[420] As both domestic and international investors grew anxious, the Taiwanese economy also suffered.[421] In fact, in the weeks after the missile tests, Taiwan's stock market dropped by a third, and its exchange rate reached a four-year low.[422]

Beijing's bully tactics angered the American public, which would have made retaliating against China politically expedient for Clinton. Instead of capitalizing on public frustration, however, the Clinton administration actually sought to de-escalate the situation through a range of overtures to Beijing, including a personal letter from Clinton to Jiang, in which Clinton assured Jiang that his administration was not reversing America's established policy positions on Taiwan.[423] Clinton's reassurances came to be referred to as the "three no's": no support for Taiwanese Independence; no recognition of two China's or one China and a separate Taiwan; and no support for Taiwan's bid to join the United Nations. The letter also extended an invitation for a summit meeting with Clinton in October in New York, where they issued a "Joint Statement," in which both nations symbolically pledged, "to build toward a constructive strategic partnership."[424] Shortly after the summit, both ambassadors returned to their respective posts.

[419] (Lampton 2001, p. 52-53)

[420] (Mann 1999, p. 329)

[421] (Cohen 2010, p. 233)

[422] (Kuo 1995; Mann 1999, p. 328-329)

[423] (Lampton 2001, p. 55)

[424] (Lampton 2001, p. 55; Mann 1999, p. 330)

Despite the ease in political tensions between Beijing and Washington, all three countries' defense establishments continued contingency planning for a potential conflict. In a chilling example of how destructive a conflict over Taiwan could prove, Xiong Guangkai, who was serving as the deputy chief of the general staff and head of Chinese military intelligence, claimed the Chinese leadership doubted Washington's resolve to defending Taiwan because, "Washington 'cares more about Los Angeles than Taiwan.'"[425] Such a bold statement from one of the PLA's senior leaders sparked sufficient concern on the NSC that a wholesale re-evaluation of China policy was ordered in January 1996. This is exactly what my theory would expect, as this was a threat both against an American protectorate, as well as the American homeland, by a nuclear power.

The purpose of the review was two-fold. First it was to review various escalation models and contingency plans regarding a conflict in the Taiwan Strait. The second purpose was to conduct a more comprehensive examination of the administration's overall strategy towards China. This assessment concluded that the potential for conflict would remain at an elevated level through mid 1996.[426] However, Robert Suettinger, who helped lead this review during his time on the National Security Council, reports that the ultimate recommendation of the report:

> "Was not to change direction (away from engagement), but rather alter the perspective on China policy: from trying to resolve problems in the context of 'engagement' to trying to manage—in cooperation with the Chinese—the inevitable problems in the relationship."[427]

This assessment represents exactly the type of re-examination of strategy that my theory expects to see in response to the threatened use of force. Given the nature of the threat that the Chinese were making and the degree of public contempt for Beijing, it would have

[425] (Garver 1997, p. 129; Mann 1999, p. 334; Suettinger 2004, p. 247-248)

[426] (Suettinger 2004, p. 249)

[427] (Suettinger 2004, p. 248-249)

been easy for the Clinton administration to emerge from this assessment with a far stricter strategy of containment. However, as the report indicates and the administration's subsequent actions confirm, the result of this reevaluation was far from advocating a relative-gains focused strategy of containment.[428] Thus, as **Hypothesis #4** would expect, we see China's behavior—not its growth—driving this re-assessment of engagement and the neoliberal beliefs undergirding it.

Increasing signs of Washington's frustration, however, did not deter the PLA from conducting another round of missile tests and amphibious training exercises in the weeks and days leading up to the Taiwanese presidential elections on March 23. These were even larger and more aggressive than the exercises the Chinese had run before the legislative elections in March. [429] However, this time Washington "upped the ante," deploying the *U.S.S. Independence* and the *U.S.S. Nimitz* battle carrier groups to the area.[430] This decision was made at a major foreign policy meeting in the Pentagon on March 9, which included the Secretary of Defense, Secretary of State, National Security Advisor, Assistant Secretary of State for East Asian Affairs, Chairman of the Joint Chiefs of Staff, and the CIA Director. All participants were in agreement about the decision to send carriers, and no one opposed Perry's insistence that two carriers should be sent—not just one.[431] Two aircraft carriers would signal that this was not merely an act of political theatre, but a credible commitment to defend the fledgling democracy against an attack from the PLA.[432] However, the committee did refrain from sending the carriers directly into the Taiwan Strait, as the *Nimitz* had done earlier in 1995.[433]

[428] (Berger, 2015; Suettinger, 2004)

[429] (Kissinger 2011, p. 476)

[430] (Lampton 2001, p. 46)

[431] (Mann 1999, p. 336)

[432] (Garver 1997, p. 103)

[433] (Garver 1997, p. 96)

Suettinger also points out that while this was the largest deployment of American forces to the area since normalization in 1979, it was actually the mildest response that the President's advisers offered him as an appropriate response.[434] The President's decision to opt for the least confrontational response emphasizes that his desire was to show resolve and de-escalate the situation—not to bluster and escalate tensions. Christopher confirms that the objective was not to antagonize—much less contain—China; but instead "to lower tensions and to manifest our determination to keep the peace."[435] The fear being that, as in the Korean War when America failed to clearly signal resolve, "a miscalculation by either side could have led to an unintended war."[436]

Resolution and Long-Term Effects of the Crisis:

Ultimately, the election proceeded without an actual military clash. After the election, Lee toned down his rhetoric, Beijing backed off its military exercises, and the American carriers left the area. Nevertheless, the crisis had two lasting impacts on the relationship. First and foremost, it increased tensions between Taipei and the Clinton administration, which considered Lee's campaign rhetoric an unnecessary provocation. In fact, Winston Lord, who was no apologist for China, refused to meet with Taiwanese representatives for the remainder of his time at the State Department.[437] Second, while the Clinton administration might have laid blame for this particular crisis at Lee's feet, the PLA's saber rattling was also of great concern to both Washington and allied capitals throughout the Asia-Pacific. As a result, it served as a wake-up call to everyone in the region that the threat of conflict was very real, and that China was a powerful and committed potential foe that was willing to play brinkmanship.

[434] (Suettinger 2004, p. 255)

[435] (Christopher 2001, p. 352-353)

[436] (Christopher 2001, p. 352-353)

[437] (Suettinger 2006, p. 286)

This assessment of China reaffirmed to leaders in Washington and Tokyo the importance of renewing and expanding defense cooperation between America and Japan in the post-Cold War era.[438]

The fact that China's actions during the crisis not only motivated a major review of America's approach to China on the National Security Council, but also renewed security cooperation between the U.S. and Japan once again affirms **Hypothesis 4** that it is changes in behavior—not changes in the relative distribution of power—that cause policymakers to re-examine their strategies and the causal beliefs undergirding them.

To this end, John Garver and many others feared that the crisis might lead to a significant upward evaluation of the "China threat" among American foreign policy leaders. Garver argues that up until the crisis, the "China threat" had been only a distant minority view within government, but that this might change in light of China's willingness to pursue "military adventurism" and brinkmanship in Taiwan.[439] However, for reasons both internal and external to Sino-American bilateral relations, the "China threat" would remain a minority opinion for another 15 years until China once again engaged in military bullying over territorial disputes—this time over islands in the South and East China Seas.

Andrew May, who now runs the Office of Net Assessment (ONA) in the Pentagon, provided further proof of this phenomenon. ONA has been the leading advocate within the Defense Department for taking a hardline on China, and when I interviewed May, he confirmed that there was a significant upward evaluation of the China threat in ONA during the 1990s. However, he concedes that, "unfortunately, this was by far the minority view among much of the top ranks of both political and uniformed leaders in the Pentagon. Few people wanted to

[438] (Mann 1999, p. 338)

[439] (Garver 1997, p. 5)

talk about the challenge China might pose."[440] Instead it would not be until China's anti-satellite tests and assertiveness in the South and East China Seas that a serious upward prioritization would be placed on the "China threat".[441]

Similarly, Joseph Nye, who was the Chairman of the National Intelligence Council and the Assistant Secretary of Defense for International Security Affairs under Clinton, confirmed the lack of an appetite among the senior leadership in the military and intelligence communities for any type of containment strategy. He said:

> "While we [in the Pentagon] were well aware of the rise in China in the early 90s…we felt the prospects of containing China were very slim. We wouldn't get the support we needed [from our allies]. But the prospects of hedging against China becoming a bully are pretty good, which is why we reinforced the US-Japan security treaty. So essentially we engage China by bringing them into the World Trade Organization, which was based on a neoliberal or positive sum approach to international policy. At the same time, we reinforced the U.S.-Japan security treaty as an insurance policy."[442]

After a follow-up question, however, Nye clarified that this was not meant to insinuate that the DOD had *wanted* to pursue a containment strategy, but was simply *unable* to do so because of a lack of allied support. Instead, regardless of the *feasibility* of containment, there was not even a *desire* to contain in the first place because they felt that:

> "If you treat China as an enemy now, you're guaranteeing an enemy. If you treat China as a friend, you're not guaranteeing a friend for the future, but you're at least keeping the possibility open…Why would we throw away the chance at a friendly relationship by containing them?"[443]

Thus, while the crisis alarmed American officials and highlighted the importance of continuing to invest in hedging China with a robust regional military advantage, the ultimate analysis was to simultaneously push even harder on economic and political engagement. Trying to contain or ostracize China would only initiate a trade war that would damage the economy and further escalate tensions, which was the last thing Washington wanted. Indeed,

[440] (May, 2015)

[441] (Jones, 2015; Mahnken, 2015; May, 2015)

[442] (Nye, 2014)

[443] (Nye, 2014)

Garrison reveals that Anthony Lake and Warren Christopher, who had originally favored placing conditions on China's MFN status, joined forces with the long-time pro-engagement crowd consisting of Ron Brown, Bob Rubin, Sandy Berger, Larry Summers, Leon Panetta, and Mickey Kantor to "permanently remove the sanctions debate."[444] Lake put the matter pretty bluntly; the Taiwan Straits crisis highlighted the fact that Asia could look like Europe of the 19th and 20th century, or the U.S. could try to avoid that scenario by forging a more cooperative and peaceful system centered on trade and engagement.[445]

The fact that China's behaviors only motivated increased investment in hedging—not a complete abandonment of engagement—is completely compatible with my theory because it acknowledges that a range of other factors at the individual, bureaucratic, domestic, and international level determine whether any given re-assessment ultimately results in a policy reversal.

Summary:

In summary, the crisis could easily have escalated out of control. As it were, cool heads prevailed, and the conflict managed to avoid any "skirmishes, close calls, dogfights, or other encounters."[446] Furthermore, the crisis did not cause any long-term or even medium-term problems in Washington's relationship with Beijing. As mentioned above, the only relationship that it strained in the long run was US-Taiwan relations.[447] And while it did result in closer security partnerships between the U.S. and some of its regional allies, none of the countries on either side of the Pacific expressed any desire to resort to economic containment. Indeed, American policymakers remained as eager as ever to do business in China, confident

[444] (Garrison 2005, p. 146; Tyler 1999, p. 403-404)

[445] (Garrison 2005, p. 146)

[446] (Suettinger 2006, p. 283)

[447] (Lampton 2001, p. 54-55)

this was still not only a way to boost economic performance at home, but also reduce the chance of ever experiencing a major conflict with China by moderating Beijing's foreign policies and liberalizing its domestic policies. The renewal of security partnerships was merely a means of hedging these economic bets.

This is precisely what we would expect in the aftermath of this type of threatened aggression from a major power. American policymakers conducted a wholesale re-evaluation of their strategy towards China. This assessment concluded that the optimal strategy was still to continue pressing for deeper engagement, but to hedge this economic bet by renewing and expanding the various investments required to maintain the military superiority of America and its allies in the region. In essence, policymakers did not withdraw any of their carrots—they simply ensured that they retained a powerful stick in the event that the carrots proved insufficient.

The Fight over WTO and PNTR:

Background:

America's support of China's accession to the WTO, and its extension of Permanent Normal Trade Relations (PNTR) to China in 2000 was the final major turning point for Sino-American relations during the Clinton administration. Of all the choices that the Clinton administration faced in its relations with China, this would have the longest impact on bilateral relations. It is also the decision most relevant to this thesis because in supporting China's accession to the WTO and granting China PNTR, the Clinton administration substantially reduced the flexibility of future administrations to pursue either multilateral or even unilateral containment policies. As President of the US-China Business Council, no one was more aware of the implications of granting China PNTR than Robert Kapp, who described the monumental, long-term impact this way:

> "Granting China PNTR would put an end to the annual possibility of killing trade with China. The minute you make it permanent, that's the end of the annual 'should we or shouldn't we' mess. So Labor hated it. They knew it could open the floodgates to American companies wanting to invest and build in China."[448]

A senior official conceded this point, but also underscored why the administration chose to proceed:

> "What we were giving up was our right to exclude China. That's what we were giving up. My counterargument was, 'Yes. That's true. But they're a fifth of the world's population…a fifth! Can we really afford to exclude over a billion people, and why would we want to?'"[449]

This view also reflected the perspective of the national security team during the Clinton administration. James Keith served as the China director on the National Security Council, and helped lead the administration's effort to get China into the WTO. Far from seeing this as compromising America's security interests, security experts like Keith saw bringing China into the WTO as a huge win:

> "If you go back and talk to the joint chiefs year by year, I think there was a very clear consensus that engagement was the right way to go; that we're better off trying to bring China into the WTO rather than being on the outside and watching China develop which ever way it chooses. However, many on the human rights side opposed this bitterly, seeing it as a sort of seal of approval or endorsement; so it was more of a problem with labor and human rights groups than security experts."[450]

In the same vein, Daniel Rosen who was brought on to the Clinton team specifically for the purpose of thinking through the implications of allowing China into the WTO, said:

> "There were actually national security benefits to getting China in the WTO club. Rather than keeping them out, which would almost guarantee that they would choose a less internationalist model for themselves, which would not be in our security interests…that kind of thinking was very powerful."[451]

[448] (Kapp, 2014)

[449] Senior Clinton official

[450] (Keith, 2014)

[451] (Rosen, 2015)

Indeed, one senior administration official points out that far from avoiding or trying to hide the national security aspects of the deal, "Clinton sold it on the basis of national security. That was seen as one of the main reasons to do the deal."[452]

The Road to Reaching a Bilateral Agreement on WTO and PNTR:

The fact that Kenneth Lieberthal, Clinton's Senior Director for Asia on the National Security Council (NSC), was the one who reinvigorated the WTO talks in 1998 only further affirms Keith's point that bringing China into the WTO and extending it PNTR was seen as consistent with America's security interests. Lieberthal believed this would be a productive way to focus relations with Beijing in a positive direction, so he took his proposal to Sandy Berger, who was Clinton's National Security Adviser in the second term.[453] Berger also supported getting China into the WTO, and knew the President had wanted to do this since 1996.[454]

However, Berger feared the goal was unattainable, because the Chinese had previously signaled they were not ready to make the types of sweeping reforms required for WTO accession.[455] Nonetheless, Clinton agreed to raise the issue in a series of personal letters to Jiang in January and February 1999. To the administration's surprise, Premier Zhu Rongji responded that he was interested in opening negotiations regarding WTO accession, and that China was now willing to consider many of the reforms that Washington had listed as pre-conditions.[456] U.S. Trade Representative Charlene Barshefsky traveled to Beijing in late

[452] Senior Clinton official

[453](Berger 2015; Lieberthal 2014; Suettinger 2004, p. 359)

[454] (Berger 2015; Clinton 2004, p. 758)

[455] (Berger, 2015)

[456] Interview with Senior Clinton official

March of 1999 to finalize the details of the proposed deal. The plan was for Clinton and Zhu to jointly announce the agreement during Zhu's upcoming trip to Washington in April.[457]

In the agreement, Zhu made a surprising number of concessions. However, Robert Rubin and Larry Summers at the Treasury Department along with Gene Sperling and John Podesta at the White House opposed signing the agreement during Zhu's April visit.[458] They agreed with the strategic importance of getting China into the WTO, and none of them raised significant objections to the terms of the deal. Their objections were based on a purely domestic political calculation that announcing the agreement in April was bad timing. Clinton's Chief of Staff, John Podesta, described himself as "probably the biggest proponent of postponing (the signing)."[459] Acknowledging that U.S. Trade Representative Charlene Barshefsky had negotiated a good deal and that the final agreement was, for all practical purposes, identical to the draft agreement, he nonetheless justified his position, saying "from the negotiator's perspective, it's like get the deal when you get the deal. From the people who then have to get the deal approved, it begins to look a little different."[460]

What were the political problems that were worrying Podesta and others? Clinton was facing intense criticism that the administration's mishandling of China policy had jeopardized national security.[461] Critics were claiming that Clinton had failed to safeguard America's nuclear secrets; that he had illegally accepted campaign donations from individuals inside the Chinese government and the Chinese military; and that he had wrongfully granted American corporations that had supported his campaign waivers to export critical satellite and other high-

[457] (Lieberthal, 2014; Shirk, 2014; Senior Clinton official)

[458] (Lieberthal, 2014; Seior Clinton official)See also (Clinton 2004, p. 852)

[459] (Podesta, 2014)

[460] (Podesta, 2014)

[461] (Garrison 2005, p. 148)

end technologies to China.[462] Particularly concerning at the time were reports about the compromise of America's nuclear secrets by Chinese spies.[463] The Cox Commission, which had been created to investigate these and other allegations surrounding the Clinton administration's handling of China policy, had just released a damning report in March.[464] Clinton's political advisors feared that announcing such a monumental deal on the heels of these scandals—regardless of how favorable the terms were to America—would empower administration critics to claim that the President was "selling out the national interest in order to divert attention away from the scandals presently surrounding the White House."[465] Siding with the skeptics, Clinton decided not to sign the deal while Zhu was in Washington.

One senior administration official who favored signing the deal during Zhu's visit, concedes:

> "The President's relationship with the Democratic Caucus was extremely strained, and this was one more nail in the coffin, because the caucus is not particularly pro-trade and certainly not pro-China."[466]

Regardless, everyone in the administration's senior leadership quickly realized that this had been a mistaken political calculation. One senior official put it directly, "Bill Clinton got terrible political advice…truly terrible, and the President was excoriated in the press…excoriated!"[467] When the details of the agreement were released, pundits, the American business community, and many on Capitol Hill were dismayed that the President would walk away from such a fantastic deal. In an ironic twist, critics turned the President's reason for delaying the deal against him, arguing the he had allowed fear of criticism to deter him from accepting a deal that everyone agreed would significantly benefit American interests and the

[462] (Suettinger 2004, p. 362-363)

[463] (Cohen 2010, p. 237)

[464] (Garrison 2005, p. 148)

[465] (Lieberthal, 2014)

[466] Senior Clinton official

[467] Ibid

American people. To give an indication of the degree of outrage, one senior official recounts a meeting with leaders of the business community the next day, in which the official described numerous business leaders literally shouting and pounding their fists on the table during a meeting with top administration officials.[468]

However, the outrage and dismay extended far beyond business leaders. It was so widespread and intense that Clinton instructed his team to see if there was any way they could still do the deal before Zhu returned to China.[469] One official remembers that Clinton was so desperate that, "he even offered to go up to Canada (to sign the deal). Offered to have him (Zhu) come back from Canada."[470] However, she and others counseled the President that it was highly unlikely that Zhu would do the deal at this point. Nevertheless, Clinton insisted on calling Zhu to try. Deputy Assistant Secretary of State for East Asia, Susan Shirk, remembers, "I was in the room when Zhu took Clinton's call, and he just told him that 'I can't finalize a U.S. deal when I'm in Canada, I'm sorry. I just can't do it.'"[471]

Nevertheless, Clinton and his team continued to press Zhu once he was back in China. Before they could make any significant headway, however, an American B-2 bomber mistakenly dropped a 2,000-pound bomb on the Chinese embassy in Belgrade on May 7, 1999 during the NATO operations in Yugoslavia. In response, Beijing ceased communications with Washington, and outside the American Embassy in Beijing, thousands of violent protestors gathered, throwing rocks and Molotov cocktails over the fence.[472] The protests became so large

[468] Ibid

[469] (Lieberthal, 2014)

[470] Senior Clinton Official

[471] (Shirk, 2014)

[472] (Lampton 2001, p. 59-60)

and violent that Ambassador Sasser and others feared the embassy would be overrun and began destroying classified material.[473] In this climate, a deal was untenable.

Later that summer, however, Clinton once again grew restless to complete the deal and dispatched Larry Summers, Kenneth Lieberthal, and Susan Shirk to track down Zhu and bring him back to the negotiating table. Shirk recalls, "We chased Zhu all over China, and the President communicated in several letters, basically begging him to come back and finish negotiations."[474] Zhu was in Taiyuan, a mid-sized city in central China, when he finally agreed to meet with the delegation. However, he refused to fly back to Beijing, so Lieberthal remembers, "Summers and I got on a plane that night and flew out to Taiyuan." Zhu laid down his terms for returning to negotiations, and Summers drafted an urgent "night letter" to the President recommending that he accept the terms.[475] Clinton agreed, but China's President, Jiang Zemin, did not officially sign-off on renewed talks until he and Clinton sat down at the APEC conference in New Zealand in September 1999. At that point, Clinton's foreign policy team considered completing the negotiations their "top priority".[476]

Formal negotiations resumed on November 10, 1999 in Beijing with Barshefsky, Lieberthal, Shirk, and Sperling all in attendance. Sperling, in particular, was there to demonstrate to both sides that, "the President fully supported this, and wanted to just get it done soon."[477] The Chinese now had the home-court advantage, and they knew Clinton desperately wanted the deal. Predictably, therefore, they tried to remove many of the concessions they had made in the March and April negotiations.[478] However, always a ruthless

[473] (Lampton 2001, p. 60-61)

[474] (Shirk, 2014)

[475] (Lieberthal, 2014; Summers, 2014)

[476](Keith, 2014; Lieberthal, 2014; Podesta, 2014; Shirk, 2014; Summers, 2014)

[477] (Shirk, 2014)

[478] (Shirk, 2014; Senior Clinton Official, 2014)

and tenacious negotiator, U.S. Trade Representative Charlene Barshefsky had made her Chinese counterparts meticulously sign all aspects of the original agreement that had been reached in March. In doing so, she managed to claw back virtually all of those concessions.[479]

Many officials—including President Clinton—have justified their decision to delay signing the agreement by saying that some aspects of the latter deal were more favorable to the automobile and financial services industries, which made this later version more politically palatable in Congress.[480] Several officials with whom I spoke rejected this claim, stating that on the merits, the first deal was *at least* as good as the second deal.[481] Regardless of who is correct, though, the fact that this is the nature of the debate means that any minor hesitation that the administration might have felt stemmed purely from domestic political concerns—not the type of relative gains concerns that neorealists would anticipate.

Earning Congressional Approval for WTO Accession and PNTR Extension:

Unfortunately for the Clinton administration, negotiating the agreement was the easy part. Getting Congress to grant China Permanent Normal Trade Relations (PNTR) status was the real difficult challenge. For the deal to work, Congress had to grant China PNTR. As Secretary of State Madeleine Albright put it: "Unless we did (pass PNTR), our competitors would gain easier access to China's markets while we would not."[482] This was because if China entered the WTO and the U.S. failed to extend China PNTR, China would undoubtedly reciprocate by resurrecting—indeed increasing—the barriers to trade and investment that had been the whole point of getting China into the WTO in the first place. As Kapp described:

[479] Ibid.

[480] (Podesta, 2014; Summers, 2014); See also(Clinton 2004, p. 879)

[481] These officials requested to remain anonymous.

[482](Albright 2003, p. 432-433)

> "The very first provision of the original 1947 General Agreement on Tariffs and Trade, which was incorporated in the founding documents of the WTO in 1994, requires that all members treat each other without discrimination. Therefore, if we didn't extend PNTR to China when the PRC formally became a member of the WTO, we would be 'discriminating' against Chinese imports, and China could in turn 'discriminate' against us. Ironically, we would be handing to every other WTO member the very concessions we negotiated with the Chinese without getting any of the benefits ourselves. That's just suicide!"[483]

Thus, the stage was set. If PNTR passed, the perennial battles over MFN would vanish. If Congress failed to grant PNTR, then bilateral trade would grind to an absolute standstill, and other nations' companies would capture the newly opened market share in China that had been the whole point of the WTO agreement. With the stakes this high, all sides committed tremendous resources and attention to "the penultimate trade battle."[484] Clinton also highlights how important the WTO deal was—and how difficult it was for him to pass it:

> "This (PNTR Vote) turned out to be a very difficult legislative fight—an especially tough vote for Democrats who depended on labor support—and I brought groups of a dozen or so members down to the residence for several weeks in an intensive effort to explain the importance of integrating China into the global economy."[485]

Indeed, Clinton viewed passage of PNTR as so important that he put his closest political adviser, Chief of Staff John Podesta, and his most trusted national security adviser, Sandy Berger, in charge of the effort.[486] Berger, in turn, was so committed to seeing this bill through that he asked Kenneth Lieberthal to task James Keith, the head of the China desk on the National Security Council, to focus exclusively on coordinating the administration's message regarding the security benefits of passing PNTR.[487] During the process of promoting the bill, President Clinton also delivered one of his strongest speeches on the merits of engagement. One section in particular stands out:

> "China's entry into the WTO…is about more than our economic interests. It is clearly in our larger national interest. It represents the most significant opportunity that we

[483] (Kapp, 2014)

[484] (Kapp, 2014)

[485] (Clinton 2004, p. 906)

[486] (Garrison 2005, p. 152)

[487] (Keith, 2014; Lieberthal, 2014)

> have had to create positive change in China since the 1970s…The path that China takes to the future is a choice China will make. We cannot control that choice, we can only influence it…We can work to pull China in the right direction, or we can turn our backs and almost certainly push it in the wrong direction. The WTO agreement will move China in the right direction."[488]

As this quote reveals in no uncertain terms, Clinton and his team chose to sell this agreement on the grounds that it would serve the national security interests of the United States…not just the economic interests of its corporations. They held a genuine belief that sustained engagement between the governments, militaries, businesses, and ordinary citizens would improve—though not guarantee—the chances that China would develop as a responsible status-quo power.

Unfortunately for Clinton, the harshest and most powerful critics of this trade agreement came from labor unions, which wielded enormous influence over the Democratic caucuses in Congress.[489] The other main opponents were the human rights and environmental groups, both of which were also important groups within the Democratic Party.[490] However, as Thomas Friedman argued in his editorial in the *New York Times*:

> "The truth is that the AFL–CIO couldn't care less about political change in China. That is just a cover for their head-in-the-sand protectionism. China could become a democratic paradise tomorrow and Mr. Sweeney (president of AFL-CIO) and his union would still oppose this trade bill."[491]

Regardless of their motivation, the combination of labor, human rights, and environmental groups was a powerful trifecta in the Democratic caucus.[492] There was also a contingent of Congressional Republicans who opposed the deal because they feared China's accession to the WTO would have adverse effects on Taiwan's trading relationships. However, the administration assured members that Taiwan would be able to go through WTO accession

[488] (Clinton 2000, Remarks to SAIS)

[489] (Garrison 2005, p. 154)

[490] (Suettinger 2004, p. 393-394)

[491] (Friedman, 2000)

[492] (Berger, 2015; W. Clinton, 2004, p. 908; Hastert, 2015)

at the same time as China, and this appeased many of these critics. This left long-time anti-communists, like Senator Jesse Helms, as the primary holdouts in the Republican Party, but these were a dwindling minority.[493]

Ultimately, the bill passed both houses of Congress, but relied primarily on Republican votes. Though he was ridiculed in his own party, Clinton and many of his senior advisers see pushing through China's accession to the WTO and securing PNTR as one of their crowning foreign policy achievements. His National Security Adviser, Sandy Berger, beamed that, "China's accession to the WTO was a turning point...a monumental turning point! It was transformative within China, and it was transformative for our bilateral relationship."[494] Secretary of State Madeleine Albright concurred that granting China PNTR and facilitating its accession to the WTO "was the most tangible success of the administration's engagement strategy."[495] After eight years, Clinton and his team were convinced that positive relations between the United States and China were critical to maintaining peace and prosperity in the 21st Century. They saw no better way to achieve this goal than through ensuring that the most important link between the two countries—commerce—would permanently serve as a reliable source of stability for the relationship instead of creating a perennial source of friction.

Findings:

[493] (Garrison 154)

[494] (Berger, 2015)

[495] (Albright 2003, p. 432)

Assessing the Clinton Administration's Policies:

So where does the Clinton administration fall on the *containment, conditional engagement, and comprehensive engagement* spectrum? The administration clearly did not pursue—at any time—policies that would resemble containment. As Garver argues, "If U.S. leaders really wanted to stifle China's development, they would have long ago revoked MFN."[496] Likewise, when I asked David Dollar what containment would have looked like, his response was:

> "I think the most of important thing would've been blocking them from joining the WTO, taking the approach that unless they open up their markets to a certain level, then you're going to have restrictions on their ability to come into the U.S. market. The problem with that is it kind of goes against the fundamental philosophy of the U.S."[497]

The administration's response was the exact opposite of stifling China's development. By granting China PNTR and bringing it into the WTO, they permanently removed the MFN debate. The real question, therefore, is whether the administration's policies are best characterized as conditional or comprehensive engagement? In the first year, the administration did attempt to impose conditions—albeit ones that were dramatically watered down and more narrow than Congressional legislation. Nonetheless, this is indicative of the conditional engagement approach. However, at the end of that year, the Chinese failed to make even "general progress" on the conditions that the administration had imposed. Under the conditional engagement approach, this would have necessitated a revocation of MFN, which Clinton did not do. Thus, from 1994 forward, the administration remained solidly within the comprehensive engagement approach as far as trade agreements are concerned. Facilitating China's accession into the WTO and extending it PNTR were the penultimate manifestation of this comprehensive engagement strategy.

[496](Garver 1997, p. 70-71)

[497] (Dollar, 2014)

This commitment to comprehensive engagement is also evident in the administration's handling of the 1995-1996 Taiwan Straits Crisis. Before the crisis, the administration denied all of President Lee's requests to travel to America. They only amended this policy in 1995, once it was clear that Congress was going to force their hand. Even then, the administration's primary motive in granting the visa was to stave off further Congressional action, and the administration went to extraordinary lengths to pacify the Chinese. The Clinton team reaffirmed America's long-standing commitment to the one-China policy and went on to specify that America opposed—and was not just indifferent towards—any Taiwanese Declaration of Independence. The administration also criticized Taiwanese politicians for irresponsible rhetoric, refused to increase arms sales to Taipei, and renewed America's pledge not to support Taiwan's accession to the U.N. This is a far more deferential approach than what would be expected from an administration committed to conditional engagement—say nothing of containment.

While Clinton did deploy two aircraft carriers to the Straits, their primary purpose was to avoid an unintentional war resulting from a lack of clarity in Beijing about America's commitment to defending Taiwan against an *unprovoked* attack. The administration also simultaneously emphasized to Taiwan that this commitment hinged on the attack being *unprovoked*. Furthermore, the American ships made no effort to disrupt the ongoing Chinese military exercises or interdict the missile launches, and the forces were removed immediately after the election. In short, the administration worked hard to avoid the crisis in the first place and went out of its way to assuage Chinese concerns once it had erupted.

Summary:

As the below chart demonstrates, the Clinton administration's policies towards China indicate a strong commitment to a strategy of comprehensive engagement, in which absolute gains received maximum priority. Furthermore, over the course of the administration, absolute gains received greater and greater priority and engagement became more and more comprehensive. This trend is opposite from what a neorealist focus on material capabilities would expect, because both China's nominal size and growth rates were also accelerating throughout the period. These results are presented in **Table 6.1**.

Table 6.1

Clinton Administration's Position on Engagement

Policy Area	Preferred Approach
Overall Approach	Conditional Engagement → Comprehensive Engagement
Response to Crises	Comprehensive Engagement
Handling Congress	Conditional Engagement → Comprehensive Engagement

Why such strong support for engagement?

Why did the Clinton administration place such a strong emphasis on comprehensive engagement? The following analysis looks at a range of potential explanations, but before delving into this analysis, it is important to provide the justification that President Clinton himself gave during a speech to the Asia Society in New York in 1997. Because of its comprehensive and authoritative analysis, I include this long excerpt virtually unabridged.

> "China's economic growth has made it more and more dependent on the outside world for investment, markets, and energy…I know there are those who disagree. They insist that China's interests and America's are inexorably in conflict…They, therefore,

> believe we should be working harder to contain or even confront China before it becomes even stronger. I believe this view is wrong. Isolation of China is unworkable, counterproductive, and potentially dangerous. Military, political, and economic measures to do such a thing would find little support among our allies around the world and more importantly, even among the Chinese themselves working for greater liberty. Isolation would encourage the Chinese to become hostile and to adopt policies in conflict with our own interests and values. It will eliminate, not facilitate, cooperation on weapons proliferation. It would hinder, not help, our efforts to foster stability in Asia. It would exacerbate, not ameliorate, the plight of dissidents. It would close off, not open up, one of the world's most important markets. It would make China less, not more, likely to play by the rules of international conduct and to be a part of an emerging international consensus…As always, America must be prepared to live and flourish in a world in which we are at odds with China. But that is not the world we want. Our objective is not containment and conflict; it is cooperation. While this world is not guaranteed through engagement, it is possible."[498]

Cost-Benefit Analysis:

As President Clinton's quote articulates, the justification for engagement was the result of a practical calculation of the costs and benefits of a policy of engagement versus one of containment. This cost-benefit analysis (CBA) takes into account—as he acknowledges—both strategic and economic interests, and evaluates them in both the long and the short-term. Clinton and his team believed that positive relations with Beijing would not only benefit American corporations and consumers, but they would also secure a powerful "strategic partner" in resolving a range of security issues both regionally and globally. As Secretary Albright said:

> "If China and the United States can achieve economic growth through participation in a global system governing trade, we may be able to find comparable benefits in cooperating on terror and proliferation. Indeed we have already made considerable progress [on this front]."[499]

In contrast, they feared trying to ostracize or contain China would only ensure China's development as a revisionist power, openly hostile to America and the liberal order atop which

[498] (W. Clinton, 1997)

[499] (Albright 2003, p. 435)

it sits. This type of estranged and antagonistic relationship was certain to exact significant costs on both America's strategic and economic interests in the short and long-term.[500]

The CBA framework is also useful in understanding not only why the administration preferred engagement to containment, but also in understanding why—after the first year—the administration shifted from a strategy of conditional engagement to one of comprehensive engagement. The administration's end goal was always to shape a China that was more respectful of the rights of its citizens and more responsible in its relations with other states. What changed was the administration's cost-benefit analysis concerning the optimal means of achieving this end.

The initial thought was that threatening to withdraw MFN was the most effective way to attain this goal. However, given Chinese intransigence, the administration quickly recalculated that the costs of this conditional approach would be extremely high in the short and long-term, and even minor benefits were out of the question in the short-run and highly unlikely in the long run. Thus, they opted to return to their predecessors' strategy of comprehensive engagement, seeing virtually no costs to unconditional engagement in the short-term. In the long-term, they recognized that costs were possible, but they appeared less likely than under a strategy of containment or even conditional engagement. Finally, the benefits to U.S. corporations and consumers of comprehensive engagement were seen as enormous in both the short and long-terms.

This fits the basic heuristic we developed in Chapter 2, which argued that if policymakers calculate that the expected benefits **(Be)** minus the expected probability of conflict **(Pe)** multiplied by the associated costs of conflict **(Ce)** for *engagement* are greater than the expected benefits **(Bc)** minus the expected probability of conflict **(Pc)** multiplied by the associated costs of conflict **(Cc)** for *containment*, then we should expect engagement. Thus,

[500] (Berger, 2015; Lieberthal, 2014; Nye, 2014; Summers, 2014)

because the Clinton administration calculated that **Be – PeCe > Bc – PcCc,** they opted for engagement. Because this type of rational cost-benefit analysis provides the framework through which policymakers were making their decision of whether to engage or contain China, it is necessary in order to understand that decision. This makes the CBA a **causal factor**.

Neoliberal Causal Beliefs:

As the President's extended quote and the numerous statements from other officials included in this thesis indicate, underlying this cost-benefit analysis and impacting every factor included in it was a powerful and pervasive set of neoliberal beliefs about the causal effects of engagement and interdependence. These beliefs held that engagement—economically, politically, militarily, and culturally—was the best way to influence China. According to Clinton's Senior Director for Asia on the NSC, Kenneth Lieberthal:

> "Clinton was a long-term strategic thinker, but his was a neoliberal perspective that had faith that through engaging China and showing them that they stood to reap enormous benefits by being a responsible state, we could empower reformers who sought to loosen domestic controls and moderate their external behavior."[501]

Reflecting this same perspective, Susan Shirk remembers:

> "When I came to the administration in 1997, trade issues were seen as one of those ways of creating more interdependence, bringing China into the global trade system and you know, motivating more cooperative behavior; so it was really seen as a mechanism for transforming China."[502]

Indeed, this belief was so strong that President Clinton optimistically reflected in his nightly diary after a meeting with Jiang Zemin on October 26, 1997:

> "I went to bed thinking that China would be forced by the imperatives of modern society to become more open, and that in the new century it was more likely that our nations would be partners than adversaries."[503]

[501] (Lieberthal, 2014)

[502] (Shirk, 2014)

[503](Clinton 2004, p. 768)

In fairness, many officials were fully aware that comprehensive engagement would not guarantee China's evolution into a responsible stakeholder…much less a liberal democracy. However, they believed this approach would dramatically increase that possibility, while containing and ostracizing China was seen as guaranteeing its development as a revisionist power. Perhaps Secretary of State Madeleine Albright best captured the nuance of this neoliberal belief in her memoirs:

> "There is no automatic connection between trade and democracy, but people can't help being shaped by their own experiences and observations. The millions of Chinese young people who are now learning to think for themselves economically will almost certainly be more likely than their parents to think for themselves politically…Knowledge, once it begins to be disseminated freely, is hard to fence back in."[504]

Thus, we see that undergirding policymakers' CBA framework were a powerful set of neoliberal causal beliefs. These beliefs instructed policymakers what strategies would be most likely to achieve their objectives. This makes the consideration of these neoliberal beliefs necessary to understanding policymakers' ultimate preference for engagement, and hence elevates these beliefs to a **causal factor**. However, if these beliefs were completely determinative, then the Clinton administration should have pursued engagement with every country, with no consideration for how the effects of engagement might vary from one country to the next. Of course, this was not the case. Instead, the applicability of these beliefs to relations with any given state was assessed in light of that state's prior behavior. Therefore, because these beliefs were fundamentally about cause and effect relationships, and because their application was based on a deliberate process, their inclusion does not undermine the fundamental rationalist footing of this argument.

[504](Albright 2003, p. 430)

The Futility of Unilateral Containment:

It is true that America's allies would not have joined in containing China, and that this would have dramatically reduced the actual effectiveness of any containment strategy. As one senior official recalled, "This was not apartheid in South Africa where we weren't alone. We would have been the only country to try and isolate China. That's not a policy. That's fiction."[505] However, America could still have pursued unilateral containment. While this would not have been nearly as effective as a multilateral containment regime, limiting China's access to the American market would have had a substantial impact on China's export-led growth model.[506] Furthermore, limiting interdependence would have minimized America's exposure to China, and consequently minimized its vulnerabilities in the event of a conflict.[507]

However, the most important point is that, as many of the numerous other quotes indicate, the vast majority of American officials had no desire to pursue containment in the first place. For the lack of allied support and the relative ineffectiveness of unilateral containment to be a causal factor, officials would need to have wanted to pursue containment, and only abandoned this strategy once it was clear that America's allies would not support the effort. However, American officials viewed engagement as the more prudent approach for America's economic and strategic interests independent of their allies' unwillingness to join a containment regime. Thus, the absence of allied support and the relative ineffectiveness of unilateral containment were most certainly powerful **reinforcing factors**, but they were not causal factors because they were not necessary to understanding American policymakers' initial preference for engagement.

[505] Senior Clinton official

[506] (Dollar, 2014)

[507] (Keith, 2014)

Corporate Capture:

It is certainly true that many powerful corporations favored comprehensive engagement with China, and fought against trade restrictions. Robert Kapp, who was President of the U.S.-China Business Council, was at the center of organizing corporate lobbying efforts surrounding MFN, PNTR, and other trade policies relating to China. As he recalls, the main effort was rarely in lobbying the executive branch, which almost always came down on the side of increasing trade and engagement.[508] Instead, the main effort was focused on lobbying Congress to support the President's agenda.

For corporate capture to be a causal effect, one would need to demonstrate that the administration's security officials wanted to pursue containment, but were prevented from doing so because the administration's political advisers feared this would anger corporate leaders. In reality, security officials overwhelmingly endorsed the engagement strategy independent of corporate preferences.[509] In fact, in the few instances that anyone was arguing for a more moderated form of engagement, it was the political advisers who feared the President's preferred strategy of comprehensive engagement would anger human rights and labor interests within their own party.[510] Thus, corporate interests were powerful **facilitating factors** in securing Congressional approval for the President's desired strategy of comprehensive engagement, but these were not causal factors because they do not explain the administration's initial preference for engagement.

Path Dependency:

[508] The lobbying of satellite launch firms, like the Loral Corporation, are the notable exception that proves the rule.

[509] (Berger, 2015; Lieberthal, 2014; Rosen, 2015; Shirk, 2014)

[510] (Berger, 2015; Podesta, 2014; Senior Clinton official)

By 1993 both allied governments and American corporations had lost whatever meager appetite for containment that they might have possessed in the immediate aftermath of Tiananmen. James Mann points out that in 1993, China experienced the single largest rise in foreign investment from any other year, with 83,437 new contracts signed with China for a total of $111 billion.[511] China was the hottest place on the international market and it was emerging as the third largest economy in the world.[512] With corporations all over the world looking to invest in China, the Chinese correctly wagered that Clinton would be unwilling to sit idly by as foreign competitors gobbled up market share that otherwise might have gone to American companies.

According to Mann, the irony is that Bush was unwilling to apply economic pressure when it might have actually worked. Clinton was willing to apply the pressure, but by the time he arrived in office, it was too late.[513] Nicholas Lardy's findings support this assessment, showing that between 1991-1993 China's GNP grew by 60%; foreign trade rose by 44%; World Bank lending doubled; and overall FDI climbed 450%.[514] Stapleton Roy, America's ambassador to Beijing at the time, recalls:

> "Beginning in the Spring of 1993, my calendar filled up with appointments from visiting CEOs of American companies. All of them saw what was going on and wanted to take advantage of it. It was a noticeable, massive uptick in corporate interest."[515]

In this sense, path dependency appears to be at least a strong reinforcing factor. At the same time, however, Clinton had campaigned on "getting tough with China." This tougher approach also resonated with Congress and the American public—particularly among constituencies important to the Democrats. Furthermore, Clinton initially followed through on

[511] (Mann 1999, p. 284)

[512] (Greenhouse 1993, p. 1; Mann 1999, p. 285; Rohwer 1992)

[513] (Mann 1999, p. 285)

[514] (Lardy 1994, p. 31; Suettinger 2004, p. 145)

[515] (Roy, 2014)

his campaign promises and did impose conditions on China's MFN. Abandoning this approach without any concessions from the Chinese would be a blow to the President's domestic and international image. Thus, in this sense, one could argue that path dependency was actually working against unconditional engagement. Once Clinton had committed to the conditional path, it was politically difficult to reverse course.

Ultimately, it is uncertain whether path dependency was a **negative factor** (difficult to reverse course from positions taken on the campaign and in the first year), a **reinforcing factor** (difficult to halt engagement after the Bush administration had remained committed to engagement through Tiananmen), or **not a factor** (because the previous two effects canceled each other out). The one thing that is clear is that it was not the main causal factor, because there was no underlying desire to pursue containment in the first place. Thus, path dependency is not necessary to explain why Clinton and his team ultimately came to be such fervent supporters of comprehensive and unconditional engagement.

Policymaker Miscalculation:

If the administration had known how fast China would grow in the 2000s, would they still have supported getting China into the WTO and granting it PNTR? As an influential economist in the later years of the Clinton White House, Daniel Rosen is well positioned to attest to the administration's thinking on this matter. He assumes that "most Americans—including those he worked with in the administration—would not have expected China to maintain the growth it did until recently."[516] However, when asked if this knowledge would have changed the administration's approach, Rosen (and others) were skeptical:

[516] (Rosen, 2015)

> "If we had anticipated China's growth trajectory, we would have came to the same conclusion that American interests were better served by a China in 2025 that's as big as the US, but is a market economy and hence has to have a political system that is concordant with a market economy as opposed to a China that's half the size of the US but is a command and control economy with a totalitarian, authoritarian system that blames America for keeping it half the size of what it should be, and is still a nation of 1.6 billion people capable of stealing our nuclear weapon technologies and all that stuff…Sure, there were hardcore realists who did, a la Mearsheimer, believe that, 'yeah we should do everything we can to throw tacks in their way to make it more difficult for them'…But I just don't think anybody (in the administration) was in the mood to believe that was the right path for the US to take."[517]

Robert Rubin, who served as the head of the National Economic Council and later the Secretary of the Treasury, also shared this perspective:

> "Of course we were surprised at the rate of growth. No one would expect any country to maintain double-digit growth rates for fourteen years. However, if I had known that, it wouldn't have changed my thinking at all. In fact, it would have highlighted the importance of getting China into the WTO and granting it PNTR."[518]

Security officials within the administration also shared the view that China's growth—far from being a threat to the U.S.—was actually in America's strategic interests. James Keith was the point person on the National Security Council for China, and the individual driving the NSC's efforts to secure Congressional approval of PNTR. Here is how he described the administration's perspective:

> "I think it was explicit on the part of the administration that we wanted to use China's WTO accession to empower reformers in China to make the tough changes necessary to continue moving their economy forward in the 21st Century. We weren't indifferent and certainly not opposed to China's growth—we wanted to facilitate it."[519]

In hindsight, how do administration officials view this calculus? Sandy Berger argues that, "you can't prove the counterfactual of what would have happened if we hadn't gotten China into the WTO, and instead decided to have a more robust anti-China policy."[520] Nonetheless, he maintains:

> "The fact is that our economic relationship has grown and developed over the years and become hugely interconnected. I think those are all positives, and I don't think

[517] (Rosen, 2015)

[518] (Rubin, 2014)

[519] (Keith, 2014)

[520] (Berger, 2015)

> they would have happened to the same degree if we had tried to keep China out of the WTO or adopted a more anti-China policy."[521]

Even those officials who did acknowledge that the administration might have oversold the liberalizing effect that increased interdependence would produce still maintained that to the extent Beijing has pursued practices in recent years that have angered and concerned American policymakers, "China would have pursued similar or worse practices even earlier if we had locked them out of the WTO."[522]

Thus, the "mistake" argument is either **not a factor** (knowing that China would violate certain norms of the liberal order would not have detracted from the administration's desire to pursue a strategy of comprehensive engagement), or it is actually a **negative factor** (knowing how quickly China would rise would only have increased—not decreased—the administration's commitment to comprehensive engagement).

Summary:

Table 6.2 summarizes the findings of the above analysis.

Table 6.2

[521] (Berger, 2015)

[522] Senior Clinton official

Assessing Explanations for Clinton's Engagement Consensus

Reason	Type of Factor
Cost-Benefit Analysis	Causal Factor
Neoliberal Beliefs	Causal Factor
Futility of Unilateral Containment	Reinforcing Factor
Corporate Capture	Facilitating Factor
Path Dependency	Uncertain Effect
Policymaker Miscalculation	Not a Factor or a Negative Factor

Implications for H1-4 and C1-2:

The following paragraphs assess whether this case study supports or rejects the four hypotheses and two corollaries laid out in this thesis. In the above analysis, policymakers' CBA and the neoliberal causal beliefs undergirding this CBA were the only necessary factors in explaining the Clinton administration's overwhelming support for comprehensive engagement. This strongly affirms both **Hypothesis #1** and **Hypothesis #2**. Clinton officials were definitely bringing a powerful set of neoliberal causal beliefs to their CBA, but because these beliefs were fundamentally a way of understanding the causal effects of engagement and containment, their inclusion does not undermine the rationalist footing of this thesis. These causal beliefs also were not so deterministic that Clinton and his team pursued engagement with every state. Instead, as **Hypothesis #3** expects, they relied on these neoliberal beliefs to

guide their CBA with most—but not all—states. In particular, Clinton administration officials did not apply these beliefs in relations with states they considered aggressively revisionist. For these states, they did pursue containment.

The Clinton administration's China policy also provides strong support for **Hypotheses #4** that the decision to apply or not apply these neoliberal beliefs is contingent on the target state's behavior—not its relative size or growth. Clinton and his team initially believed that placing conditions on engagement would be an effective way of leveraging Beijing to expedite economic and political reform. However, Beijing's response to this initial approach revealed that they would not, in fact, bend under this pressure. As a result of this response—not some dramatic change in the distribution of power that occurred between 1993 and 1994—the administration revised its assumptions to reflect more traditional neoliberal beliefs. These causal beliefs held that pursuing broad and comprehensive engagement—even if it meant abandoning conditions—was the optimal strategy, because engagement would 1) benefit the American economy, 2) provide incentives for China to moderate its foreign policy in the short-term, 3) create the conditions for long-term reform and liberalization within China, and consequently 4) minimize the chances of conflict.

For the remaining seven years of Clinton's term, his administration consistently supported comprehensive engagement with China. The only time this engagement strategy came into question was during the Taiwan Straits crisis. While China's behavior in the crisis did not ultimately dislodge these neoliberal beliefs or the engagement consensus they supported, Beijing's aggression did motivate the most extensive internal review of the administration's strategy. Beijing's blustering also encouraged Washington and its partners to renew security partnerships as an insurance policy to hedge their economic bets on engagement. Thus, in accordance with **Hypothesis #4**, the revising of the administration's

causal beliefs in 1994 and their subsequent re-examination in 1996 were both motivated by China's behavior—not major swings in the distribution of capabilities.

As for the corollaries, President Clinton came to Washington reticent to fight Congress over China policy and promising to get tough with the "butchers of Beijing" by placing conditions on engagement. However, he left office waging "the penultimate trade battle"[523] with Congress over granting China PNTR; and hailing as "strategic partners" those he had once denigrated as "butchers". Perhaps Secretary of State Madeleine Albright summarized this transformation best:

> "During his 1992 presidential campaign, candidate Bill Clinton criticized the senior Bush administration for being soft on China's leadership. Once in office, initiating his own policy of 'constructive engagement' with Beijing, he found himself exposed to the same criticism. For any U.S. administration, China is in its own category—too big to ignore, too repressive to embrace, difficult to influence, and very, very proud."[524]

The fact that Clinton and his team went from strongly supporting conditional engagement to fully backing a revised strategy of comprehensive engagement during their first year in office helps support **Corollary #1** that regardless of their campaign rhetoric, presidents quickly adopt a pro-engagement strategy towards China once in the White House.

The fact that, despite considerable congressional opposition, Clinton and his team succeeded every year in securing China's annual MFN status and ultimately succeeded in extending China PNTR status also affirms **Corollary #2** that the president is ultimately dominant when it comes to determining America's China policy. Domestic politics might affect the timing or other minor aspects of that strategy, but eventually the president prevails. These results are captured below in **Table 6.3.**

Table 6.3

[523] (Kapp, 2014)

[524] (Albright 2003, p. 430)

Performance of Hypotheses for Clinton Administration

Hypothesis #1	Affirmed
Hypothesis #2	Affirmed
Hypothesis #3	Affirmed
Hypothesis #4	Affirmed
Corollary #1	Affirmed
Corollary #2	Affirmed

Chapter 7 George W. Bush

A Steady Rise in Interdependence and Engagement

Executive Summary: This Chapter evaluates the applicability of my four hypotheses and two corollaries to the George W. Bush administration. It finds that the administration consistently supported a strategy of comprehensive engagement with China. This preference rested on a rational cost-benefit analysis (CBA) that evaluated the short and long-term costs and benefits of both engagement and containment **(H1)**. This CBA did rely on a powerful set of neoliberal causal beliefs about the transformative and pacifying effects of engagement **(H2)**. However, the administration did not apply these beliefs to relations with all states, which makes this a predominantly rational—as opposed to ideological—explanation **(H3)**. Consistent with a behavior-centric model, the EP-3 crisis caused the administration to evaluate its strategy towards China early in its tenure **(H4)**. However, those proponents of a more conciliatory response to the crisis prevailed over those preferring more hard line actions. From that point forward, the administration never wavered in its support for comprehensive engagement. Candidate Bush had initially indicated his desire to take a more adversarial approach to China, but as **(C1)** anticipates, this quickly dissipated and gave way to a preference for deep and comprehensive engagement. Like his father and President Clinton, President Bush also prevailed over domestic critics of this comprehensive engagement approach **(C2).**

Introduction:

Of all four administrations covered in this study, the George W. Bush administration presided over the most stable period in US-China relations. Indeed, Dong Wang aptly refers to the Bush administration's tenure as, "An Upward Spiral."[525] Ironically, though, just as Clinton had criticized Bush 41 for being too soft on Beijing in the 1992 campaign, Bush 43 invoked the same criticisms of Clinton during the 2000 campaign. The focus of Bush's critique was tilted more toward military and security issues and less towards labor, environmental, and human rights issues. Nevertheless, the ultimate narrative was the same—he would drive a tougher bargain with Beijing than his predecessor. In particular, while Clinton preferred to

[525] (Wang 2013, p. 288)

refer to China as a "strategic partner," Bush labeled China a "strategic competitor."[526] After the election, "Bush deliberately excluded Jiang from the list of leaders to whom he placed courtesy calls after his inauguration."[527] A huge slight to Jiang, this brusque dismissal sent signals that perhaps Bush was going to make good on his promise to take a tougher stance with Beijing.

Several of the President's senior advisers also worried about China's military rise. Chief among those was Bush's Secretary of Defense, Donald Rumsfeld. In his autobiography, Rumsfeld deals with China and Russia in a chapter titled, "Bears in the Woods."[528] This title draws an unmistakable link to the successful TV commercial that Ronald Reagan ran in 1984 about the Soviet Union being a "bear in the woods." In this chapter, Rumsfeld remembers that "upon arriving at the Pentagon…I was particularly focused on relations with two of America's former rivals—a resurgent Russian and a strengthening China."[529] Rumsfeld then goes one step further:

> "If Russia loomed large in early discussions in the Bush administration, the rise of the PRC and its implications for American strategy in Asia was perhaps an even greater and more delicate issue."[530]

However, President Bush had another group of senior advisers who were not nearly so hawkish. Secretary of State Colin Powell was arguably the most prominent member of this more optimistic crowd. During his Senate confirmation hearing, Powell said of China:

> "Strategic partner China is not, but neither is China our inevitable and implacable foe. China is a competitor, a potential regional rival, but it is also a trading partner willing to cooperate in areas where our strategic interests overlap…China is not an enemy, and our challenge is to keep it that way."[531]

[526] (Bachman 2001; Garrison 2005, p. 165)

[527] (Cohen 2010, p. 266-267)

[528] (Morgado, 2006)

[529] (Rumsfeld 2012, p. 305)

[530] (Rumsfeld 2012, p. 310)

[531] (Garrison 2005, p. 168; Powell 2001)

Powell's more nuanced point gets at the heart of the decision before the administration. There was no disagreement about China's military rise—everyone found it concerning. Likewise, there was no disagreement about China's human rights record—everyone found it repulsive. The debate was what to do about it? One option would have been containment. However, even the strongest hawks, like Donald Rumsfeld, didn't call for this option. As Rumsfeld writes:

> "President Bush felt that we had an opportunity to work with China's leaders to try to help shape their country's future by demonstrating firmness, candor, and cooperation. I agreed with that approach."[532]

Once again, there was little disagreement about the importance of "shaping" China's behavior. The disagreement was on the relative degrees of "firmness, candor, and cooperation" that should be used in this shaping effort. No doubt, Powell, Rice, Snow, Evans, Zoellick, and many of the President's other more "moderate" advisers favored a heavier emphasis on the "cooperation" aspects, while Rumsfeld and Vice President Cheney thought it more important to emphasize the "firmness" pieces. And of Rumsfeld's three words, the one that probably most aptly described the President's priority was "candor." Because of his "straight talk" approach, it might have appeared during the campaign that Bush would lean more toward the "firmness" camp.[533] However, the first real test for the President came when a Chinese fighter jet collided with an American naval spy plane in the South China Sea in 2001, causing the American crew to make an emergency landing on Chinese soil. In responding, Bush favored the cooperation camp, and from that moment forward, his support for this camp never wavered. Cohen summarizes the crisis by saying that Bush "had learned a valuable lesson: China was too strong and too important to American business interests to be ignored, and too proud to be

[532] (Rumsfeld 2012, p. 312)

[533] (Christensen, 2014; Green, 2014; Negroponte, 2014)

dictated to by the American superpower."[534] Reflecting both his support for engagement and his preference for candor, Bush writes:

> "My policy (toward China) was to engage the Chinese in areas where we agreed, and use this cooperation to build the trust and credibility we needed to speak plainly about our differences."[535]

As the subsequent historical analysis will show, there was no support—even from the hawks—for containment. Indeed, Secretary Rice recalls that, "at the Cabinet level I don't remember a single conflict concerning economic policy toward China that required the intervention of the President."[536] As evidence, I interviewed two senior officials that outside observers have often labeled as leading hawks within the administration—Deputy Secretary of Defense Paul Wolfowitz and Undersecretary of Defense for Policy Douglas Feith. Both men confirmed that while they placed a priority on maintaining the alliance networks and defense capabilities necessary to counter and deter any aggressive moves from China, they still fully supported broad-based economic engagement. Feith said he believed that while we needed to show resolve on the military front:

> "We also needed to talk to and engage with the Chinese to avoid any misunderstandings. Trading with China and developing strong economic ties would also demonstrate to Beijing the value of engaging in the existing international order and complying with international norms."[537]

Wolfowitz went even further, saying that not only should the U.S. engage China economically, but that American leaders should celebrate China's growth because:

> "A weak China isn't in our interest. It just introduces too much uncertainty and too much potential for conflict because…you can't really rule out that if China were to start to come unglued that it would be a rather violent ungluing."[538]

[534] (Cohen 2010, p. 267)

[535] (Bush 2010, p. 426)

[536] (Rice 2011, p. 520)

[537] (Feith, 2014)

[538] (Wolfowitz, 2015)

These statements demonstrate that even those who were most skeptical about China's rise still held fast to a set of strong neoliberal causal beliefs about the positive effects of engagement. In fact, CIA Director, General Mike Hayden, recalls: "We worried as much about Chinese failure as Chinese success, worried as much about Chinese weakness as we did Chinese strength."[539]

Many scholars have argued that this pro-engagement strategy represents a major shift in the Bush administration's thinking with respect to China. In fact, Jean Garrison titled her chapter on Bush's relations with China, "From Strategic Competitor to Uneasy Ally."[540] However, while Bush's thoughts on how to approach security relations with Beijing might have evolved from a more competitive to a more cooperative perspective, Bush was fully committed to a strategy of deep and comprehensive economic engagement from the very beginning.[541] His capstone foreign policy speech during the 2000 campaign at the Reagan Library demonstrates this initial commitment to pursuing deep economic interdependence. In the speech, he harshly criticized China's human rights practices and its military buildup. As a result, scholars frequently point to this speech as evidence of Bush's initial hawkish inclinations. However, when he turned to the economic aspects of relations with Beijing, he unequivocally endorsed comprehensive engagement:

> "I view free trade as an important ally in what Ronald Reagan called 'a forward strategy for freedom.' The case for trade is not just monetary, but moral. Economic freedom creates habits of liberty. And habits of liberty create expectations of democracy. There are no guarantees, but there are good examples…Trade freely with China, and time is on our side…"[542]

While Bush acknowledges, "there are no guarantees" that this strategy will work, he and his advisers were confident that this was the best option. Thus, while Bush and his team

[539] (Hayden, 2014)

[540] (Garrison 2005, p. 165)

[541] (Green, 2014; Rice, 2015)

[542] (G. Bush, 1999)

might have minimized the "firmness" aspects of their security relations with China over time, their commitment to full "cooperation" in the economic arena was present from the very beginning; and this commitment traces back to a strong set of neoliberal causal beliefs about the connection between the expansion of trade and interdependence on one hand and liberalism and peace on the other.

What would a relative gains policy have looked like?

As in the previous two empirical chapters, I apply the general outlines of *containment, conditional engagement, and comprehensive engagement* to the specific issues facing the George W. Bush administration. Before conducting this analysis, though, it is important to note that the specific outlines of what a containment policy would have actually looked like for the Bush administration are harder to define for Bush than they are for his predecessors. First, Bush faced fewer major crises and critical junctures in relations with Beijing than his two predecessors had encountered. Second, the loud clamor of anti-China rhetoric from Capitol Hill was relatively more muted during the Bush administration. This was partly because the administration's primary attention (and that of its critics) was focused on Middle East policy. It is also because the memories of Tiananmen were fading, and China's economic growth was changing the narrative from lamenting human rights abuses to celebrating Beijing's economic "miracle". Third, once China entered the WTO and received PNTR, it became less clear how and under what pretense the U.S. would actually pursue economic containment.[543]

Nevertheless, the basic outlines of a **containment** policy in the George W. Bush administration would have looked something like the following. Instead of trying to resolve the EP-3 crisis quickly, the administration would have used it to justify taking a more uncompromising stance in certifying Beijing's WTO accession, potentially even using areas

[543] (Senior Administration Official, 2014; Dollar, 2014; Huntsman, 2014)

of non-compliance to completely derail China's accession.[544] The administration would have avoided institutionalizing senior dialogues, like the SED, and during the financial crisis, they would have resorted to protectionism. Examples might have included pushing Congress to label China a currency manipulator, raising tariffs and tightening quotas on Chinese imports, or limiting China's ability to purchase U.S. Treasuries. Certainly, the administration would have tried to avoid elevating China's influence in institutions like the FSB and G-20. As far as Taiwan is concerned, the administration would have been uncompromising in its support for Taiwan, even to the point of backing Taiwan's bid for independence. In fact, a true Machiavellian might have tried to lure China into attacking Taiwan to rally international support for containment.

Under a strategy of **conditional engagement**, the administration would have been more reticent to issue an apology after the EP-3 incident. In fact, they would likely have demanded one from China. The administration would have made the larger political and economic relationship contingent on reaching an agreement on China's flight intercept policies, as well. Furthermore, the administration would only have certified China's WTO accession packet once it was in full compliance with the terms of the bilateral agreement. The administration would have supported institutionalizing senior dialogues, like the SED, but only to the extent that the Chinese met specific preconditions. Within these dialogues, the administration would not have shied away from issues like currency manipulation and human rights simply because they felt the Chinese would prove intransigent.

Under a strategy of **comprehensive engagement,** the administration would have tried to resolve the EP-3 crisis as quickly as possible, and would have continued to support China's WTO accession, even if Beijing were still not fully compliant with all terms of the bilateral agreement. The administration would have sought to institutionalize a senior dialogue that

[544] (Dollar, 2014; Keith, 2014; Krasner, 2014; Slaughter, 2014)

focused primarily on issues where there was sufficient common ground for compromise. During the financial crisis, the administration would have pushed for enhancing bilateral cooperation, as well as elevating China's role in institutions like the FSB and G-20 in the hopes that this would encourage China to assume the duties of a "responsible stakeholder." With this framework, we now turn to the administration's actual record.

Historical Record:

The EP-3 Crisis: An Early Test of the Administration's Strategy

The first major foreign policy crisis of the George W. Bush administration came on April 1, 2001 when a Chinese F-8 fighter jet collided with an American Naval EP-3 surveillance plane seventy miles off the coast of Hainan Island.[545] The Chinese fighter made three close passes of the American plane, and clipped the wing of the EP-3 on the third pass. The Chinese pilot was killed in the crash, and the EP-3 severely crippled. However, the American pilot managed to regain control and make an emergency landing at Jingshui naval airfield on Hainan Island.

The immediate concern of American commanders was with the condition of the crewmembers and treatment of the aircraft. The Chinese, however, refused to discuss either until the U.S. issued a formal apology, accepting blame for the collision. U.S. commanders felt that the Chinese version of the story—that the U.S. aircraft had made an aggressive move against the Chinese fighter—was incorrect.[546] Therefore, they refused to issue any formal apology without further information from the American crew regarding the facts of the incident

[545] (Blair and Bonfili, David 2006, p. 377)

[546] (Blair and Bonfili, David 2006, p. 381-382; Sealock 2014)

and the nature of their current condition.[547] Media coverage in both countries incited public anger and threatened to send relations careening down the road to further confrontation.

On April 3, America's Defense Attaché in Beijing, General Neal Sealock, was finally granted access to the crew and reported their condition and treatment were both good. At this point, control over the negotiations was turned over to the State Department.[548] The State Department's charge over negotiations stemmed in part from the simple fact that the Department of Defense was even more understaffed than the State Department at the time.[549] It was also partly because Ambassador Prueher, who had commanded America's Pacific forces as an Admiral, held legitimacy in DOD. Finally (and perhaps most importantly), the President favored the State Department's more conciliatory plan to resolve the crisis quickly.[550]

Ultimately, the Chinese released the captured crew to the U.S. on April 13, shortly after receiving Ambassador Prueher's letter of apology on April 11. In the letter, Prueher did not acknowledge fault for the incident. However, he did convey that:

> "Both President Bush and Secretary of State Powell have expressed their sincere regret over your missing pilot and aircraft. Please convey to the Chinese people and to the family of the pilot Wang Wei that we are very sorry for their loss."[551]

Because President Bush refused to exploit public anger over the crash, the administration managed to quickly resolve what could have easily developed into a much larger and more prolonged crisis. However, the administration's "soft" handling of the crisis angered many on the outside. As Daalder and Lindsay describe, "Bush's pragmatic approach in dealing with China may have staved off a confrontation with the Middle Kingdom. However, it angered conservative commentators."[552] For example, *The Weekly Standard* called

[547] (Blair and Bonfili, David 2006, p. 381-382)

[548] (Garrison 2005, p. 170)

[549] (Armitage, 2014; Schriver, 2014; Sealock, 2014)

[550] (C. Powell, 2014; Sealock, 2014)

[551] (Prueher, 2001)

[552] (Daalder and Lindsay 2005, p. 68-69)

the apology "a national humiliation" that demonstrated "weakness and fear: fear of the political, strategic, and economic consequences of meeting a Chinese challenge."[553]

While such views were common among media commentators, few sympathizers of anything resembling containment could be found within the administration' senior leadership. Secretary of Defense Donald Rumsfeld's own account of the crisis attests to this fact. According to all accounts—including his—Secretary Rumsfeld was the most hawkish of the President's senior advisers regarding the appropriate response to the EP-3 crisis. Rumsfeld recalls:

> "On the morning of April 2, 2001, a day after the capture of the American crew, Bush called Powell, Rice, and me into the Oval Office. The President asked each of us for our views. Powell and Rice appeared to favor a U.S. apology. Powell told us that State Department officials favored a suspension of the routine U.S. reconnaissance flights…Powell added that Admiral Dennis Blair, the combatant commander of the U.S. Pacific Command, supported the recommendation."[554]

Here Rumsfeld acknowledges that the consensus of the administration (including the Secretary of State, National Security Advisor, Ambassador, and even the military commander in the Pacific) favored a conciliatory approach designed to de-escalate the situation as soon as possible. Rumsfeld goes on to surmise that this consensus "reflected the natural inclination to move quickly to bring the unfortunate incident to an end, even if America had to humble itself to get the crew back as rapidly as possible."[555] However, he also points out, "American companies were investing many billions of dollars in China; so there were significant economic interests in maintaining good relations with the PRC by offering an apology and moving on."[556] Despite all of these reasons, Rumsfeld says that he opposed this "overly conciliatory" approach.

[553] (Daalder and Lindsay 2005, p. 69; Kagan and Kristoll 2001)

[554] (Rumsfeld 2012, p. 313-314)

[555] Ibid

[556] Ibid

For his part, Deputy Secretary of State Richard Armitage confirmed Rumsfeld's point that the majority of the administration's senior leadership felt that the goal was to return the sailors, de-escalate the situation, and move forward with minimal damage to the relationship. With his characteristic candor, Armitage described the disagreement between the State and Defense Departments by simply saying:

> "They [Rumsfeld and Wolfowitz] wanted to be real tough on China, and our view was, 'you know, boys will be boys, shit happens. They lost a pilot. We didn't lose anyone. We are going to have a relationship with them, so let's move on with it.'"[557]

However, unlike the majority of the administration, Rumsfeld felt this approach of just "moving on with it" was too costly in the long-run, because:

> "Capitulating to their [Beijing's] threats and feigned outrage could embolden China's military and political leaders to commit still more provocative acts. I did not believe America would benefit from being seen as a weak supplicant. Moreover, I thought that there should be some kind of clear penalty for China's dangerous behavior."[558]

Nevertheless, what Rumsfeld ultimately recommended as a more hardline alternative still fell far short of actual containment:

> "I recommended that we suspend temporarily our military-to-military relations with the PRC. I strongly favored these military exchanges in general, but the PRC had been using them as intelligence-gathering mission, and had been denying us truly reciprocal visits of equal value…this seemed to be an opportunity to impose a cost on them to later renegotiate a more balanced exchanges."[559]

President Bush agreed to the temporary cessation of military contact, but he sided with the rest of his foreign policy team in his overall handling of the crisis. Against Rumsfeld's wishes, he empowered Ambassador Prueher to proceed with the letter of apology and to take all other means necessary to secure the release of U.S. military personnel and the quick resolution of the crisis. By his own admission, Rumsfeld was the lone voice against the conciliatory response to Beijing after the crisis.[560] In fact, General Sealock, who was the

[557] (Armitage, 2014)

[558] (Rumsfeld 2012, p. 313-314)

[559] Ibid

[560] Ibid

Defense Attaché in Beijing at the time, recalls that outside of concerns over the crew's safety, "our biggest fear was a resurgence by Congress of economic sanctions."[561] This concern is the opposite of what we would expect from an administration that had even an inkling of a desire to pursue containment. However, from the perspective of an administration committed to a strategy of comprehensive engagement, the concern was not without cause because "on April 4, days after the collision, Congress introduced a bill to try to revoke normal trade relations with China."[562] However, far from getting on board with this effort, Sealock said:

> "No one in the administration was attempting to use this as an excuse to impose sanctions or other means of economic containment on China. Quite the contrary, the primary effort of the administration—the military included—was to prevent the Congress from pushing any type of shortsighted containment or punitive measures."[563]

Furthermore, as both Sealock and Rumsfeld's comments confirm, even the Defense Department's more "hardline" proposals came nowhere near proposing any form of economic containment. While Rumsfeld and many in the administration were concerned about China's military developments, there were no concerns on the economic front. In fact, Armitage dismissed Rumsfeld's attempt to "play hardball" as little more than "a lot of bluster."[564]

Thus, as his father had done in Tiananmen and as Clinton had done in the Taiwan Straits Crisis, Bush did his best to shepherd the relationship through the crisis with as little long-term damage as possible. Trying to capitalize on the crisis to provide pretense for a policy of containment could not have been more opposite from the administration's response.

The administration's actions, therefore, reflect the expectations of my Hypothesis 4. The EP-3 crisis was not an instance of Beijing using or threatening to use force to grab territory, and it certainly had nothing to do with terrorism. However, Beijing's provocative flight

[561] (Sealock, 2014)

[562] (C. Wang 2009, p. 80)

[563] (Sealock, 2014)

[564] (Armitage, 2014)

intercept practices were nonetheless seen as an overly aggressive strategy. Consequently, while this crisis was not the result of an intentional decision from the leadership in Beijing, their approval of these close-encounter intercepts did set the conditions for this kind of accident. Therefore, it is not surprising that the ultimate manifestation of this conflict sparked a major debate within the administration, pitting Rumsfeld and Cheney on one side, and Rice, Powell, and Prueher on the other. It is important to note, though, that even the "hawks" were not calling for containment in this instance—only for more robust investments in military hedging. Regardless, the President ultimately sided with his more moderate advisers, which is compatible with our theory. Again I do not predict that any given action by a rising state will inevitably result in the abandonment of engagement; only that certain behaviors will cause policymakers to re-assess the merits of engagement and the applicability of their baseline neoliberal beliefs in that particular case.

Completing China's WTO Accession:

If Bush or his team had wanted to capitalize on the EP-3 crisis to shift to a strategy of containment, the most logical way to do this would have been to use it as pretense to stall or de-rail final certification for China's accession to the WTO, which was scheduled to be completed by the end of 2001.[565] However, in not a single interview, memoir, or secondary source was there any evidence that such a strategy was even conceptualized—much less seriously considered. In fact, far from attempting to complicate or delay China's ultimate accession, the Bush administration officials were actually anxious to expedite this process, believing that it would have a positive impact for both global and domestic economic growth. Bush himself states in his memoirs that, "One of my first decisions (as President) was to

[565] (Senior Administration Official, 2014; Dollar, 2014; Krasner, 2014)

continue President Clinton's support for China's entry into the WTO."[566] Long-time scholar of U.S.-China relations, William Cohen, remembers that Bush supported accession wholeheartedly, "even though the U.S. Trade Representative (Robert Zoellick) warned that he did not expect China to honor all the commitments it made to gain entry into the WTO."[567]

Why was the administration so anxious to complete China's WTO accession, especially if they doubted that China would actually adhere to all aspects of their accession agreement? The answer is pretty straightforward—because they took a decidedly positive sum view of the relationship, viewing China's economic growth as good for not only the American economy, but also for America's broader security interests.[568] Secretary of State Colin Powell made this point in a meeting with American business leaders in Shanghai during the lead-up to completing China's accession, saying:

> "It [the rapid economic growth in China] benefits all of us, and it has to be pursued and continued in every possible way to make sure that the wealth we see in Shanghai…is expanded throughout the [Chinese] society…I am one of those who firmly believe the more they [the Chinese people] see of it [free markets and international trade], the more they will gain an appreciation for the rule of law and fundamental human rights for all citizens, and they will be encouraged to continue moving in that direction [towards greater liberalization]."[569]

This statement once again highlights that the Bush administration was not just indifferent to China's growth, which is the threshold for absolute gains. They were actually deeply committed to facilitating that growth. It also reveals that the justification for this positive-sum approach was founded on officials' overwhelming confidence in the transformative effects of trade and engagement. In fact, Bush's Secretary of Commerce and long-time personal friend from Texas, Donald Evans, was visibly repulsed by the mere

[566] (G. W. Bush 2010, p. 427-428)

[567] (Cohen 2010, p. 269)

[568] (Huntsman, 2014)

[569] (C. Powell, 2001)

proposition that the President or the administration more generally would have even considered trying to isolate or stifle China:

> "The idea that we would want to keep China out of the WTO or stifle their economy is absurd. I mean the idea of commerce and trade is that it allows you to establish relationships with people, and then those relationships will lead to mutual understanding…To me, commerce and trade is all about strengthening the diplomatic relationships between people and between countries. So my goal was to do everything I could to maximize the long-term growth potential of the global economy, and China is obviously at the core of that. They're essential to that."[570]

In fact, Bush's Trade Representative, Susan Schwab, went so far as to describe an attempt to keep China out of the WTO or otherwise restrict its growth as "immoral":

> "China wanted to come into the WTO to self-impose economic reforms that would develop their economy and help their people. In doing so, they pulled hundreds of millions of people out of abject poverty. It is immoral to think badly of that, or to think 'you know we shouldn't have let that happen.'"[571]

Even self-described "China skeptics" like Mike Green, who was the Senior Director for Asia on the NSC, said that they wanted to bring China into the WTO and grow bilateral trade for strategic reasons—as well as economic ones:

> "We wanted to create an environment where China is guided into the types of behavior and the patterns of growth that we want. The best way to do this is to bring them into the liberal trading order and make them totally dependent on our markets, which WTO accession ensured."[572]

Thus, while Green and other "China skeptics" might not have looked on China's economic growth with as much fanfare as some of their colleagues, they nonetheless believed that trying to channel China's rise was a far more prudent policy than trying to contain it…even if the process of channeling China's growth actually helped accelerate the speed of its ascent. However, economic relations with China were not without disputes, and the Bush administration raised its objections to various Chinese practices in bilateral and multilateral

[570] (Evans, 2014)

[571] (Schwab, 2014)

[572] (Green, 2014)

forums throughout its tenure. To this end, Donald Evans, who was one of the strongest supporters of a positive-sum strategy, clarified:

> "I'm a free market guy, and I don't like to impose tariffs. But there was some dumping by the Chinese that disadvantaged our companies and our workers, and we couldn't tolerate that. We can't let them unfairly take advantage of U.S. companies and U.S. workers."[573]

Similarly, Evans stated:

> "On intellectual property you obviously have to be a little tougher. We're not going to let you steal from us. That is not going to happen. You start stealing from us, and we have actions we can take against you, and we did that."[574]

Evans' statement is powerful for a couple of reasons. First, it points out what a strategy of comprehensive engagement is not—a license for China (or any state) to violate international trade agreements and standards in order to get what Secretary of State Condoleeza Rice called, "an unfair advantage on the cheap."[575] Second, while a positive sum view does not concern itself with whether the other side is gaining more or less relative to oneself, it does take note if the other side's actions are adversely affecting one's own economy in an absolute—not relative—sense. Therefore, it is perfectly compatible with a strategy of comprehensive engagement for Donald Evans, as Secretary of Commerce, to express an opposition to intellectual property theft and illegal dumping activities. These are clear violations of international agreements and norms and also directly impose significant damage (in an absolute sense) on American companies and workers. As Peter Feaver, who was serving on the National Security Council at the time, clarified: "We were definitely worried about China's lack of IP protection and corporate espionage. But this didn't mean we worried about China's overall growth. It was about fairness…not relative gains."[576] Likewise, former U.S. Trade Representative, Deputy Secretary of State, and World Bank President, Robert Zoellick said:

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[573] (Evans, 2014)

[574] Ibid

[575] (Rice, 2015)

[576] (P. Feaver, 2014)

> "I believe the U.S. should not hesitate to press its economic interests when China is stealing or violating international rules. At the same time, the U.S. should be honest with itself when facing protectionist pressures stemming from problems we need to fix at home. The U.S. can compete well if rules are fair, so the U.S. has an interest in supporting a rules-based system."[577]

Furthermore, Secretary Evans and numerous other officials with whom I spoke emphasized that while their first priority in challenging China on these "mercantilist policies" was to protect American companies and the American economy, they also believed that these reforms would aid China's own economy in the long-run. For example, Evans said:

> "You can start with protection of intellectual property. I would tell my Chinese counterparts, 'people in your own country are beginning to create incredibly important and transformative innovations. That's a value they created and that value should be theirs. It shouldn't belong to somebody else. So intellectual property is not just about protecting American companies, but protecting your own companies. Without that protection, you will struggle to continue moving your economy forward into more sophisticated markets and sectors.'"[578]

Again, even China skeptics like Mike Green agreed with this assessment:

> "Sure, the lack protection for intellectual property rights, unsustainable pollution practices, corporate espionage, and the lack of liberalization and openness in state owned enterprises were some of the aspects of the Chinese economy that were most concerning to us. But they were also some of the issues we felt would be the most likely to get China caught in the middle-income trap. And despite what some people on the outside might think, this was not something we wanted to see happen."[579]

Beyond hoping that these reforms would be a way of "helping the Chinese help themselves"[580] to put it in the words of Undersecretary of the Treasury for International Affairs, David McCormick, the Bush administration also wanted to inculcate in Beijing the norms and procedures of the liberal international order. Therefore, to the extent that the U.S. opposed Chinese practices, they brought these challenges before the WTO to address them in an institutionalized, multilateral context.[581] The Chinese, who place great importance on

[577] (Zoellick, 2014)

[578] (Evans, 2014)

[579] (Green, 2014)

[580] (McCormick, 2014)

[581] (P. Feaver, 2014)

"saving face", preferred to deal with such matters in bilateral, behind-the-scenes negotiations. However, the Bush administration believed that to truly become a "responsible stakeholder," China needed to learn to operate within these institutional frameworks. As the U.S. Trade Representative, Susan Schwab was the point-person in addressing these trade disputes. Here is how she described her interaction with the Chinese regarding disputes and the importance of using the WTO to resolve these disputes:

> "I told my Chinese counterparts that, 'if I believe you are not living by these agreements (WTO accession and others), I will file a case with the WTO.' Your response should be, 'I believe I'm living up to these agreements and I will see you in court.' Don't act as though I have personally affronted you. Act very businesslike, and you should start taking cases against other countries, because other countries are going to be doing things to you that are unfair. It took a couple of cases before the Chinese got the concept, and but then they started acting more business-like about it."[582]

Indeed, this is what happened. Before long, many countries—including many developing countries—were filing suit against China in the WTO. As Schwab said, "Since then, China has been hit by virtually every other member country, especially by other emerging markets economies, so a lot of EME on EME violence."[583] Again, this does not mean that all of these countries were prioritizing relative gains. Their very willingness to participate in and agree to the rules of the WTO means that they are willing to compete in accordance with a set of rules that prohibit the very types of mercantilist and "beggar-thy-neighbor" policies that are staples of a zero-sum, relative gains strategy. Thus, the mere presence of competition is not a sign of relative gains. Instead, competition—indeed fierce competition—is one of the defining characteristics of a competitive free market.

Strengthening Relations with the Strategic Economic Dialogue:

[582] (Schwab, 2014)

[583] Ibid

In the second term, Bush and his team decided to further increase engagement at the senior level, especially on economic issues. In particular, President Bush recalls that, "To solidify our relationship, I asked Treasury Secretary Hank Paulson and Condi to create the Strategic Economic Dialogue (SED)."[584] The SED became the centerpiece of US-China economic relations during the later years of the Bush administration, and its ownership by the Treasury Department had been one of Paulson's main stipulations before accepting Bush's appointment as Secretary of the Treasury.[585] As the CEO of Goldman Sachs, Paulson had visited China seventy-two times before going to work for the administration, and he felt strongly about the importance of collaboration and cooperation between Beijing and Washington.[586]

For her part, Secretary Rice reports that she fully welcomed Paulson's initiation of the SED, and did not see it as infringing on her "turf" at the State Department:

> "It seemed to me that a separate channel for the thicket of economic issues was a good idea. I was never a fan of linkage politics and didn't really believe that threatening the U.S.-China economic relationship in retaliation for differences in the security field or on human rights would work. We needed to solve economic issues with China because of their centrality to the health of our own economy and the global economy."[587]

This is a powerful statement from the head of the State Department, which traditionally had been the biggest advocate of trying to leverage economic access in order to extract concessions from China in the security and human rights arenas. In fact, far from viewing the SED as a devious way to throw obstacles in Beijing's path, many in the State Department viewed the dialogue as a way to empower reformers to make the changes that would actually boost China's long-term economic health. Thomas Christensen was serving as the Deputy Assistant Secretary of State for East Asia during the period. He recalls:

[584] (G. W. Bush 2010, p. 427-428)

[585] (Kimmitt, 2014; Paulson, 2014, 2015; Schriver, 2014)

[586] (Kimmitt, 2014; McCormick, 2014; Paulson, 2014, 2015)

[587] (Rice 2011, p. 518-519)

> "In the SED, we were encouraging the Chinese—among other things—to liberalize their financial system, to develop a social safety net, and to increase open access of information. This would benefit our economy, reduce the likelihood of the Chinese becoming aggressive, and, if successful, also minimize the possibility of a loss of central authority in China, which we viewed as the nightmare scenario. By this I mean that we wanted China to continue growing, because this helped ensure stability within China. The United States government is experienced in deterring a coherent great power, but we are not prepared to deal with a broken down or erratic power. That would be chaos and be very hard to manage."[588]

Once again, this quote demonstrates that American officials were actually trying to help facilitate China's growth by ensuring that it was occurring in a manner that was sustainable in the long-term. This was because officials in both the State Department and Defense Department recognized that regardless of whatever problems they might have with China, one thing everyone could agree on was the overriding importance of the economic relationship. Failure in this respect would not only hurt America's economy, but could also increase the likelihood of instability within China, and as Secretary Rice said, "the last thing we wanted to see was China imploding from an economic crisis and dropping its constituent parts all over Asia."[589]

Furthermore, just as the SED was not intended to serve as a Trojan horse, neither was it intended to be "just for show." Deputy Secretary of the Treasury, Robert Kimmitt, emphasized that the purpose of the SED "was not to set up a discussion forum. We wanted to produce results."[590] With that in mind, the administration wanted to stick to issues where they could achieve progress, and avoid ones that would drag the entire process down into "endless discussions." For example, Kimmit said:

> "If you started bringing into the SED the expansion of China's blue water navy and their relations to Pakistan, you would have a wonderful series of discussions that would produce wonderful papers and no results."[591]

[588] (Christensen, 2014)

[589] (Rice, 2015)

[590] (Kimmitt, 2014)

[591] Ibid

Even among economic issues, Paulson and others wanted to avoid allowing implacable problems to monopolize the dialogue. One of these issues that carried tremendous political power in both China and the U.S. was the allegation that China was manipulating its currency to give its exports an unfair advantage. Despite this being one of the perennial complaints from Congress, Kimmitt remembers:

> "We decided that we didn't want currency to be the dominant issue of the SED discussions. It had to be an important part of the discussion, but if it became simply a debating forum for our currency differences, we didn't think we'd then be able to produce results that we believe are important."[592]

Instead, Kimmitt said that they chose to use "other channels for the currency discussions," including "APEC, the G-20, and other forums."[593] As proof that the Chinese responded well to this less confrontational approach, Kimmitt points out that, "it was at the APEC finance ministers meeting in Korea in September of 2005 that China first committed to a statement that talked about market valuation of currency,"[594] and "the Chinese currency appreciated almost 20% on a trade-weighted basis between August 2005 to August 2007."[595] In addition to believing that the SED was not the ideal venue for currency disputes, the administration also simply felt that it was not nearly as big of an issue as Congress and the media tried to make it. As former Deputy Assistant Secretary of State for East Asian Affairs, Randy Schriver, put it:

> "The principal purpose of even including currency issues in the SED was simply to placate Congress by showing that they were looking into and raising the issue of currency manipulation with Beijing. However, they were very explicit that they did not want to actually file an official case through Treasury regarding currency manipulation. It was not that they thought manipulation wasn't happening. Paulson's approach was that 'of course it's happening, but it's not that big of a deal.' So there was a major effort to dispel what they saw as the myth that Chinese currency manipulation was somehow resulting in a loss of US jobs. Instead they preferred to focus on intellectual property rights and opening China's financial system."[596]

[592] Ibid

[593] Ibid

[594] Ibid

[595] Ibid

[596] (Schriver, 2014)

Though Schriver provided the most succinct analysis on this point, numerous other senior officials attested that the currency manipulation issue, while real, was not the most significant problem they had with the Chinese.[597] The Chinese were manipulating their currency, but the real impact on jobs of this manipulation was not—in their calculation—significant enough to warrant stalling or derailing progress on many other more important issues that the SED was achieving.[598] An administration committed to a zero-sum strategy that prioritized relative gains would have seized on the political salience of the currency issue to justify far more stringent retaliations against the Chinese, but the Bush administration took the opposite approach.[599]

If currency issues were not the main topics of the SED, what were? Kimmitt and others remember that the Treasury Department's priorities focused around gaining greater market access for U.S. companies and investors, convincing China to do a better job of protecting intellectual property, and curbing the growth of corporate espionage. For example, as a forerunner to the Bilateral Investment Treaty that the Obama administration would pursue with China, the Bush administration used the SED to press Beijing to adopt a negative list approach for sectors and industries closed to foreign investment.[600] Unlike a positive list, in which all sectors and industries are considered closed unless specified, under a negative list, all sectors and industries are considered open for outside investment unless explicitly designated as closed. Kimmitt also recalls that "Hank (Paulson) had a particular interest in renewable energy, and finding different joint venture opportunities on that front, so there was a lot of work put into clean energy topics."[601]

[597] (Kimmitt, 2014; McCormick, 2014; Rice, 2015; Zoellick, 2014)

[598] (Green, 2014; Kimmitt, 2014)

[599] (Negroponte, 2014; Rice, 2015)

[600] (Kimmitt, 2014; Schwab, 2014; Zoellick, 2014)

[601] (Kimmitt, 2014)

When asked who benefitted more from the SED, Kimmitt and others stated, "I don't think people inside the government thought of it that way," because "even if you thought China was benefitting more, I think the question is, did the U.S. get benefits commensurate with the effort being put into the dialogue?"[602] Likewise, Undersecretary of Treasury for International Affairs, David McCormick agreed:

> "I think the basic point, which appears to be at the core of your thesis, is that the SED was a way to channel our common goals and interests in a way that made tangible progress and gave a framework for building bilateral consensus that kept critics in both countries at bay and engagement on track."[603]

Therefore, the goal was not to see who gained relatively more or less. Instead:

> "Ultimately, the goal was to suggest to China that there were ways for it to benefit from participation in the global economy by playing by the rules that had been set, not some special set of U.S. rules, or certainly not playing by the special set of Chinese rules, but the rules set by the WTO and other organization, which they had voluntarily joined."[604]

The reason it was so important to make the dialogue a productive and positive process, and the reason that questions about who gained more were relatively less important was that policymakers firmly believed that "there was a greater danger of China moving in directions that would not serve U.S. interests if we failed to set up the dialogue." Therefore, "if there were some areas where the Chinese were benefitting more from the dialogue, I would still say the dialogue benefitted us enough that it was certainly worthwhile."[605] In short, the SED was about achieving results and institutionalizing the mechanisms and structures necessary to facilitate bilateral coordination and cooperation. Who gained relatively more from the dialogue was immaterial in the minds of American policymakers.

The Financial Crisis and the Imperative of Cooperation:

[602] Ibid

[603] (McCormick, 2014)

[604] (Kimmitt, 2014)

[605] Ibid

This emphasis on building the personal relationships and institutional structures needed for collaboration and cooperation between Beijing and Washington would prove invaluable in the wake of the 2008 financial crisis, when both countries would need to work more closely than ever before in order to cauterize the hemorrhaging of global financial markets. America was the largest debtor country, the largest consumer market, and the host of the world's deepest and most liquid equities markets. China, in turn, was the largest creditor nation and the largest global exporter, which made it arguably more dependent than any other countries on both 1) large consumer markets and 2) deep and liquid overseas financial markets to park enormous capital account surpluses.[606] Consequently, cooperation between the two could help usher in stability, while a conflict or attempt at rapid disentanglement could send the markets into an even deeper dive.

However, in talking about the importance of bilateral cooperation during and after the financial crisis, it is important to make clear that this was not an instance of asymmetrical vulnerability or dependence, as many in the American Congress and media sought to portray it. The Chinese held over $1.5 trillion of USD-denominated assets in its reserves[607] (of which $550 billion were U.S. Treasury notes)[608] at the start of the crisis. These holdings eventually rose to just under $2 trillion worth of total reserves[609] (of which $740 billion were U.S. Treasury notes)[610] by the time Bush left office in 2009. These are undoubtedly significant holdings, even for the American economy. Indeed, they were the largest of any foreign holder. Nevertheless, David McCormick, who was the liaison at Treasury with the Chinese for these holdings, remembers that Beijing was much more worried about these holdings being devalued

[606] (Dollar, 2014; Gordon, 2014; McCormick, 2014)

[607] ("China Foreign Exhange Reserves," 2008)

[608] ("Major Foreign Holders of U.S. Treasury Securities," 2008)

[609] ("China Foreign Exhange Reserves," 2008)

[610] ("Major Foreign Holders of U.S. Treasury Securities," 2008)

than the administration was about Beijing using them for leverage or even dumping them.[611] Therefore, to the extent either side was reassuring the other, it was Washington reassuring Beijing that they would not cancel or devalue the debt.[612] To this end, David Gordon, who ran many of the National Intelligence Council and CIA assessments about the strategic implications of China's debt holdings, dismissed these concerns about Beijing using its dollar holdings as leverage. Gordon, like over nineteen other interviewees, harkened back to the old adage:

> "If you owe the bank $1000, the bank has leverage on you; if you owe the bank $1,000,000, you have leverage over the bank. So, we never bought this notion that holding treasuries was a big strategic advantage for China. Indeed, our view was that as long as the Chinese were forced to hold treasuries because of the lack of alternative instruments, that was going to be a strategic advantage to the United States."[613]

Deputy Secretary of Treasury, Robert Kimmitt, also confirmed this view:

> "A lot of people in Congress and the media said, 'oh the Chinese could just pull their money out of the US market and just collapse it.' But if they did that, they would be a big loser, too. They are fairly shrewd investors, so we never expected them to do something like that because it was so clearly not in their economic interest."[614]

Conjuring the idea of Economic Mutual Assured Destruction, which was very much in vogue in the aftermath of the financial crisis, Dave McCormick said:

> "[During the crisis] there was the notion that it was a little bit of mutual assured destruction because if they made any moves that were really destabilizing, the impact on them would be very significant as well; so I don't think there was panic on the administration side, but there was worry that in the absence of any clarity that there was the possibility of somebody doing something stupid, so my job was to be in regular contact."[615]

In fact, the importance of communication and avoiding confusion made engagement so critical that McCormick was tasked specifically to liaison with the Chinese. To make sure nothing ever got lost in bureaucratic channels, McCormick remembers:

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[611] (McCormick, 2014)

[612] (Kimmitt, 2014; McCormick, 2014)

[613] (Gordon, 2014)

[614] (Kimmitt, 2014)

[615] (McCormick, 2014)

> "I gave my personal cell phone to Madame Hu, who oversaw China's holdings in the U.S., and she gave me hers. It was remarkable to be able to cut through all the formal channels, and we often talked daily during the crisis."[616]

In all of these conversations, McCormick never recalls even the slightest hint from Hu or others in Beijing that they might try to use their holdings as leverage against the Americans, nor was there any sense within the administration that this had shifted the balance of power in any meaningful way. As Robert Zoellick remembers:

> "There was lot of discussion in Beijing around 2008 that, 'Oh, now the teacher has to learn his lesson.' I did not hear that view from Chinese officials, however. And as years passed, Chinese officials were again impressed by America's ability to recover and innovate. Like others who have underestimated the dynamism of US markets in the past, the Chinese may not totally understand how America's economy keeps reinventing itself, but they see the impressive results."[617]

Evolving Problems with Taiwan:

Another major issue that the administration faced—as have all administrations—was what to do about Taiwan. President Bush writes in his autobiography:

> "Every time I met with the Chinese leaders, I confirmed America's longstanding 'One China Policy' would not change. I also made clear I opposed any unilateral change to the status quo, including a declaration of independence by Taiwan."[618]

However, in his first year in the White House, Bush appeared to be playing with the spirit—if not the letter—of the three communiqués. This was particularly true of Bush's approval of a $4 billion arms sale to Taiwan in 2001, which included four Kidd-class destroyers, twelve anti-submarine aircraft, as many as eight diesel-powered submarines, and minesweeping helicopters. However, Bush did give way to Chinese pressure to not include the two systems Beijing most opposed—the Aegis radar system and the PAC-3 anti-ballistic missile system.[619]

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[616] Ibid

[617] (Zoellick, 2014)

[618] (G. W. Bush 2010, p. 426-427)

[619] For detailed discussion of the sale, see (Cohen 2010, p. 268; Garrison 2005, p. 171; C. Wang 2009, p. 53-54)

As frustrating as these arms sales might have been to Beijing, this was not an act of containment. Offering these weapons to the Taiwanese (most of which Taipei never actually bought) might have degraded China's relative military strength in the event of a Cross-Straight conflict. However, this sale did nothing to constrain China's military capabilities—much less its economic power. It did not limit the PLA's peaceful freedom of maneuver, and it certainly did not result in any adverse effects on China's economic growth. Thus, according to our discussion in Chapter 1, this was certainly a prominent example of hedging, but not containing.

Regardless, the Bush administration's enthusiastic support for Taipei quickly turned to open contempt. As Paul Wolfowitz said, "Taiwan had some great opportunities in those eight years while Bush was President to develop a better relationship with the U.S., but they really blew it."[620] First, Taiwan's President, Chen Shui-bian, infuriated Bush by continually pushing Taiwanese independence. Second, after Bush approved the 2001 arms sale, Taipei failed to actually appropriate the money. Finally, independent of Taipei's actions, Bush and his team were becoming increasingly convinced of the overriding importance of positive bilateral relations with Beijing. As a result, Secretary Rice reflected in her memoirs that, "Chen Shui-bian had become a thorn in our side, not just Beijing's."[621] In fact, President Bush grew sufficiently annoyed with Taipei that he publically and unequivocally condemned Chen's actions while standing next to Chinese Premier Wen Jiabao at a December press conference at the White House.[622]

Secretary of State Colin Powell went even further in an interview in October 2004:

> "Both sides [Taiwan and China] should show restraint…look for ways of improving dialogue across the Straits and move forward to that day when we will see a peaceful *reunification*…our policy is clear. There is only one China. Taiwan is not independent. It does not enjoy sovereignty as a nation."[623]

[620] (Wolfowitz, 2015)

[621] (Rice 2011, p. 646)

[622] (Cohen 2010, p. 270-271; C. Wang 2009, p. 24; D. Wang 2013, p. 294)

[623] (C. Wang 2009, p. 36)

Powell later walked back his comments, saying he meant to say "resolution" instead of "reunification". Nevertheless, his Deputy Secretary, Richard Armitage doubled-down during a subsequent TV interview in December of 2004, in which he argued that the United States was not obligated to defend Taiwan.[624]

America's harsh rhetoric towards Taipei was warmly welcomed in Beijing. In fact, Deputy Secretary of State, John Negroponte, argued, "Bush's rocky relationship with Chen no doubt strengthened his relations with Beijing."[625] Likewise, Secretary Rice remembers that the Chinese were "ecstatic" with the administration's policies toward Taiwan—even in spite of the arms sales. They were so pleased, in fact, that China's Foreign Minister, Yang Jiechi, confided in Secretary Rice during her final year, "I just hope you can pass on this administration's policy to the next President." When Rice said it was not that simple, Jiechi replied, "Well, we can hope."[626]

Findings:

Assessing the George W. Bush Administration's Policies:

In light of this historical summary, we can now analyze whether George W. Bush's strategy towards China is best classified as *containment, conditional engagement, or comprehensive engagement*?

Overall Approach:

[624] (Cohen 2010, p. 272)

[625] (Negroponte, 2014)

[626] (Rice 2011, p. 647)

The Bush administration enthusiastically supported China's accession into the WTO, despite the fact that China was non-compliant in many aspects of the bilateral agreement.[627] Within the WTO, the administration made no attempts to isolate or ostracize China. Instead, they tried to encourage Beijing to embrace its rules and norms as an active participant.[628] In the mid 2000s, the administration doubled down on engagement by creating the Strategic Economic Dialogue (SED). Within the SED, administration officials were willing to set aside long-time disputes with Beijing in order to focus on issues where there was sufficient common ground to actually achieve tangible results.[629] In this sense, the administration did approach the SED with priorities, but not with conditions. This determination to not allow important but intractable problems stand in the way of moving overall cooperation forward is symbolic of a strategy of comprehensive engagement.

Response to Crises:

The administration did not use the EP-3 crisis as pretense to impose sweeping sanctions, to withdraw the offer of PNTR, or to derail China's accession to the WTO.[630] Instead, the administration attempted to de-escalate the situation as quickly and with minimal long-term damage to the relationship.[631] This included issuing a letter that expressed sympathy and regret over the loss of the Chinese pilot and intrusion of Chinese air space.[632] While the DOD wanted China to revise its protocols for flight intercepts and emergency landing

[627] (Cohen 2010, p. 269)

[628] (Schwab, 2014; Zoellick, 2014)

[629] (Kimmitt, 2014; McCormick, 2014)

[630] (Armitage, 2014; C. Powell, 2014; Rumsfeld, 2012)

[631] (C. Wang 2009, p. 292)

[632] (Blair & Bonfili, David, 2006; Prueher, 2001)

procedures with the Chinese, the administration did not make engagement—economic or military—conditional on resolving these issues.[633]

During the financial crisis, the administration did not resort to the types of protectionist policies indicative of a containment strategy that is prioritizing relative gains. In fact, they actively resisted pressure to label China a currency manipulator and to impose restrictions on China's access to U.S. Treasuries.[634] Furthermore, the administration did not try to coordinate the international response through institutions that excluded the Chinese. Instead, they relied primarily on the FSB and G-20, where the Chinese enjoy considerable influence. The administration also significantly upgraded the frequency and intensity of bilateral coordination and cooperation. This included—among other practices—senior officials calling their counterparts' personal cell phones on a daily basis in order to cut through bureaucratic tape.[635] All of this is far more indicative of comprehensive engagement than containment or even conditional engagement.

Some have asserted that the Bush administration might have taken a more hardline stance with China, if not for the terrorist attacks on September 11, 2001. According to this argument, the Bush administration planned to make China a much higher priority, as evidenced by the Bush administration's initial defense review, which prioritized China.[636] The terrorist attacks on 9/11 and the subsequent wars in the Middle East, however, diverted the administration's attention and energy. While it is hard to prove or disprove counterfactuals, such as this, there does seem to be a high probability that the Bush administration would have prioritized a larger portion of its Defense budget to hedging China. However, Bush's initial foreign policy speech during the campaign, his handling of the EP-3 crisis (which occurred

[633] (Blair & Bonfili, David, 2006; Sealock, 2014)

[634] (Kimmitt, 2014; McCormick, 2014; Rice, 2015; Zoellick, 2014)

[635] (McCormick, 2014)

[636] (Rumsfeld, 2001)

prior to 9/11), and the fundamentally free-market preference of the President and his advisors reveal no evidenced that these increased investments in military hedging would have in any way detracted from the administration's underlying desire to increase economic and political engagement with China. Therefore, while 9/11 might be a critical juncture for explaining the degree of emphasis that the Bush administration placed on hedging China militarily, this tragedy did not affect the administration's underlying desire to pursue a strategy of comprehensive economic and political engagement with Beijing. It is this latter calculus that is the main thrust of this paper.

Handling Congress:

Even if Congressional opposition to engagement was more muted during the Bush administration, it was not silent. For example, Secretary Rice recalls:

> "The huge trade imbalances were always a source of significant tension with the Congress. Only months before the 2004 election, the President refused to accept a 'dumping' petition for sanctions against Beijing. The Chinese could see that George Bush had gone the extra mile to protect the relationship and would not succumb to easy opportunities to blame China for the United States' economic difficulties. Unfortunately, Beijing rarely reciprocated."[637]

Likewise, Rice stated in her interview that during the Bush administration, "We faced a number of anti-dumping actions from the Hill, but we tried to find ways to steer away from any kind of retaliatory action against the Chinese."[638] Her Deputy, John Negroponte, also remembers that, "the administration was full of free-marketers, so we did not support legislation from Senator Schumer and others to label China a currency manipulator or impose tariffs or anything like that."[639] Thus, the administration was willing to take on Congress when it proposed legislation that, while politically popular, was sure to pollute bilateral relations

[637] (Rice 2011, p. 518)

[638] (Rice, 2015)

[639] (Negroponte, 2014)

with Beijing.[640] This is far more reflective of a strategy of comprehensive engagement—not conditional engagement and certainly not containment.

The summary of these findings are presented in **Table 7.1**.

Table 7.1:

Bush 43 Administration's Position on Engagement

Policy Area	Preferred Approach
Overall Approach	Comprehensive Engagement
Response to Crises	Comprehensive Engagement
Handling Congress	Comprehensive Engagement

Why such strong support for engagement?

How do we explain this consistent preference for a strategy of comprehensive engagement during a period when both China's economic and military power was growing rapidly? This is the question to which we now turn.

Cost-Benefit Analysis:

In deciding whether to engage or contain China, policymakers were conducting a basic cost-benefits analysis (CBA). This CBA strongly supported a policy of engagement. In fact, when I asked policymakers whether they felt that China policy enjoyed greater bipartisan consensus than other major foreign policy questions, they often responded like Paul

[640] (Green, 2014)

Wolfowitz: "I think that's true, and it's been true for a long time."[641] When asked why there was such broad support for engagement with China, but virtually no support for this approach with nations like North Korea and Iran, Wolfowitz responded:

> "I guess because China behaves a lot better than Iran or North Korea, so the level of hostility is generally pretty well managed. Plus, the potential positive gains are enormous where there is none of that with North Korea, obviously, and not a whole lot of that with Iran either. So the incentives in that direction are powerful."[642]

Wolfowitz' response was indicative of the majority of the Bush administration officials with whom I spoke, and it highlights the first important factor in policymakers' CBA—the enormous gains to be reaped from engaging China. In contrast, trading with states like Iran and North Korea offered far less short-term or long-term economic benefit to the United States.[643] However, policymakers focused not only on the benefits to be reaped from trade, but also on the costs of trying to disentangle the relationship and shift to containment. To this end, Cohen surmises:

> "The U.S. had too many concerns around the globe that could easily be aggravated if China perceived the Americans as hostile—and many international problems could no longer be resolved without help from Beijing."[644]

In support of this claim, Deputy Treasury Secretary, Robert Kimmitt argues, "It would have been a dangerous game to play to try to drive China into a corner where it felt either economically, politically, or militarily isolated or threatened."[645] In fact, Wolfowitz and others argued that trying to contain China's economic growth or otherwise ostracize it from the rest of the liberal order would only guarantee "China's development as an openly revisionist and much more hostile state."[646] This would bring significant costs for America.

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[641] (Wolfowitz, 2015)

[642] Ibid

[643] (Christensen, 2014; P. Feaver, 2014; Mahnken, 2015)

[644] (Cohen 2010, p. 276)

[645] (Kimmitt, 2014)

[646] (Wolfowitz, 2015)

Even Rumsfeld himself acknowledges that while he, "arrived in the George W. Bush administration among the more cautious about China's long-term ambitions," [647] he nevertheless recognized that, "if we treated China as a threatening rival, our antagonism could encourage the more militant elements in internal Chinese debates."[648] Therefore, Rumsfeld says he wrote down three bullet points when he came in as Secretary to guide his overall thinking on China:

> - "We ought to avoid unnecessarily working ourselves into problems with China." [*Don't succumb to a self-fulfilling strategy of conflict*]
>
> - "Confronting China with a list of things we want from them, telling them how to behave, won't work." [*Conditional engagement won't work*]
>
> - "Our goal out to be to not emphasize them as a threat today, but, rather, see if we can't seize the opportunity to establish a relationship that will be more to our advantage when they do become stronger." [*Engagement can support long-term peace*]"[649]

James Keith summarized all of these perspectives quite well:

> "There's uncertainty about China's future, and the best way to deal with that uncertainty is to use the approach that everyone has taken thus far, which is work towards the best outcomes, but *hedge* against the worst outcomes."[650]

By this, Keith meant that the administration engaged China economically in the hopes that this engagement would help spur reform in China's domestic policies and encourage moderation in its foreign policies. However, it also hedged these bets by simultaneously strengthening security partnerships in the region and maintaining military superiority.

In summary, policymakers believed that engaging China increased the economic benefits America could expect in both the short and long-term, while simultaneously decreasing the chance of experiencing conflict. In contrast, trying to contain or isolate China would impose significant adjustment costs on the American economy in the short-run, and

[647] (Rumsfeld 2012, p. 311)

[648] Ibid

[649] (Rumsfeld 2012, p. 312)

[650] (Keith, 2014)

deny American companies the long-term benefits of trading with China. Alienating China would also ensure their development as a revisionist power, which would increase the chance of a conflict. Even if direct conflict were avoided, an antagonistic China could complicate many of America's security priorities not only in East Asia, but also in Central Asia, the Middle East, and Africa.[651]

Once again, this fits with the basic heuristic outlined in Chapter 2 that if policymakers calculate that the expected benefits **(Be)** minus the expected probability of conflict **(Pe)** multiplied by the associated costs of conflict **(Ce)** for *engagement* are greater than the expected benefits **(Bc)** minus the expected probability of conflict **(Pc)** multiplied by the associated costs of conflict **(Cc)** for *containment*, then we should expect engagement. In other words because policymakers calculated that **Be – PeCe > Bc – PcCc** for relations with China, they opted for engagement. This makes the CBA a **causal factor** for the Bush 43 administration.

Neoliberal Causal Beliefs:

As with their predecessors in the Bush 41 and Clinton administrations, senior officials in the Bush 43 administration brought a powerful set of neoliberal causal beliefs to their CBA. As a testament to this fact, President Bush writes in his memoirs:

> "Expanding American access to China's one billion potential consumers was a high priority for me, just as access to the U.S. market was essential for the Chinese. I also saw trade as a tool to promote the freedom agenda. I believed that, over time, the freedom inherent in the market would lead people to demand liberty in the public square."[652]

This statement reveals the central role that trade and interdependence played in Bush's "freedom agenda."[653] The President and his senior advisers firmly believed that the best way

[651] (Rice 2011, p. 643-647)

[652] (G. W. Bush 2010, p. 427-428)

[653] See President Bush's speech at the 20th Anniversary of the National Endowment for Democracy (G. W. Bush, 2003)

to transform China's society was through comprehensive—not conditional—engagement. As Condoleezza Rice said:

> "Were we trying to contain China's economic power? I don't think that's the way ideologically most American elites see the international economy. They see the international economy as a growing pot, not one that has to be consistently divvied up. And I think we in the Bush administration certainly held this traditional, American, 'the economic pie can get bigger' approach to China."[654]

As Secretary Rice discusses in her memoirs, this pro-engagement approach was also rooted in a deep-seated belief in the power of markets to bring about the internal transformations within China necessary to ensure peace for the long-term:

> "We held fast to the belief that time was not on the side of authoritarianism in a country that was rapidly growing more prosperous…I firmly believe that political change will come to China…[But] With a country of China's size and complexity, the U.S. government's direct tools for influencing internal development are few. They're essentially limited to leveraging the power of open markets and helping make sure that the Chinese people are exposed to the world through universities and companies. Other more frontal approaches are likely to be resisted and can even backfire."[655]

In fact, both David Gordon and Matthew Burrows, two long-time analysts on the National Intelligence Council (NIC), recount one particularly memorable briefing with Secretary Rice. Burrows and Gordon said they were briefing Rice on the newest version of the *Global Trends* that was to be published shortly after Rice took over as Secretary of State. The *Global Trends* is an independent assessment that the NIC puts together every four years that articulates trends that the intelligence community envisions developing over the subsequent twenty years. In this 2005 edition, considerable focus was given to China's rise. The report included one potential scenario in which China continued to grow, but remained an authoritarian regime committed to a revisionist agenda. David Gordon describes Secretary Rice's reaction to this proposition this way:

> "She said, 'I loved your paper, but I really don't buy your China scenario.' I said, 'Why not?' She said, 'If they continue to integrate, at some point they will be drawn into the

[654] (Rice, 2015)

[655] (Rice 2011, p. 645-646)

> system. The system is strong enough to draw them in.' So it was an argument not all dissimilar to my buddy from Princeton, John Ikenberry, is making now."[656]

Likewise, Burrows remembers:

> "On one slide was this question: 'Who integrates whom?' She reacted quite violently to the whole question. She felt it was inconceivable that China would not just join the international system the way that Korea, Japan, Taiwan, and all these other countries had done."[657]

When I asked Burrows whether he felt that viewpoint was reflective of the rest of the senior leadership within the administration, he responded, "I didn't interview everybody, but in my experience, yeah, I really think that that kind of summed it up."[658] Kori Schake, another scholar who has moved between academia and government, expressed a similar degree of confidence in the power of the neoliberal agenda. In particular, she raised doubts that Chinese President, Xi Jinping, can continue growing the Chinese economy while maintaining the Communist Party's supremacy:

> "You can't convince me Xi will succeed in that attempt because mothers care about getting good baby food for their children, and they don't trust the government to provide it. People everywhere are really not that different. In your lifetime—probably when you are still young—you will see major changes in China. They just can't maintain a closed system in the globalizing economy in the long run."[659]

However, these views were by no means isolated to members of the State Department. For example, U.S. Trade Representative, Susan Schwab said, "This was the Bush administration. We are positive sum game people, right. That's who we are."[660] Likewise, Deputy Secretary of the Treasury, Robert Kimmitt, said of the Bush administration that they were:

> "Very much focused on producing results that were not based on a zero sum analysis that suggests what was good for China was bad for us and vice-versa. The idea of China having a greater share of the global economy than they do today is not

[656] (Gordon, 2014)

[657] (Burrows, 2015)

[658] Ibid

[659] (Schake, 2015)

[660] (Schwab, 2014)

> concerning if the global economy has also grown substantially, which will have lifted the US and other boats as well."[661]

Even the administration's so-called "hawks" demonstrated a strong set of neoliberal beliefs. When asked whether he would have supported a strategy aimed at trying to slow or curb China's economic growth, Paul Wolfowitz responded that first of all, "I've always had the view that there wasn't much we could do to prevent it." Nevertheless, he continued:

> "Even if you pose it as an academic question about, 'would you wish that maybe they wouldn't grow so fast?' Even there it's a little bit mixed. We get a lot of benefits from China's economic growth, which I think, on balance, are positive sum."[662]

However, Wolfowitz goes even further:

> "Also, I think that engagement could lead to changes inside China, which work in our long-term interests. Although there is certainly room for argument about whether that is going to happen—I think it is happening myself."[663]

Finally, Wolfowitz justifies his support for economic engagement by simply acknowledging, "If trying to keep China weak were to become our policy, it seems certain that it would generate an otherwise avoidable hostility."[664] In short, Wolfowitz articulates all of these neoliberal beliefs: that engagement brings economic benefits to the U.S. in the short and long-term; that it is America's best chance of spurring democratic reform and market liberalization within China; and that containment would guarantee conflict.

Indeed, these neoliberal beliefs were so pervasive that when asked why there was such unanimous support for engagement among policymakers, Thomas Mahnken responded, "because there is an orthodoxy out there, and I think that people tend to mouth that orthodoxy, because it seems to be sensible."[665] Mahnken then went on to speculate that this orthodoxy:

> "Goes beyond China and gets to a core characteristic of American strategic culture, a deep assumption that deep down everybody's the same. There may be differences on the surface, but if we sit down and talk with one another, we can work things out. Some

[661] (Kimmitt, 2014)

[662] (Wolfowitz, 2015)

[663] Ibid

[664] Ibid

[665] (Mahnken, 2015)

> of those differences may be because people are sort of uneducated and unsophisticated, but we can bring 'em along and educate them, and economic engagement is part of that."[666]

It was the pervasiveness of this orthodoxy that led General Hayden, who served as the Director of both the National Security Agency and the Central Intelligence Agency, to reflect that in hindsight, officials might have placed too much confidence in these assumptions:

> "There was a strong belief that engagement was a good thing, almost to the point where we should have been more critical, selective, judging, careful. We should have been more reluctant, you know we didn't have to rush into some things. We could have been less aggressive, sometimes we overachieved."[667]

In short, the Bush administration placed a great deal of faith in a core set of neoliberal beliefs that emphasized the power of interdependence and engagement to promote prosperity, peace, liberalism, and even democracy. These beliefs impacted every aspect of senior policymakers' cost-benefit analysis about whether to pursue containment or engagement and whether to worry about relative gains or simply focus on absolute gains. Thus, it is certainly a **causal factor**, and it attests to the importance of accounting for individuals' causal beliefs when applying rational choice models.

Again, however, the inclusion of these causal beliefs about the effects of engagement does not undermine the rationalist footing of this thesis because applying one's beliefs about cause and effect relationships is consistent with a rational choice framework. If these beliefs were independently determinative, then we should have seen the Bush administration pursuing engagement with every country, which was obviously not the case. The Bush administration did not engage countries like North Korea, Iran, Burma, Cuba, and Zimbabwe. The reason is that they calculated that based on these states' prior behavior that they were unlikely to respond positively towards engagement.[668] Thus, not only were these beliefs causal in nature (and

[666] Ibid

[667] (Hayden, 2014)

[668] (Burrows, 2015; Gordon, 2014; Keith, 2014; C. Powell, 2014; Wolfowitz, 2015)

hence compatible with rational choice), but policymakers were also deciding when and where to apply these beliefs through a rational process that looked at the state in question's behavior as an indication of its underlying intentions.

Path Dependency:

Undeniably, path dependence was a stronger factor for George W. Bush than it was for either his father or Clinton. Therefore, it is at least a reinforcing factor, but is it a causal factor? I believe not. A path dependence argument could take two forms. First, it could argue that the Bush administration blindly followed the engagement strategy of its six predecessors without ever considering alternative approaches. However, the Bush 43 administration did not automatically accept the strategy of Bush 41 and Bill Clinton. Quite the opposite, Bush and his team were adamant throughout the campaign, transition, and even the early days of the White House that they would treat China as a "strategic competitor" instead of a "strategic partner." Thus, they thought about the strategy critically, and initially landed on a strategy quite different from their predecessors. In this sense, path dependence was actually a negative factor. The administration's campaign rhetoric also made it harder to justify a strategy of comprehensive engagement, especially in the aftermath of the EP-3 crisis. Therefore, there are two aspects of the Bush administration's situation for which path dependence would actually favor adopting a harder line with Beijing. In this sense, path dependency would actually be a negative factor.

However, the more common (and probably more powerful) version of path dependency is that by the time Bush took office, the relationship had reached a point of such extreme "complex interdependence"[669] that it was either too costly or maybe even impossible to disentangle. The extreme version of this argument is that the relationship had reached a point of Economic Mutual Assured Destruction (EMAD). Indeed, phrases like

[669] See Chapter 1 of (Keohane & Nye, 2012) for a discussion of complex interdependence.

EMAD and the "balance of financial terror" were in vogue during the late 2000s.[670] In particular, this argument posited that America was beholden to China because it held so much of its debt. According to proponents of this EMAD argument, Washington could not take a hard line with Beijing because the Chinese could decimate the American economy by dumping these dollar-denominated assets.

Peter Feaver, who was serving on the National Security Council at the time, remembers getting asked multiple times by people inside and outside the administration about the potential dangers of China's large treasury holdings. In particular, he remembers:

> "Going to Treasury and asking them how likely it was that China would try to wield weapon their treasury holdings as a weapon. Treasury believed that dumping these T-bills and other assets was essentially mutual assured destruction because the repercussions would hurt China just as much as it would us. This didn't mean that it would never happen, but that it was very unlikely, and would only be used in the instance of a larger political or military conflict."[671]

As General Hayden put it, "If China is dumping our Treasury bills, we are going to have a lot bigger problems, because this is only going to be done in the context of a larger fight."[672] General Hayden and others were confident of this Chinese restraint because they believed the Chinese would actually lose more in a major economic fight with the U.S. than America would.

> "Economically the Chinese are actually more dependent on us…period. Their survival is more dependent on ours than ours is dependent on them, and I would take that to the bank."[673]

As the U.S. Trade Representative, Susan Schwab would have been on the front lines of any attempt by the Chinese to use their Treasury holdings as leverage over the United States. When I asked her whether China's holdings played any role in bilateral negotiations or whether we might have taken tougher negotiating stances if not for these holdings, her answer was

[670] For a good example, see (Thompson, 2011).

[671] (P. Feaver, 2014)

[672] (Hayden, 2014)

[673] Ibid

unequivocal: "No. Nothing could be further from the truth!"[674] Likewise, Mike Green remembers:

> "The public hysteria surrounding China's debt holdings was not indicative of how we thought about it on the NSC. Sure, we discussed these holdings, but it was never a major concern for us, and the fact that China was buying our debt did not constrain our policy options towards China."[675]

In fact, he explicitly said:

> "There was never a moment when someone said anything like, 'I am concerned about relative gains or worried about China's economic growth, but we can't do anything about it because the Chinese hold our debt.'"[676]

Even if the sensationalism surrounding EMAD was not driving the Bush administration, the fact that the relationship had reached a point of such complex interdependence did mean that the adjustment costs of trying to disentangle the two economies and pursue containment would have been enormous. In this sense, path dependence was responsible for increasing the costs of containment, which in turn weighed as an important factor in policymakers' CBA. However, because there was no desire to pursue containment in the first place, and because there were many other factors besides just the costs of disengagement that policymakers were considering, path dependence is best viewed as a component of policymakers' CBA, and hence served as a powerful **reinforcing factor**, but not a causal one.

The Futility of Unilateral Containment:

By the time George W. Bush assumed office, America's allies were fully invested in China, and China had become an integral link in the Asian product chain. Thus, without a major provocation from Beijing, there was little possibility of building a multilateral

[674] (Schwab, 2014)

[675] (Green, 2014)

[676] Ibid

containment regime. As Deputy Secretary of State, U.S. Trade Representative, and World Bank President, Robert Zoellick put it:

> "Containment will not work with China because the neighbors won't contain it. East Asian countries don't want to choose between the United States and China. They want a healthy relationship with both, and will blame whichever one tries to force them to make a choice."[677]

Zoellick did clarify that American allies were deeply concerned about China's military expansion and territorial assertiveness and fully supported complementing economic engagement with "a military balance that preserves America's edge"[678] because:

> "They [other countries in the region] want a reassurance policy that if China does get too pushy, the U.S. will be there to offset China. But they don't want economic containment—certainly not without a Chinese provocation."[679]

Therefore, in the absence of a more overtly aggressive act, like Putin's invasion of Crimea, there was no allied support for a strategy of containment. This makes the lack of allied support a powerful reinforcing factor. However, it does not rise to the level of a causal factor. Given the importance of American consumer markets to China's export-led growth model, even unilateral containment would have placed a drag on China's growth. While no one believed this would stop China's growth completely, no one denied that it would slow that growth to a degree. For policymakers like James Keith, though, the more important question was whether marginally slowing China's growth was worth assuring its pursuit of a revisionist agenda? Here, Keith and others are unequivocal, "Administration after administration has decided that it is better to engage China in order to shape that growth than to stay outside and try to either contain or isolate it."[680]

However, this calculation is less about capability and more about prudence. While these policies were possible, they were imprudent and impractical. These calculations of prudence

[677] (Zoellick, 2014)

[678] Ibid

[679] Ibid

[680] (Keith, 2014)

fit nicely within our CBA framework (specifically as part of the costs of containment). But for the lack of allied support and the relative futility of unilateral containment to be causal factors, the administration would have needed to want to pursue containment and only backed away once it realized it lacked allied support. This was simply not the case. Pursuing unilateral containment was possible, policymakers never considered it because but there was no desire to contain China in the first place. This means that while the futility of unilateral containment was a powerful **reinforcing factor**, it was not a causal factor because it is not necessary to understand the administration's initial preference for engagement.

Corporate Capture:

American corporations no doubt salivated over cracking the Chinese market, and opposed any efforts from Washington that would have limited their access to this market or that might have incited retaliatory measures from Beijing. Toward the end of the Bush administration, corporations did become increasingly concerned about persistent violations of intellectual property rights and the advent of corporate espionage from Chinese state-owned enterprises. Nonetheless, the majority of corporations remained supportive of comprehensive engagement.

The presence of such strong domestic allies served as a powerful facilitating factor in achieving Congressional approval for the administration's strategy of comprehensive engagement. However, to make the argument that this was a causal factor would require showing that the administration wanted to pursue a strategy of containment, but backed away in the face of corporate pressure. There is simply no evidence that this was the case. In fact, numerous senior members proudly described the administration as "full of free marketers" and "completely positive sum."[681] Furthermore, the administration did not face any big pivotal

[681] (Negroponte, 2014; Schwab, 2014)

decisions, like the MFN and PNTR debates of the 1990s, for which corporate interests would even have been particularly important. The desire of major corporations to maintain a strategy of open engagement with the Chinese was therefore a **facilitating factor**, but it was not a causal factor because it is not necessary to explain the administration's initial preference for engagement.

Policymaker Miscalculation:

The mistake argument could take one of two forms. The first is that had administration officials anticipated the rate at which China would rise, they would have opted for a more hard line containment policy. Several officials admitted that China has grown faster than they had projected. As David Gordon said, "Back in the early 2000s, nobody thought China was going to continue to grow as rapidly as it did for the next decade."[682] Likewise, Kori Schake recalls:

> "I think many of us believed that it was impossible for China to become as powerful as us unless they became like us. Either China would not continue to grow and would not pass the US, or China would moderate, reform, and liberalize in which case China's growth would not be a concern."[683]

The fact that China's economy did continue to grow despite only minimal reform might seem to indicate that the administration made a mistake. However, Schake and many others would be quick to respond that, "China is still nowhere near passing the U.S., and it looks like more than ever China is going to be incapable of continuing to rise without reforming."[684] In this sense, their calculation that China's rise could not "pass" America's economic or military power without reform has still not been invalidated. Regardless, none of the individuals I interviewed argued that different estimations of China's growth potential would have motivated them to push for containment or to prioritize relative gains.

[682] (Gordon, 2014)

[683] (Schake, 2015)

[684] (Schake, 2015)

Schake's above point also touches on the other potential miscalculation—overestimating the degree to which America could actually shape China's rise even through comprehensive engagement. It is true that despite engaging with the West for over three decades, China has not moderated either its foreign or domestic policies as much as policymakers had hoped.[685] For example, China has used its newfound economic might and technological sophistication to make major upgrades in its military. In particular, the PLA has focused on developing systems designed specifically to target U.S. power projection capabilities. As Secretary of Defence Robert Gates describes:

> "In 2006 it was pretty apparent that the Chinese were putting a lot of effort into anti access denial capabilities. Highly accurate cruise missiles to hold our aircraft carriers at bay and anti-satellite capabilities were chief among these because the Chinese understood our reliance on satellites for everything from targeting to communications to halogens. In 2011, they were rolling out their first stealth fighter, so there was a full appreciation both under both President Bush and President Obama that China's growing military capabilities carried serious implications for us."[686]

American leaders have been equally disappointed that Beijing (in their estimation) has also shirked its role of a "responsible stakeholder" on economic issues. Indeed, instead of using its power to help enforce the rules and norms of the liberal order, Beijing has actually used its newfound power and influence to try to exempt itself from these rules.[687] Corporate espionage, indigenous innovation, illegal subsidies, currency manipulation, and continued lack of protection for intellectual property rights are just a few examples of the persistent complaint Washington has with Beijing's policies. As James Keith says:

> "China basically felt, 'We don't want the world as you [Washington] conceive it, we want the world as you practice it. And our definition of the way that works is that just like the U.S., China walks out on the rules whenever it feels like it.' For example, if there was a set of conditions governing how arbitration would occur in the South China Sea, China could just opt out, the same way the US would."[688]

[685] (Keith, 2014; Rice, 2015; Schwab, 2014; Wolfowitz, 2015)

[686] (B. Gates, 2015)

[687] (Celico, 2014; Huntsman, 2014)

[688] (Keith, 2014)

So if policymakers had known how impervious Beijing would prove to liberal reform, would they have opted for containment? At first glance, the answer would appear obvious. Of course they over-estimated the transformative power of engagement. Had they known how intransigent Beijing would actually prove, they would have been more reluctant to support comprehensive engagement. However, when asked whether—in light of China's recent behaviour—he felt policymakers had made a mistake in facilitating China's rise, Secretary of State Colin Powell responded:

> "There's no moralizing about it. It's strictly business. With that wealth that's created, and with the success they (China) have had, we should not be surprised that they are expecting to play a bigger role on the world stage. They're expecting to be a major player in Asia. We should not view this as necessarily a threat, but we must certainly expect it. I've been expecting it all along—that they will demand a larger say and more influence in the Asian Pacific region. This does not mean that we are finished, we are an Asian Pacific nation, as well. So I believe that our attitude and our strategy always should be and was while I was Secretary of State to get along with the Chinese, cooperate with them, help them continue to grow because it's good to bring people out of poverty and the more people that come out of poverty and the more they are all tied into the international economic system, and this serves our interest."[689]

In essence, the point that Powell and others are trying to convey is that while the path of China's development has been far from ideal, it has not been completely surprising. More importantly, policymakers are confident that a strategy of containment would have only pushed China toward an even more aggressive and revisionist course.[690] Thus, these officials maintain that even if they had known what they now know, they would still have pursued comprehensive engagement. As a result, policymakers' miscalculations are **not a major factor**.

Table 7.2 below summarizes the results from the above analysis.

Table 7.2

Assessing Explanations for Bush 43 Engagement Consensus

[689] (C. Powell, 2014)

[690] (Gordon, 2014; Keith, 2014; Rice, 2015; Zoellick, 2014)

Reason	Type of Factor
Cost-Benefit Analysis	Causal Factor
Neoliberal Beliefs	Causal Factor
Path Dependency	Reinforcing Factor
Futility of Unilateral Containment	Reinforcing Factor
Corporate Capture	Facilitating Factor
Policymaker Miscalculation	Not a Factor

Implications for H1-4 and C1-2:

The fact that the CBA and neoliberal beliefs are the only explanations that rise to the causal level affirm **Hypotheses #1 and #2.** The best explanation for why the U.S. remained so committed to a strategy of comprehensive engagement is that policymakers relied on a basic CBA of the costs and benefits of engagement and containment, and that every calculation within this CBA was heavily influenced by the sorts of causal "road maps" that Goldstein and Keohane describe.[691] As important as these neoliberal beliefs were, however, they do not undermine the rationalist footing of this thesis because the beliefs were fundamentally causal in nature. Furthermore, the Bush administration did not apply these particular neoliberal causal beliefs to relations with all states. For example, they were not applied to "rogue" nations like Iran and North Korea. This affirms **Hypothesis #3** that though policymakers' default beliefs

[691] (Goldstein and Koehane 1993, Chpt #1)

are neoliberal, they do not apply these neoliberal beliefs to relations with every state. Instead, administration officials decided whether to apply these beliefs in relations with other states based on their expectation of how that state would respond to engagement.

As **Hypothesis #4** anticipates, this expected response was, in turn, based on policymakers' interpretation of other states' behavior. Thus, the broad-based support for engagement was rooted in the fact that China "behaved better than North Korea and Iran" and other states for which containment was preferred.[692] Likewise, President Bush states that he viewed President Hu as a "practical leader focused inward, not an ideologue likely to stir-up trouble abroad."[693] To this end, policymakers acknowledged that if Beijing had ever taken actions like what Russia has in Ukraine, then these calculations might have changed. Policymakers did not see the EP-3 crisis as rising to that level of aggression, however.[694] Nevertheless, the crisis did spark a serious conversation early in the administration about how best to approach China.[695] While this elicited different views on the military side of the relationship, even the hawks, like Rumsfeld, did not contest the advisability of continuing to pursue engagement and interdependence on the economic front.[696] Furthermore, to the extent there were disagreements on the political and military side, Bush sided with those who favored a more cooperative and conciliatory approach; and this pro-engagement consensus only grew stronger with time.[697] As Mike Green concluded:

> "Despite any concerns certain members might have had, the Bush Administration had a clearly positive-sum view of the relationship throughout our time in office. If anything, the administration became even more receptive to cooperation and coordination as time went on."[698]

[692] (Christensen, 2014; Green, 2014; Keith, 2014; Mahnken, 2015; C. Wolf, 2015; Wolfowitz, 2015; Zoellick, 2014)

[693] (G. W. Bush 2010, p. 427-428)

[694] (Christensen, 2014; Hayden, 2014; Keith, 2014; Wolfowitz, 2015)

[695] (Armitage, 2014; Rumsfeld, 2012; Schriver, 2014)

[696] (Rumsfeld, 2012; Sealock, 2014)

[697] (Armitage, 2014; Green, 2014; C. Powell, 2014; Rice, 2015; Schriver, 2014; Zoellick, 2014)

[698] (Green, 2014)

Secretary Rice confirmed that this was true for security issues, as well:

> "I would say that by the end of the administration, we moved to a more cooperative relationship with the Chinese on security issues because the overwhelming preoccupation was trying to do something about the North Korean nuclear program. And the Chinese were actually extremely helpful in that regard."[699]

Thus, the improvement in relations is compatible with a behavior-focused approach. The lack of Chinese aggression and the increase in Beijing's willingness to play the sort of "responsible stakeholder" role that Ambassador Zoellick had articulated in 2005 reinforced the confidence of American policymakers in the merits of their engagement strategy.[700] As Ambassador Negroponte said, "China was not a major concern of the President. We knew it was the most important relationship, but we were not experiencing any problems with Beijing."[701] However, this upward trend in relations is the exact opposite of what neorealism would predict, because during this same period that the Bush administration's support for engagement was increasing, China was experiencing an exponential rise in its economic and military capabilities.[702]

There is also ample evidence in this chapter to support **Corollary #1**. George W. Bush campaigned on a platform of getting "tough" with China, vowing to treat China as a "strategic competitor" instead of a "strategic partner."[703] Within the first few months of his term, the EP-3 crash gave Bush an opportunity to make good on this promise. However, Bush did not use the incident to shift to a strategy of containment. Quite the opposite, the crisis highlighted for him and his team the power and importance of comprehensive engagement. In the end, Chinese diplomats described the period under Bush as, "the golden age of U.S.-China relations,"[704] and

[699] (Rice, 2015)

[700] (Zoellick, 2005)

[701] (Negroponte, 2014)

[702] See Figures 1.1-1.12

[703] (G. Bush, 1999; C. Powell, 2001)

[704] (Armitage, 2014)

China hawks outside derided the administration as "panda huggers."[705] This affirms **Corollary #1** that harsh campaign rhetoric dies a quick death once its proponents actually enter the Oval Office.

As for **Corollary #2**, Bush did not face anything like the fierce fights with Congress over China policy of the 1990s. Nonetheless, the President did fight several battles with Congress regarding whether to label China a currency manipulator or impose various anti-dumping measures.[706] The fact that Bush prevailed in these disputes affirms **Corollary #2** that the President retains considerable autonomy over China policy.

These results are captured in **Table 7.3** below.

Table 7.3

Performance of Hypotheses for Bush 43 Administration

Hypothesis #1	Affirmed
Hypothesis #2	Affirmed
Hypothesis #3	Affirmed
Hypothesis #4	Affirmed
Corollary #1	Affirmed
Corollary #2	Affirmed

[705] (Daalder and Lindsay 2005, p. 61-62)

[706] (Green, 2014; Rice, 2015; Schriver, 2014; Schwab, 2014)

Chapter 8 Barack H. Obama

Dashed Dreams of a "New Era of Engagement"

Executive Summary: This chapter evaluates the applicability of my four hypotheses and two corollaries to the Barack H. Obama administration. It finds that the administration has fully supported a strategy of comprehensive engagement, even as recent Chinese assertiveness has underlined the importance of hedging these economic bets by investing significant resources to maintain regional military superiority. The President and his team have arrived at this strategy as a result of a rational cost-benefit analysis (CBA) that has evaluated the short and long-term costs and benefits of both engagement and containment **(H1)**. Like their predecessors, President Obama and his advisers have relied on a powerful set of neoliberal causal beliefs in operationalizing this CBA **(H2)**. However, they have not applied these beliefs to relations with all states. Therefore, a rational—as opposed to ideological—explanation is most appropriate for describing their decision-making process and the ultimate strategy it produced **(H3)**. Consistent with my behavior-centric model, Beijing's recent assertiveness regarding territorial disputes has forced the administration to re-evaluate their strategy **(H4)**. However, as of the writing of this thesis, Beijing's posturing has yet to cross policymakers' threshold for aggression in the way that Putin's actions in Ukraine have. Consequently, the engagement consensus for China remains intact. **(C1)** is not applicable in this case, because Obama did not campaign on a promise to get tough with China the way Clinton and Bush 43 did. However, **(C2)** is relevant because President Obama has had to overcome many domestic opponents of comprehensive engagement (even in his own party).

Introduction:

The Obama administration entered the White House amidst the most severe global economic crisis since the Great Depression. Central to their strategy for addressing this crisis was ensuring that the major powers did not revert to the types of beggar-thy-neighbor protectionist policies that had prolonged the global depression in the 1930s and contributed to the virulent nationalism that eventually ushered in World War II. As the world's most populous country, the second largest economy, and America's second largest trade partner, maintaining positive relations with China was a central piece of coordinating this global response. Thus, the Obama team's overall approach was to continue building on the Bush administration's strategy of deep economic and political engagement with Beijing. In fact, two of the

administration's senior leaders, Kurt Campbell and James Steinberg, had recently authored a book, *Difficult Transitions: Foreign Policy Troubles at the Outset of Presidential Power*, which had highlighted the importance of maintaining consistency in foreign policy as one of the key tenants of a successful presidential transition.[707]

Therefore, unlike George W. Bush and Bill Clinton, who had both campaigned on a strategy of "getting tough" with China, Barack Obama indicated that he wanted to further expand and upgrade bilateral relations with Beijing. In fact, to the extent that the Obama team had any critiques of the Bush administration's policy in Asia it was that they felt Bush had not focused enough on East Asia.[708] As Secretary of State Hillary Clinton said, "I thought we ought to broaden our engagement with China and put the Asia-Pacific at the top of our diplomatic agenda."[709]

Despite these initial ambitions, though, relations between the United States and China have become more—not less—acrimonious in the Obama years. Indeed, while the immediate possibility of conflict might have been higher during the Taiwan Straits Crisis in 1995-1996 or even the EP-3 incident in 2001, prolonged concerns about the long-term possibility of conflict have received more attention in recent years than during any period since rapprochement.[710] Despite these concerns, the Obama administration has remained committed to a strategy that seeks to expand both bilateral and multilateral interdependence with China. More attention has been devoted to maintaining America's military hedge, but this has not detracted from the administration's commitment to economic engagement.[711] To this end, former Defense Secretary, Robert Gates, says of the administration's outlook:

[707] (Campbell & Steinberg, 2008)

[708] (Slaughter, 2014)

[709] (H Clinton 43)

[710] (Johnston, 2013)

[711] (Silove, 2016)

> "I don't think anybody doubted that as China's economic power grew, there would be growing areas of competition…No one was naive enough to think we were going to hold hands and sing kumbaya together; but there was a belief that our long term interests were best served by a relationship with China that remained competitive, without becoming adversarial."[712]

The administration calculated that broad-based engagement was the best way to achieve this goal of preventing areas of competition from spiraling into open hostility. Furthermore, far from wanting to constrain or slow China's rise, many American policymakers feared that the real nightmare scenario was not that China would continue to grow and "pass" the United States. Instead, they worried most about the opposite possibility; that economic problems in China might motivate the CCP to embark on an aggressively nationalist agenda designed to rally the masses around the flag in order to mask popular discontent with domestic economic conditions. Serious economic problems might even result in internal instability within China. Either scenario would have dire consequences not just for the global economy, but also regional security. Therefore, Larry Summers, who was one of Obama's closest advisers stated:

> "We continued to prefer a more rapidly growing China than a less rapidly growing China because a China that is growing rapidly will be less likely to be nationalistic. This growth would also empower reformers, lead to a more open society, and boost demand for our products, which would help American companies."[713]

Therefore, this chapter will demonstrate that to the extent concerns about China have risen since 2010, these concerns were not motivated by China's rising material capabilities. As James Steinberg said:

> "We didn't care about the relative growth of China to the U.S. We only cared if China was trying to maximize its unilateral gains in a way that dramatically reduced the gains to other countries—not just the U.S. This approach was not only damaging the American economy, but also threatened to induce the type of beggar-thy-neighbor policies that proved so disastrous in the inter-war years."[714]

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[712] (B. Gates, 2015)

[713] (Summers, 2014)

[714] (Steinberg, 2014)

Retaliating when another actor takes actions that unfairly limit not only the relative—but also the absolute—gains one receives is consistent with an absolute gains strategy. Furthermore, if it had, in fact, been China's material rise that was most concerning to American foreign policy leaders, then the tenor and intensity of those concerns should have also increased as China's relative economic growth accelerated, and should have declined as the relative rate of China's economic growth decelerated. However, this has not been the case. For example, China's growth rate has decelerated significantly since the financial crisis. In 2007, China's economy grew at 14.2%. After dipping during the financial crisis in 2008 and 2009, it climbed back to 10.4% in 2010, but then dropped to 9.3% in 2011 and 7.7% in 2012 and 2013.[715] In 2014, it was under 7.3%, and in 2015 China's official growth rate dipped to 6.9%, with many economists arguing that it was actually closer to 5%.[716] Regardless, even 6.9% would still be the slowest growth China had experienced since the year after the 1989 Tiananmen Massacre, when the developed economies imposed crippling sanctions on China.[717] Therefore, if it were China's economic rise that was truly fueling concerns, the tenor of concerns about China should also have begun to decline in recent years.[718] However, what we have seen is the exact opposite, with concerns continuing to rise despite China's lower growth rates and recent economic problems. A relative gains theory cannot explain this heightened concern, because levels of concern have not tracked with China's actual relative growth rates. However, the behavior-centric explanation proffered in this thesis can explain these increased concerns, because it has corresponded with at least a perceived increase in Chinese assertiveness.

Finally, I demonstrate that while Beijing's actions have resulted in increased concern about China's long-term intentions, these concerns have not risen to the level required to

[715] (World Bank, 2015)

[716] (Magnier, 2016; "Whether to believe China's GDP figures," 2015)

[717] (Magnier, 2016)

[718] For analysis of how states consider dynamic effects of growth, see: (Copeland, 1996, 2001, 2014)

abandon engagement and switch to containment. Instead, policymakers continue to view the optimal strategy as comprehensive economic and political engagement, paired with increased investments in the military resources and security partnerships necessary to hedge these bets and deter further Chinese aggression. When asked what sort of behavior would be required before policymakers would actually endorse containment, interviewees often used Russia's aggression in Ukraine as an example.[719] Obama's Director of Analysis on the National Intelligence Council, Matthew Burrows, justified the use of different strategies for Russia and China by saying, "What the Chinese are doing is a little bit more ambiguous than what the Russians are doing…I think it's a totally different category of assertiveness."[720]

The fact that China's recent assertiveness has not yet resulted in a reversion to containment does not contradict my theory. My theory only predicts that aggressive behavior will elicit a re-assessment of engagement and the neoliberal beliefs undergirding this strategy, which has certainly occurred in the wake of Beijing's increased assertiveness in the South and East Chia Seas. However, my theory also fully acknowledges that whether this re-assessment actually results in a reversal of strategy from engagement to containment requires considering a range of factors at the international, domestic, bureaucratic, and even individual levels. In the ensuing pages, I will explore these factors to explain why the Obama administration has decided to increase its emphasis on hedging China's military rise, while still remaining committed to robust economic and political engagement with Beijing.

What would containment have looked like?

[719] (B. Gates, 2015; Gordon, 2014; Panetta, 2015; Slaughter, 2014; Wolfowitz, 2015)

[720] (Burrows, 2015)

As with the previous three administrations, I first establish what a containment strategy would have looked like for the Obama administration and how that would have differed from an engagement strategy in concrete terms.

A **containment** strategy would have included labeling China a currency manipulator and imposing sweeping tariffs, quotas, and even embargos. A true Machiavellian might have even tried to provoke China into taking further military or economic actions in the East or South China Seas as a means to build domestic and international support for even more hardline policies. To pursue this sort of containment would have required attempts to marginalize or even remove China from a range of international institutions. At the very least, it would have required aggressive efforts to introduce domestic legislation that would revoke China's PNTR status, and impose sweeping sanctions.

A **conditional engagement** strategy would have imposed conditions on engagement and interdependence. While it is difficult to say precisely what those conditions would have been, they would not have allowed for the Chinese to stall on political reform, to pursue indigenous innovation schemes, to continue denying commensurate market access to American firms, to continue ignoring intellectual property rights, to increase the extent and sophistication of corporate espionage, to continue depressing the value of the RMB, or to adopt more aggressive tactics in territorial disputes. Failure to comply with Washington's conditions would not only have resulted in reciprocal punishments in those specific sectors, but would have placed the whole political and economic relationship in jeopardy the same way that conditions on China's MFN status in the 1990s did. Unlike in containment, though, the motivation for these sanctions would not be to hurt or contain China, but to try to persuade Beijing to further reform its domestic policies and moderate its foreign policies.

A **comprehensive engagement** strategy would not rely on beggar-thy-neighbor, protectionist policies; nor would we expect to see any sort of quid-pro-quo stipulations on

engagement and interdependence. Even if the Obama administration continued to object to some of Beijing's practices, the White House would not have made engagement contingent on amending these specific practices. They would have addressed these problems frankly, and might have even taken actions to punish Chinese infractions. However, there would have been no effort to impose formal conditions.

Historical Record:

The First Two Years (Big Plans for Big Cooperation):

The Obama administration entered office determined to not only maintain, but to actually further enhance the degree of bilateral cooperation and amity that had developed between Washington and Beijing during the Bush years. This reflected the President's more general foreign policy aims to build "a new era of engagement"[721] in the hope that a renewed commitment to multilateral cooperation could restore some of the credibility he felt the Bush administration had squandered on a foreign policy too heavily reliant on unilateralism.

In particular, Obama and his team viewed China as a critical partner in overcoming the immediate economic crisis, as well as in building an international framework for peace and prosperity in the 21st Century. Hillary Clinton said in her autobiography, "It wasn't in our interest to turn Beijing into a new Cold War boogeyman. Instead, we needed to find a formula to manage competition and foster cooperation."[722] She charged her Deputy Secretary of State, James Steinberg, with developing a strategy that fit this priority. Steinberg publically unveiled his strategy in a speech titled "The Administration's Vision of the U.S.-China Relationship." In it he stated:

[721] (Steinberg, 2009)

[722] (Clinton 2014, p. 43)

> "The global financial crisis has offered a clear example – both the importance of the United States and China working together and the real benefits that come from that cooperation. China and the United States have implemented the two largest stimulus packages in history – coordinating them with one another and with other governments around the globe. And as China leads the way with renewed growth, we are seeing the beginnings of a turnaround in much of the world."[723]

Here, the administration is not only celebrating the fruits of cooperation, but also cheering the resurgence of the Chinese economy, which it viewed as helping drive the global recovery. The fact that the administration was actually celebrating China's economic growth in the wake of the crisis provides a strong testament to how committed Obama and his team were to a positive-sum agenda. Indeed, the Obama team saw close cooperation with Beijing as critical to building an international structure that would facilitate long-term peace and prosperity. Therefore, Steinberg went on to articulate:

> "When it comes to the international system, we must ensure that new powers like China can take their rightful place at the table without generating fear or mistrust. That means making the institutions more inclusive so that they reflect the world of today, rather than the world of 1945 or the 1970s, and more effective so that we can collectively overcome the problems of interdependence. As we pursue these policies, we will be open to China's growing role, but we will also be looking for signs and signals of reassurance from China. If China is going to take its rightful place, it must make those signals clear."[724]

This excerpt articulates clearly that there was no concern about China's rising economic power. Instead, officials were willing to welcome and facilitate China's emergence as a full-fledged great power, so long as it *behaved* in ways that signaled that it was not pursuing an *aggressively* revisionist agenda. This left the administration pursuing a two-step process. First, the administration would reassure the Chinese that America was rejecting containment, and was willing to allow China to assume a formal and informal position in the international community commiserate with its rising power and influence. Second, Beijing needed to reciprocate by demonstrating to its neighbors and to Washington that its rise was

[723] (Steinberg, 2009)

[724] Ibid

going to be peaceful and that Beijing was willing to shoulder the burdens of a responsible great power. As Steinberg describes:

> "Strategic reassurance rests on a core, if tacit, bargain. Just as we and our allies must make clear that we are prepared to welcome China's "arrival"…as a prosperous and successful power, China must reassure the rest of the world that its development and growing global role will not come at the expense of security and well-being of others."[725]

Steinberg and others in the administration were well aware of the ominous record of relations between existing and rising hegemons, but the hope was that through extending the olive branch inherent to the first part of this bargain, China would reciprocate by following through on the second point. In doing so, they might avoid the proverbial security spiral. Hillary Clinton herself acknowledged that, "in the past, the emergence of new powers has rarely come without friction," and that "in this case, the situation was particularly complicated because of how interdependent our economies were becoming."[726] Steinberg addressed the neorealist position directly:

> "You all know I'm a part-time academic, so I can't resist this part of the speech, but historians since Thucydides have pointed to a long string of conflicts generated by the emergence of rising powers that disturb the old order and challenge the existing power structure and predict the same gloomy future for China's rise. Political scientists and IR theorists talk darkly of security dilemmas that lead nations to take actions to protect their own security against potential adversaries, and that, by taking those actions, fuel the very conflicts they were hoping to avert."[727]

In this extended theoretical commentary—rare for an actual practitioner—we see that the administration's leadership was very cognizant of the risks associated with China's rise. However, instead of accepting conflict as inevitable and therefore working to contain China, the Obama administration feared—as had their predecessors—that this approach would lead to a self-fulfilling prophecy. Hence, they preferred to accept a more powerful China in the hopes that assuring Beijing of its position within the international community would also make it a more peaceful power. In Steinberg's words:

[725] Ibid

[726] (Clinton 2014, p. 42)

[727] (Steinberg, 2009)

> "We in the Obama Administration…are ready to accept a growing role for China on the international stage, and in many areas, we have already embraced it. China, too, needs to demonstrate…that Beijing shares our vision of a new geopolitics of win-win solutions rather than zero-sum rivalries. Such strategic reassurance and a shared commitment to building an international system based on mutual trust…will be a great benefit to us all."[728]

However, it was not only Steinberg who held this view. This desire for a new era of engagement is readily apparent in the Joint Statement that Presidents Obama and Hu released during Obama's November 2009 trip to Beijing.[729] Thomas Christensen argues that this Joint Statement followed "in the spirit of Steinberg's strategic reassurance speech."[730] Christensen highlights the following paragraph from the "Building and Deepening Strategic Trust" section of the Joint Statement as particularly reminiscent of Steinberg's strategic reassurance:

> "The two countries reiterated that the fundamental principle of respect for each other's sovereignty and territorial integrity is at the core of the three U.S.-China joint communiqués…Neither side supports any attempts by any force to undermine this principle. The two sides agreed that respecting each other's core interests is extremely important to ensure steady progress in U.S.-China relations."[731]

This sentiment reflects Obama's desire to usher in a "new era of engagement" that would tackle a range of global challenges from a multilateral standpoint. Obama and his team believed that these goals could not be achieved without Chinese cooperation. Therefore, Obama worked hard (his critics would say too hard) in word and deed to credibly reassure Beijing that he and his team "do not believe that one country's success must come at the expense of another."[732] Obama focused on the fact that "because of our cooperation, both the United States and China are more prosperous and secure."[733] Therefore, he made it clear that "the United States welcomes China as a strong, prosperous and successful member of the community of nations," and that he was fully committed to "deepening engagement…in the

[728] Ibid

[729] (Hu & Obama, 2009; *U.S.-China Joint Statement*, 2009)

[730] (Christensen 2015, p. 253)

[731] (Christensen 2015, p. 254; See Hu and Obama 2009 for original draft)

[732] (Hu & Obama, 2009)

[733] Ibid

years to come."[734] Like Steinberg and others, Obama acknowledged, "our relationship going forward will not be without disagreement or difficulty." Nevertheless, he was committed to a strategy of comprehensive engagement in the hopes that this would minimize these differences.

Over time, however, the administration's "strategic reassurance" approach began to face critics both inside and outside the administration. One senior official in the administration, who requested to remain anonymous, described the 2009 statement as "pretty much a total disaster."[735] Those on the outside were more open with their criticisms. Thomas Christensen, who had served as the Deputy Assistant Secretary of State for East Asia during the last few years of the Bush administration, agreed wholeheartedly with the importance of engaging Beijing. However, he felt the joint statement went too far. In particular, Christensen and other argued that the administration "raised Chinese expectations to an unrealistic level."[736] For example, when Obama finally met with the Dalai Lama, Beijing was far more outraged than they had been when Bush had done the same. Likewise, Secretary of Defense Robert Gates recalls that the arms sale under Obama generated far more anger from Beijing than comparable sales under the Bush administration.[737] This led Christensen and many others to observe:

> "Either because the administration realized that the United States was weaker than before the financial crisis or because the Obama team had a different philosophical approach to the bilateral relations, it appeared to many Chinese as more accommodating and sensitive to Chinese concerns than its predecessors."[738]

This speaks powerfully to expectation management. Bush came in to office promising to get tough with China. When he actually proved willing to cooperate with Beijing, this was seen as a pleasant improvement from Beijing's baseline expectations. In contrast, when Obama

[734] Ibid

[735] Anonymous senior official

[736] (Christensen, 2014)

[737] (Gates 2014, p. 415-416)

[738] (Christensen 2015, p. 255)

made bold rhetorical calls for a new era of bilateral cooperation above and beyond what was already a very close and cooperative relationship, this elevated Chinese expectations to an unrealistic level. When Obama then proceeded with normal policies, the Chinese viewed this as a disappointing betrayal.[739]

The second problem that many critics had with the joint statement and the general promotion of "strategic reassurance" was that they feared Beijing might interpret these as signs of weakness or retrenchment. In particular, critics pointed out that while trying to reassure another country amidst a crisis is a normal and necessary part of diplomacy, "calling for efforts to reassure China outside the context of any specific problem or crisis" might be interpreted as appeasement.[740] Without explicitly saying so, the concern from many outside the administration was that this might be interpreted in Beijing as appeasement. Unfortunately, these skeptics' fears were realized. Instead of affirming the administration's offer of shared responsibility by reinforcing existing institutions and norms and embracing a strategy of peaceful cooperation, Beijing decided to do the exact opposite.[741]

For example, Hillary Clinton recalls that "President Obama received a noticeably lukewarm reception during his visit to Beijing" in November of 2009, and that during the visit, "the Chinese refused to give any ground on issues such as human rights or currency valuation, and offered pointed lectures on America's budget problems."[742] President Hu also proved entirely counterproductive at the Copenhagen Summit on climate change, and both Clinton and Gates emphasized that the PLA tactics in the South and East China Seas during this period became so dangerous that these "standoffs at sea threatened to spiral out of control."[743] Equally

[739] (Christensen 2015, p. 254)

[740] (Christensen, 2015)

[741] For detailed analysis of China's alleged assertiveness, see (Christensen 2015, p. 255-266 and Johnston 2013)

[742] (Clinton 2014, p. 74-75)

[743] (Clinton 2014, p. 75)

as concerning for Gates and others was Beijing's decision to pour more and more of its economic muscle into military modernization programs, "including highly accurate anti-ship cruise and ballistic missiles, diesel and nuclear submarines, anti-satellite capabilities, and stealth fighters," which were "designed to keep U.S. air and naval assets well east of the South China Sea and Taiwan…and target our vulnerabilities."[744] Secretary Gates' successor, Leon Panetta, also expressed his concern that Beijing was:

> "Beginning to refine how they target their funds towards trying to leap frog us in space, in regards to their naval capabilities, and probably leap frog with regards to missile capabilities as well. So there are key areas where they are investing that concern the United States a great deal."[745]

All the while, China continued to dramatically increase not only the tempo, but also the scope and sophistication, of their cyber attacks against both military and civilian targets.[746] The combined effect of this activity led Hillary Clinton and others in the administration to fear:

> "We were seeing a new phase in the relationship, with an ascendant and assertive China no longer hiding its resources and enhanced military capabilities; moving away from 'hide and bide' and toward 'show and tell.'"[747]

This observation led many officials to conclude that the administration's attempt at "strategic reassurance" in 2009 and 2010 had elicited opportunism and aggression from Beijing—not reciprocity and responsibility. This assessment ultimately led to the announcement of the "strategic pivot" and other measures that were characterized as signaling a firmer approach towards Beijing.[748]

The Strategic Pivot:

[744] (Gates 2014, p. 528-529)

[745] (Panetta, 2015)

[746] (R. Gates 2014, p. 529; Hayden 2014; Mulvenon 2014; Petraeus 2014)

[747] (Clinton 2014, p. 74-75)

[748] (Huntsman, 2014)

Secretary Clinton recalls that it was the 2010 meeting of the Strategic & Economic Dialogue (S&ED) in Beijing that finally convinced her of the need to change strategies.[749] In particular, she was alarmed to hear Chinese officials at the conference describing the South China Sea as a "core interest," which rhetorically elevated this interest to the same level of importance that Beijing has historically attached to Taiwan and Tibet.[750] This was the first time any such comments had been made in meetings with U.S. officials, and Clinton recalls that, "On the flight home from the talks, I took stock with my team. I thought China had overplayed its hand."[751]

This assessment revealed that the current strategy was not working and that something had to change with America's approach. As U.S. Ambassador to Beijing at the time, Jon Huntsman, put it:

> "You know, you try to accommodate China's growing needs, be sensitive to them, and then everything backfires. And after a couple of years, you just say, 'To hell with it. We got to do something new.'"[752]

Even the Treasury Department acknowledged this need for change, with their top emissary to Beijing, David Dollar conceding, "Yeah basically the initial administration approach was not working, so we realized we had to change."[753] This led to a shift in influence within the State Department from James Steinberg, who had articulated the initial "strategic reassurance" approach, to Clinton's Assistant Secretary for East Asia, Kurt Campbell.[754] Campbell favored a more robust hedging strategy by placing greater priority on relations with America's traditional allies in the region, taking a firmer stance on areas of disagreement with

[749] (Clinton 2014, p. 75-76)

[750] (Johnston, 2013)

[751] (Clinton 2014, p. 76)

[752] (Huntsman, 2014)

[753] (Dollar, 2014)

[754] (Slaughter, 2014)

Beijing, and investing heavily in maintaining the force structure and posture needed to provide a credible hedge to China's rapidly developing anti-access area-denial capabilities.[755]

While it is certainly true that there was a noticeable shift in the administration's posture towards China during 2010, it is important to not overstate this change or misinterpret its motivation. As Nina Solove states, "The reorientation [Solove's description of the pivot] did not aim to slow China's growth. China's rise was a given premise of the strategy."[756] Nevertheless, the rhetoric surrounding the "pivot" caused many to believe that the main thrust of the policy was focused on beefing up America's military presence in Asia as a forerunner to containing China. While prioritizing defense assets to the Asia Pacific was a component of the strategy, it was by no means the whole or even the majority of the policy.[757] Clinton herself described the various components of the strategy this way:

> "What does that regional strategy look like? For starters, it calls for a sustained commitment to what I have called "forward-deployed" diplomacy…With this in mind, our work will proceed along six key lines of action: strengthening bilateral security alliances; deepening our working relationships with emerging powers, including with China; engaging with regional multilateral institutions; expanding trade and investment; forging a broad-based military presence; and advancing democracy and human rights."[758]

Though Secretary Clinton does not say it explicitly, the implicit meaning is that a part of this strategy would be to place greater priority on hedging China. However, this consisted of only two of the six aspects of the strategy: "strengthening bilateral security alliances" and "forging a broad-based military presence". In contrast, she explicitly lists engaging China as a key component of the strategy, and makes no mention of anything that resembles economic containment. Quite the opposite, she talks openly of wanting to expand trade and investment in the region, and China would undoubtedly be one of the largest (if not the largest) destinations

[755] (Campbell, 2014; Green, 2014; Schriver, 2014)

[756] See (Silove, 2016, p. 86) for a more detailed discussion on this point.

[757] Ibid.

[758] (H. Clinton, 2011)

for that trade and investment. Nevertheless, Clinton acknowledges, "some in our country see China's progress as a threat to the United States; some in China worry that America seeks to constrain China's growth."[759] However, she follows, "We [the Obama administration] reject both of those views." Instead, she asserts they continue to believe "that a thriving America is good for China and a thriving China is good for America."[760]

Therefore, while Beijing's assertiveness raised concerns about China's long-term intentions, the fact that China did not act on its aggressive threats in the same way that Russia did in Ukraine meant that these concerns were not sufficient to warrant the imposition of significant sanctions or the reversion to containment.[761] To this end, Doug Paal, who was one of several outside experts that the Obama administration turned to for advice on China policy, went to great length to give background for the administration's decision:

> "Beginning in 2010, Donilon began engaging me and various other China people around DC about how the administration should change its approach to China. It had been a very bad year, or at least a frustrating year…But Donilon was not looking to 'contain' or 'punish' China. They just wanted a strategy that would get Beijing *behaving* responsibly again."[762]

Regardless of the intention, however, the impression that many outside the U.S. took from the announcement was that this was a step towards containment, or at least a far more adversarial relationship with Beijing. James Jones, who by that time had stepped down as National Security Adviser, criticized the rollout of the strategic pivot as:

> "A foreign policy mistake of the highest order. The Chinese interpreted it as just further indication that what we are after is a containment policy, which is not true. One of the things I learned in my military career was to always look at the problem on the table the way your opponents look at it, and we completely failed to do that in this case."[763]

[759] (H. Clinton, 2011)

[760] Ibid

[761] (Burrows, 2015; B. Gates, 2015; Gordon, 2014)

[762] (Paal, 2014)

[763] (Jones, 2015)

Secretary Clinton concedes in her own memoir that the rollout of the new strategy was not ideal, lamenting that while the emphasis was meant to be on "rebalancing" to Asia, the media latched on to the idea of a "pivot."[764] The "pivot" framework carried negative connotations for allies in other regions who felt the U.S. was abandoning them.[765] It also concerned America's Asian allies that this might unnecessarily escalate regional tensions, and it further empowered hardliners in Beijing by reinforcing their argument that America's long-delayed containment strategy was finally emerging.[766] However, it proved difficult to shed the "pivot" lingo. This was not only because the press fixated on it, but also because "the President loves basketball, so even once they saw what a problem 'pivot' was, they still couldn't get him to stop using it."[767]

For the purposes of this project, though, two questions regarding the pivot are of particular importance: (1) what motivated the U.S. to pursue the pivot and (2) what was the ultimate goal of the pivot? For each question, I provide two competing explanations—one material-centric and the other behavior-centric. In terms of the motivation, one could argue that American foreign policymakers saw China's rising power as an inherent threat. Regardless of China's intentions at the present, eventually they would challenge America for leadership in Asia, making China's rise—independent of its behavior—gravely concerning. The alternative explanation is that this was motivated by a more general desire to devote greater time and attention to Asia (economically, diplomatically, and militarily). To the extent that concerns about China were a major factor in motivating this rebalance, the concerns were not simply about China's rising material power, but about real or perceived increases in Chinese assertiveness. This behavior-centric argument does not deny that material factors are

[764] (Clinton 2014, p. 45-46)

[765] (Slaughter, 2014)

[766] (Jones, 2015; Negroponte, 2014; Paal, 2014; Slaughter, 2014)

[767] Senior U.S. Official

important. However, it does argue that this rising power was only concerning in so far as China's behavior indicated that Beijing was willing to use these growing capabilities to pursue an aggressively revisionist agenda. I side with this behavior-centric explanation.

What about the goals of the pivot? The material-centric explanation is that America wanted to contain China's rise. The other explanation is that American policymakers were not trying to contain China's rise; rather the pivot was a continuation of their desire to shape China's rise. All along policy-makers had acknowledged the importance of a carrot and stick approach to shaping China's rise. Until the pivot, the vast majority of the focus had been offering carrots in the form of increased economic and political engagement; but in the face of continued Chinese intransigence on the economic front and newfound Chinese assertiveness on the military front, policymakers decided to redouble their investments in the military hedge. In doing so, however, they did not withdraw the economic carrots. Therefore, I endorse this behavior-centric explanation as a helpful model for explaining how countries can increase their investments in hedging while simultaneously expanding engagement.

However, in exploring questions about China's alleged new assertiveness, one must engage with Iain Johnston's article, "How New and Assertive is China's New Assertiveness?" First and foremost, Johnston agrees that there was an up-tick in concerns about China. Indeed, addressing these rising concerns is the very premise of his article, and he provides convincing proof that concerns were, in fact, rising rapidly.[768] He also agrees that these concerns began to rise not as a result of the rise in China's overall power, but instead stemmed from the view that China's behavior in the 2010-2013 era constituted a "newly assertive" agenda.

Johnston and I, therefore, agree on these two core questions. Where we differ is on whether this "newly assertive" label is justified. Johnston argues that China's actions were merely a continuation of its long-standing policies, dating all the way back to Jiang Zemin. In

[768] (Johnston 2014, p. 10-12)

failing to place China's actions in historical context, policymakers and the media blew them out of proportion, creating the misperception of new assertiveness where there actually was none. According to Johnston:

> "The new assertiveness meme underestimates the degree of assertiveness in certain policies in the past, and overestimates the amount of change in China's diplomacy in 2010 and after."[769]

In contrast, I join other scholars like Thomas Christensen[770], Robert Ross[771], and Aaron Friedberg[772] (among others) in contending that policymakers were justified in labeling China's actions as newly assertive. In fact, Christensen calls 2010, "Arguably the worst year for Chinese diplomacy in the reform era."[773] If I am right, then it was China's actual behavior that motivated the increasing concern in Washington. If Johnston is correct, then policymakers' interpretation of China's behavior was still the source of their concern, but these interpretations were incorrect.

To adjudicate this discrepancy, I look first at China's economic practices and then at China's military and security practices. On the economic issues, I agree with Johnston that the majority of China's practices were not new. However, as Amy Celico, David Dollar, and numerous other officials and experts already referenced in this thesis highlighted, some of these practices, like corporate espionage, reached a new level of scope and sophistication.[774] Thus, while not fundamentally new, the severity of the problem increased significantly. Other practices, like Beijing's indigenous innovation schemes, were a categorically new step towards mercantilism. [775] Even in the areas where China's practices were not new—currency

[769] (Johnston 2014, p. 7)

[770] (Christensen, 2015)

[771] (Ross, 2009)

[772] (Friedberg, 2011)

[773] (Christensen 2015, p. 255-256)

[774] (Celico, 2014; Dollar, 2014)

[775] (Celico, 2014; Shirk, 2014; Senior Official, 2014)

manipulation, lack of market access in key sectors, illegal subsidies—one has to take into account different considerations of the status quo.

Johnston adopts the view that the Chinese had been using these practices all along, which means that there is no change to the status quo. However, I argue that American policymakers took a different view of the status quo. During negotiations over China's WTO accession and the extension of PNTR, American officials set aside many of their concerns about various Chinese practices in the hope—indeed the expectation—that China would continue to reform and liberalize as it became further imbedded in the liberal order. Thus, they did not view the status quo as a snapshot in time, but as an evolving progression towards greater liberalization.

A helpful metaphor is to think of a rising tide. Johnston's perspective is to consider the current water level as the status quo. If the tide comes in and the water creeps up the beach, then the status quo is violated. Even though China's economic practices were incredibly frustrating for Washington, they were not a violation of the status quo. The other view is that the rising tide is inevitable. Thus, the water creeping further up the beach is normal and consistent with the status quo. Anything that obstructs the incoming tide and maintains the water line at its present position is a disruption of the status quo. This has been American policymakers' outlook. Bringing China into the liberal order was expected to result in Beijing wittingly or unwittingly moving towards domestic liberalization and foreign moderation. This view allows for the tide to come in slower than expected, but it does not allow the tide to be halted completely, and certainly not reversed.

In this view, China's practices since 2009 have not just been a slowing of the tide. They have actually halted its advance and even rolled it back in some areas. According to the causal beliefs to which American policymakers subscribed, this has been an artificial disruption of the expected progression of liberalism and hence a violation of the status quo. On the security

issues, however, China's actions were not only a departure from policymakers' expectations of how China would reform, but indeed a departure from China's own historical behavior. It was not just a halting of the incoming tide, but a full reversal. As former Secretary of Defense Robert Gates says:

> "The Chinese are becoming increasingly aggressive in asserting territorial claims over much of the South China Sea and islands close to Japan…Their cyber attacks are advanced and getting better, and they are targeting both our military and civilian networks every day."[776]

Likewise, Christensen describes the situation:

> "China's reactive assertiveness has been supplemented by the type of proactive assertiveness we saw in the creation of Sansha City or in the dispatch of the oil rig off the Paracel Islands. The word on the street in China is that Xi Jinping is more assertive at home and abroad than his predecessor."[777]

Johnston disagrees with this point, arguing essentially that China's actions—while disappointing—were consistent with its previous pattern of behavior. To demonstrate that China's assertiveness is not unique from previous eras, Johnston references three previous instances of Chinese aggression: the Taiwan Straits in 1995-1996, China's response to the Belgrade embassy bombing in 1999, and the EP-3 crash in 2001.[778] However, these are not fair comparisons.

In the case of the Taiwan Straits, the Chinese were reacting to threats from Taiwan's President, Lee Teng-hui, to declare independence. Because the Clinton administration remained fully committed to the one-China policy, they viewed Taiwan—not China—as breaching the status quo in this instance. Thus, China was responding to a violation of the status quo that both America and China recognized. In contrast, the United States has never acknowledged Chinese territorial claims in the South China Sea. Therefore, even if one takes the perspective that China has only been responding to the Philippines and other nations, then

[776] (R. Gates 2014, p. 528-529)

[777] (Christensen 2015, p. 265-266)

[778] (Johnston, 2013)

one would still have to acknowledge that Beijing has been attempting to enforce a view of the status quo that they have known America fundamentally rejects. Therefore, this has been a violation of the status quo from the American perspective. There is also the simple point that in the case of the Taiwan Straits, China backed off its military exercises and hushed the rhetoric shortly after the 1996 elections. In contrast, China has in no way abandoned its position in the South China Sea. To the contrary, they have redoubled their efforts both in terms of increasing patrols in the area and expanding land reclamation efforts.

Nevertheless, Johnston is correct that China's actions during the Taiwan Straits Crisis were viewed as a disproportionately aggressive response for a status quo or even moderate reformist state. Accordingly, as demonstrated in Chapter 6, these actions did prompt the Clinton administration to re-assess its China strategy and to ultimately upgrade various security partnerships in the region.[779]

Johnston also lists China's response to the Belgrade bombing as an example. For context, on May 7, 1999 during the NATO led campaign in Yugoslavia, an American B-2 bomber mistakenly dropped five bombs on the Chinese embassy in Belgrade. The blast killed three Chinese nationals and resulted in mass protests throughout China. Of particular importance to Johnston's argument, the Chinese government allowed protests outside of the American embassy in Beijing to spin out of control. Protestors vandalized the exterior of the embassy, but the compound was not overrun. As Johnston points out, the Chinese government's refusal to control the protests was negligent and unacceptable. Nonetheless, this is hardly a relevant comparison to the South or East China Sea disputes. In the case of Belgrade, the Chinese were clearly provoked—an American plane had bombed their embassy and killed three of their citizens. In this context, allowing a group of Chinese citizens to hurl rocks into

[779] See pages 166-169 of this thesis.

an embassy compound does not equate with trying to forcefully assert territorial claims in international waters that could have significant strategic impacts within the region.

Finally, Johnston lists the EP-3 crisis, in which a Chinese fighter collided with an American reconnaissance plane. The crash resulted in the death of the Chinese pilot and the emergency landing of the American plane at the Chinese airfield in Hainan. Even though the Chinese pilot's actions were negligent, this was a tactical error from a relatively low-ranking Chinese officer. In contrast, the recent territorial disputes represent a conscious decision of the nation's most senior leaders to employ bullying tactics with their smaller neighbors and threaten brinksmanship with the United States and Japan. Again, the fact that Beijing was instructing its pilots to conduct these aggressive intercepts and that it waited over a week before finally releasing the American crew is not acceptable. And as our theory would expect, these actions did result in a major re-examination of policy in the early days of the Bush administration.[780] The fact that the conclusion of this assessment was to stick to engagement is completely understandable, considering that there did not appear to be any long-term consequences from the matter.

Beyond my specific problems with Johnston's three cases, I also have some more general objections. First, all of the previous events that he lists were stand-alone events. After the 1996 election, all sides backed off in the Taiwan Straits. Less than six months after the Belgrade bombing, the Chinese and Americans concluded WTO negotiations. Once the Chinese returned America's crew and plane, there were no lingering effects of the EP-3 crisis. Thus, these were all discrete crises that were quickly resolved. In contrast, China has not backed-off its practices in the South China Sea. Indeed, it has only redoubled its efforts—particularly in terms of patrols and land reclamation.

[780] See Chapter 7.

Second, consider the impact of time. There were roughly *two-year gaps between all of the events* that Johnston lists: 1995-1996 (Taiwan Straits), 1999 (Belgrade Bombing), and 2001 (EP-3 Crisis). In contrast, by Johnston's own admission, he is trying to justify **seven** distinct claims of assertiveness that *all transpired in less than a two year period* starting in 2009.[781] Therefore, in addition to the severity of the issues in question and their potential long-term implications, the sheer number of the "acts of assertiveness" in the 2009-2010 period creates a pattern of behavior far more pervasive than what took place in the late 1990s and early 2000s. Another aspect of time is the distance between the last event that Johnston lists—the 2001 EP-3 crisis—and the beginning of renewed Chinese assertiveness in 2009. According to Johnston's own timeline, there was roughly an eight-year gap during which there were no major acts of aggression from Beijing. Consequently, American policymakers' baselines had firmly shifted toward a more pacific set of expectations for Beijing. To then see over seven acts of assertiveness in less than two years represented a major change to the "new normal."

Third, Johnston does not account for China's specific military procurements. I have argued that policymakers are not concerned with rudimentary measurements of the size or budget of the Chinese military. However, American defense strategists certainly pay attention to how China prioritizes the allocation of these personnel and funds.[782] This is particularly true when resources are increasingly dedicated to developing capabilities and systems designed specifically to target American military tactics and systems.[783] For example, Beijing's attempts to build and operate its own aircraft carrier; its pursuit of anti-satellite weapons systems; and its deployment of cutting-edge surface-to-sea missiles and other anti-access area-denial weapons systems were particularly concerning to Washington.[784] Not only did they view these

[781] (Johnston 2013, p. 45)

[782] (B. Gates, 2015; R. Gates, 2014; Mahnken, 2015; Panetta, 2015)

[783] (B. Gates, 2015; Panetta, 2015; Petraeus, 2014)

[784] (B. Gates, 2015; Panetta, 2015)

specific prioritizations as indicating potentially aggressive long-term ambitions, but they also feared that they could initiate a global arms race in both the space and cyber domains. This is particularly worrisome because experts remain divided on whether these domains favor the offense or defense, meaning that these sorts of arms races could prove particularly dangerous if some actors believed there was a first-mover advantage.

Finally, it was not just Washington that considered Beijing's behavior newly assertive. These concerns were shared in capitals ranging from Canberra to Jakarta to Manila to Hanoi to Tokyo to Seoul. If anything, East Asian states were the first ones to detect this increasing assertiveness and were the ones most alarmed by it. However, given the power disparity, they relied on the U.S. to be their patron in confronting China about these concerns.[785] Therefore, if this was a miscalculation by American policymakers, it was also a mistake made by policymakers throughout the Western Pacific. Furthermore, the conclusion that Hillary Clinton and others in the Obama administration reached was not that America should rally these states and embark on a containment agenda. Quite the opposite, Secretary Clinton concludes her discussion of the South China Sea disputes by saying:

> "The confrontation in the South China Sea in the first two years of the Obama Administration reinforced my belief that our strategy in Asia must include a significant effort to upgrade the region's multilateral institutions. The available venues just weren't effective enough for resolving disputes between nations or mobilizing action…it could feel like the Wild West…where the weak were at the mercy of the strong."[786]

Importantly, Secretary Gates clarifies that these institutions were intended to include—not exclude China:

> "In its disputes with neighbors, China always prefers to deal with each country individually. They are easier to intimidate that way. The United States looks for opportunities to encourage countries in the region to meet together, including with China, to address these disputes."[787]

[785] (Huntsman, 2014; Schwab, 2014)

[786] (Clinton 2014, p. 68)

[787] (R. Gates 2014, p. 418-419)

Concluding that the response should be increased institutionalization—institutions that would include China—might fly in the face of realism, but it is exactly what one would suspect from policymakers committed to a neoliberal internationalist agenda. Nevertheless, the most damning evidence against Johnston actually comes from one of his own statements. He references a *New York Times* article from April 2010 that claimed that during a meeting with senior American officials, "China had stated for the first time that the South China Sea was a 'core interest, on par with Taiwan and Tibet.'"[788] Johnston concedes:

> "If true, this would have signaled a major change in China's policy toward the area. It would have been a clear indication that Beijing had dropped the idea of negotiations over maritime disputes in the region."[789]

However, he then rebuts, "There is no corroborating evidence" that American officials "were told that the South China Sea was a 'core interest' similar to Taiwan or Tibet."[790] Importantly, Johnston is writing in 2013. In 2014, Hillary Clinton released her memoir, *Hard Choices*. In it she recalls:

> "My concerns [about China's intentions in the South China Sea] escalated when I was in Beijing for the Strategic and Economic Dialogue in May 2010 and *for the first time heard Chinese leaders describe the country's territorial claims in the South China Sea as a 'core interest' alongside traditional hot-button topics like Taiwan and Tibet*. They warned that China would not tolerate outside interference."[791] (HC hard choices 67-68)

Thus, America's top diplomat claims that she heard the Chinese make these statements, and that it was on this basis that she elevated her concerns about China. Considering that Johnston himself conceded that if this allegation were true, "This would have signaled a major change in China's policy," Secretary Clinton's later publication is particularly damning for his argument. In short, there is strong evidence that policymakers were justified in labeling China's behavior in 2009-2011 as "newly assertive." Regardless of the accuracy of this assessment,

[788] (Johnston 2013, p. 17)

[789] (Johnston 2013, p. 17)

[790] (Johnston 2013, p. 18)

[791] (H. Clinton, 2014, p. 67-68)

however, Johnston and I still agree on the central point that behavior—not relative power—is what was driving policymakers' increased concerns regarding China.

Findings:

Assessing the Obama Administration's Policies:

In light of this historical summary, we need to analyze whether the Obama administration's strategy towards China is best classified as *containment, conditional engagement, or comprehensive engagement*?

First of all, the evidence presented here demonstrates that the Obama administration has certainly taken no actions that would indicate a strategy of economic containment. Many scholars and journalists have pointed to the Obama Administration's attempts to build the Trans-Pacific Partnership (which does not include China) as a turn towards containment. However, Nina Silove powerfully rejects this claim and demonstrates that:

> "The intended effect of the TPP, insofar as it related to China, was to raise the bar for liberalization standards and thereby place greater pressure on China to further reform its economic system. In this respect the TPP was consistent with the long-term economic engagement strategy…this element of the reorientation was intended to advance the process of economic engagement."[792]

In other words, TPP was first and foremost about creating a high-quality free trade agreement. The Chinese are not in the TPP only because they have yet to meet the standards of the TPP.[793] A good example of this fact is captured in the below exchange with the Obama administration's ambassador to China, Jon Huntsman. When I asked Ambassador Huntsman whether the motivation behind the TPP was to exclude or isolate China, he responded unequivocally:

> "Containment was not the motivation for the administration's thinking at all, but the Chinese see containment in everything we do. So we try to do a trade agreement with

[792] (Silove, 2016, p. 84)

[793] (Dollar, 2014; Huntsman, 2014; Podesta, 2014; Steinberg, 2014)

> many countries in the region, and they say, 'Ah-ha! Here is evidence of the U.S. attempting to isolate us economically.' But the fact of the matter is that some countries are simply ready to accept a higher standard of trade, and we saw no need to hold back from that simply because China was not ready."[794]

However, the officials with whom I spoke said that their hope was that China would continue to liberalize to the point that they could meet these standards.[795] Matthew Burrows, who served in a variety of influential positions on the National Intelligence Council, provided a good summary of this thinking:

> "It's not logical to keep China out of the TPP. They are the biggest trading nation in Asia, so if they are not eventually in, I think there is some question over how big of a deal TPP is ultimately going to be in the long run. If you're trying to promote America's geopolitical position, it would be a great boost to get them in because it means that they will have to play by the rules."[796]

Secretary Clinton herself stated, "The TPP became the signature economic pillar of our strategy in Asia, demonstrating the benefits of a rules-based order and greater cooperation with the United States."[797]

Thus, the Obama administration was clearly not pursuing containment, but does comprehensive or conditional engagement better describe their approach? Here, too, the answer is rather straightforward: the administration never made an attempt to place formal or informal conditions on engagement or trade. TPP was not an example of conditional engagement, any more than admitting China to the WTO or any other multilateral regime is an example of conditional engagement. Conditional engagement says, "We will not continue to engage with you unless you do X, Y, and Z." In contrast, what TPP and other similar multilateral agreements are saying is, "We will continue to maintain our current level of

[794] (Huntsman, 2014)

[795] (Senior Administration Official, 2014; Dollar, 2014; Huntsman, 2014; Paal, 2014; Podesta, 2014)

[796] (Burrows, 2015)

[797] (H. Clinton, 2014, p. 78)

engagement, but if you want to enter into this higher-quality trade regime with far deeper degrees of interdependence, then you have to agree to the same terms that every other member of this group has agreed to." Indeed, if the TPP is to be considered an example of conditional engagement because the U.S. and other potential members expect China to agree to the same terms as every other member, then every single international institution (economic or otherwise) is an example of "conditional engagement". However, if we rely on the more standard definition that conditional engagement is when the U.S. threatens to cut-off or severely curtail existing engagement unless China concedes to a list of Washington's demands (usually pertaining to domestic political reforms), then the TPP bares no resemblance whatsoever to conditional engagement.

In fact, anytime relations were severed (as in the wake of the Taiwan Arms sale), they were restricted to military relations. Furthermore, it was the Chinese who broke off relations in this instance, despite repeated calls from Secretary Gates and other American officials to re-instate them. Instances like the tire tariff are also not indicative of a conditional approach. Obama was not telling the Chinese, "Stop doing this, or we will not trade with you." Instead, he was saying, "You cheated in this area, so we are imposing a commiserate punishment sanctioned under our bilateral agreement." Punishing another actor for breaking the rules, especially when those infractions impose not just a relative, but also an absolute cost on one's companies or overall economy is perfectly compatible with a strategy of comprehensive engagement. Indeed, if the liberal international order is to continue functioning, it requires someone to enforce the rules of the game. To this effect, Ambassador Huntsman emphasized:

> "Someone has to help China in following the rules of the road. As they mature, you want to make sure that they do so in keeping with certain standards. Whether you like it or not, the United States is about the only keeper of those standards because nobody else can get the Chinese to behave a certain way through a trade agreement."[798]

[798] (Huntsman, 2014)

As Ambassador Huntsman's statement emphasizes, policymakers felt that for the good of the liberal order, someone had to make sure that its largest new member played by the rules. They also accepted that given China's size, America was the only nation willing and able to play this enforcement role. Consequently, to ignore Chinese violations would be an abdication of a critical responsibility that policymakers believed only America could fulfill. Echoing this sentiment, Secretary Clinton stated:

> "When we disagree, they believe it's because we fear China's rise on the world stage and want to contain it. We believe disagreement is a normal part of our relationship…We have no interest in containing China. But we do insist that China play by the rules that bind all nations…We should follow a time-tested strategy: Work for the best outcome, but plan for something less."[799]

Secretary Clinton's statement not only highlights the fact that one can impose punishments while remaining fully committed to a strategy of comprehensive engagement. Her statement also acknowledges that fully committing to economic engagement does not preclude America from also making investments in the military and diplomatic arenas to hedge these bets. To the extent that there was a greater focus on this military hedge for the Obama administration than in previous administrations, it was a result of both the PLA's rising offensive capabilities and Beijing's increasing political assertiveness. As I acknowledged in the introduction, material calculations do weigh heavily in policymakers' decision of when and where to invest in hedging. However, hedging and containment are not two sides of the same coin. Instead, there are many instances when American policymakers have elected to pursue one and not the other. Thus, the best summary of the Obama administration's strategy is one fully committed to comprehensive engagement, but also willing to invest heavily in maintaining the defense capabilities and posture to hedge these economic bets. These findings are reflected below in Table 8.1.

Table 8.1

[799] (Clinton 2014, p. 100)

Obama Administration's Position on Engagement

Policy Area	Preferred Approach
Overall Approach	Comprehensive Engagement
Response to Crises	Comprehensive Engagement
Handling Congress	Comprehensive Engagement

Why such strong support for engagement?

As in the previous chapters, we now turn to an analysis of which factors best explain the administration's strong commitment to liberal engagement, even amidst mounting concerns about China's long-term intentions.

Cost-Benefit Analysis:

In the theory chapter, we specified that policymakers had three main priorities in their CBA: 1) maximize the benefits of trade and interdependence, 2) minimize the chance of conflict, and 3) minimize the potential cost of conflict. We then hypothesized that if policymakers could not achieve all three of these goals, they would prioritize the first two. As the probability of conflict grew smaller, the cost of conflict became less relevant. This only reinforced policymakers' preference for comprehensive engagement, which they believed would maximize the benefits of trade and minimize the chance of conflict.

On the first priority, maximizing the benefits of trade and interdependence, engagement was viewed as the clear winner. As a senior economic official described:

> "The first and foremost motivating factor behind engagement was U.S. economic advancement—creating opportunities for our entrepreneurs, our innovators, and our workers. A supporting consideration was that by strengthening reformers in China, this

> could accelerate changes to their model, which would have benefits for U.S. interests in the international economic arena. The goal was to reinforce China's interests as a stakeholder rather than a spoiler in the international financial and trade systems."[800]

On the second and third priorities, CIA Director and Secretary of Defense, Leon Panetta, emphasized that neither the cost nor the probability of conflict with China were as great as they had been with the Soviets. This was because unlike the Soviets, who had incredibly expansive aims:

> "China doesn't want to be a super power that can dominate the world in a military sense…They don't want to play the role of the United States in trying to provide leadership where there is chaos. What they do is focus on the inner kingdom. That's what they care about. It actually makes it difficult for us, because we often want China to play a bigger role in dealing with the world, which is facing a lot of crises right now."[801]

Here the Secretary of Defense is saying that he wanted China to play a more active role in international affairs. One can hardly imagine any Secretary of Defense during the Cold War saying the same of the Soviets, which highlights how far from containment the administration's thinking was. China was not seen as having the sort of expansive and revolutionary aims that intrinsically present a security threat to America. Of course, policymakers recognized that the U.S. and China might find themselves embroiled in conflict, but because of China's more limited aims, policymakers did not believe this to be a forgone conclusion the way it had been with the Soviets. Beyond the lack of revolutionary aims, Panetta and other calculated:

> "The Chinese understand that any kind of conflict jeopardizes their economic position, and I think that for the Chinese front and center is the ability to continue to have a strong economy."[802]

Joe Nye provided a concrete example of this logic:

> "In 2009, the Obama administration sold arms to Taiwan. The PLA was furious as were some other officials, and they said that they should punish the Americans by dumping dollars. The China Central Bank and the other top officials said, 'No way! In punishing the United States, we'll wind up punishing ourselves.'"[803]

[800] (Senior Administration Official, 2014)

[801] (Panetta, 2015)

[802] (Panetta, 2015)

[803] (Nye, 2014)

The fact that the intense economic interdependence prevented the military from taking a more aggressive response than it might otherwise have is exactly the kind of constraint on aggression that policymakers hoped interdependence would have. In contrast, many policymakers, like Deputy Secretary Steinberg, were also simultaneously worried that containment could lead to a self-fulfilling logic.

> "In the face of uncertainty, policymakers tend to prepare for the worst, to focus on the potential threat down the road. And of course, some of that is necessary. But we also have to make sure that by preparing for the worst, we don't foreclose positive outcomes; that we leave ourselves open to the positive, and avoid the trap of self-fulfilling fears. Your volume quotes my predecessor, Deputy Secretary Armitage, as saying, 'Nobody, including the leadership in China knows how it's (China's development) going to come out. If it comes out badly, this is bad for us; if it comes out well, it can benefit all of us. And that's what we must dedicate ourselves to.' A wise man that Deputy Secretary!"[804]

In other words, we see Deputy Secretaries Armitage and Steinberg employing a CBA that, as expected, prioritizes reducing the chance of conflict through economic engagement, while relying on a military hedge to mitigate the potential costs of conflict, should it arise. As Secretary of Defense and CIA Director, Leon Panetta, put it:

> "I think our view is that we've got to continue to help China economically and ensure that they continue to develop. At the same time, it was true in the Clinton administration and the Obama administration that we're not going to back off of our military readiness in dealing with China. We're going to continue to strengthen that to make sure that we have some insurance if in fact we find ourselves in some kind of crisis."[805]

Likewise, Secretary Robert Gates acknowledged that the goal of American policy with respect to China was "to sustain our partnership in certain areas [for example, economic] and keep competition in other areas from becoming adversarial." However, in the next sentence he specifies that as a complement to this engagement strategy:

> "A robust American air and naval presence in the Pacific, especially in East Asia, will continue to be necessary to reassure our allies, but also to ensure the peaceful resolution of disputes."[806]

[804] (Steinberg, 2009)

[805] (Panetta, 2015)

[806] (R. Gates 2014, p. 528-529)

As these quotes demonstrate, policymakers did not see any incompatibility in a strategy that fully endorsed comprehensive economic engagement, while simultaneously making substantial investments to maintain the military superiority needed for a credible and robust hedging capability. In fact, if there was any "orthodoxy" as prevalent in the foreign policy establishment as the neoliberal faith in economic engagement, it was the maximum of President Ronald Reagan "peace through strength."[807] Therefore, policymakers relied on a CBA, which concluded that economic engagement, coupled with military hedging, as the best strategy for maximizing the benefits of trade and reducing the chance of conflict.

Indeed, this chapter finds that like its predecessors, the Obama administration's decision-making calculus fit with the basic heuristic outlined in Chapter 2. This heuristic asserted that if policymakers calculate that the expected benefits **(Be)** minus the expected probability of conflict **(Pe)** multiplied by the associated costs of conflict **(Ce)** for *engagement* are greater than the expected benefits **(Bc)** minus the expected probability of conflict **(Pc)** multiplied by the associated costs of conflict **(Cc)** for *containment*, then policymakers are likely to prefer engagement. In other words, because Obama administration officials calculated that for relations with China **Be – PeCe > Bc – PcCc**, they opted for engagement. Because this CBA was the mechanism through which policymakers evaluated their strategy, it is necessary to understanding policymakers' decision-making process and hence warrants classification as a **causal factor**.

Neoliberal Causal Beliefs:

However, the CBA explanation is only a framework. To understand how that framework is operationalized requires considering the causal beliefs that policymakers brought to this framework. Here, as in previous administrations, policymakers relied on a powerful set

[807] (Freidel & Sidey, 2006)

of neoliberal causal beliefs about the moderating and liberalizing effects of engagement and interdependence. A good example of the relationship between this CBA and the neoliberal beliefs undergirding it is provided by the following quotes from General Jones, who was President Obama's initial National Security Adviser. In terms of the cost-benefit calculations, Jones said:

> "The thinking was that by engaging with them economically, over time we could dissuade them of the competitive, adversarial relationship. So I'm not nearly as concerned about China 20-30 years from now as I am concerned about China today."[808]

The source of Jones' optimism for relations with China in 20-30 years is rooted in the belief that the liberal forces to which China is exposing itself as a result of engagement will transform China into a more liberal state with a more free-market economy. When this happens, China's size will no longer be a threat because those nations within the community of liberal, free-market democracies are not a threat to one another. In Jones' words:

> "I don't think that in the long term this modified capitalist approach will ever be in sync with the communist ideology. I think ultimately people will want the freedom capitalism gives them, and that will be manifested in the political spectrum at some point."[809]

Many economic experts in the administration, including David Dollar, who served as the Treasury Department's primary emissary in Beijing, also endorsed this view.

> "There are lots of historical examples of countries that have risen up to about 25% of U.S. living standards. That's about where China is now in purchasing power parity terms. There aren't too many historical examples of countries that go further…except for ones that are democracies with good civil liberties."[810]

However, policymakers did not just believe that engagement would guarantee peace in the long-term by eventually transforming the fundamentals of China's internal structure. They also believed that in the meantime, the benefits that China reaped from its trade with America and the liberal order more generally would provide powerful incentives for Beijing to not

[808] (Jones, 2015)

[809] Ibid

[810] (Dollar, 2014)

behave in ways that might jeopardize their access to these critical overseas markets. As Secretary Panetta described:

> "From the United States' perspective, the more we build their economic strength, the more we can build that relationship between the U.S. and China so that it can be a very important factor in influencing China with regards to their military ambitions. The hope is that the more that they improve their economy, and if they at least have a capitalist economic system working through a communist country, that can deter them from doing something that could be confrontational."[811]

The confidence in engagement's moderating effect in the short-term and its liberalizing effect in the long-term both stem from a belief that China is not fundamentally different from other states in East Asia. This led one senior administration official to surmise:

> "It would've been both unrealistic and counterproductive to contain China's economic rise. I think every serious analyst believes that China has to be part of the community of responsible nations that work together to try to create a more stable international environment. Having dire poverty in China is not a winning strategy if it means a leadership in China that is not secure enough to introduce economic and political changes domestically, and to partner with the U.S. internationally. The strategy was always clear eyed that China would continue to follow the same course that its neighbours had followed in terms of adopting technology and raising the lives of hundreds of millions in extremely poor rural communities by moving into manufacturing and ultimately service jobs. They would also need to educate the population, connecting them to international communications and ultimately to international, Western media and ideas. All of those things were very much in our interests. I had never seen an economic containment strategy that was coherent or plausible, or had the least chance of succeeding."[812]

As the above quote highlights, the other side of believing that China is likely to remain peaceful as long as it is growing rich off of the liberal order is the fear that economic failure in China would fuel nationalism and instability. Thus, one senior administration official justifies the importance of encouraging China's economic growth by saying, "On the security side, we wanted a country with a middle class that had the self-interest and the capacity to check ideological excesses."[813] This led many officials, like Matthew Burrows, who was the Director of Analysis on the National Intelligence Council to conclude:

[811] (Panetta, 2015)

[812] (Senior Administration Official, 2014)

[813] (Senior Administration Official, 2014)

> "The best scenario is a strong U.S. and a strong China. A strong China is going to spend more on its military, but if both the U.S. and China are weak, they are likely to lash out against the other."[814]

Indeed, Burrows attacks realism and Mearsheimer explicitly by emphasizing just how important these core causal beliefs are to American foreign policy elites:

> "It's (containment) not the American way. It goes back to what we originally thought about the international system. It should be for people to rise up. It isn't there to keep others down. It would be hard for any president a decade or two ago to engage in what Mearsheimer is talking about. I don't see how you do it and maintain your own credibility in the world."[815]

Therefore, far from China's size motivating containment, Steinberg concludes, "Given China's growing capabilities and influence, we have an especially compelling need to work with China to meet global challenges."[816] The idea that China's growth and the importance for engagement are positively correlated is, of course, the opposite from what neorealism expects. Thus, in this section, I find evidence for two claims. First, that structural realism cannot account for American foreign policymakers' decision and priorities with respect to China. Second, that to fully understand policymakers' ultimate preference for engagement requires first understanding the neoliberal causal beliefs undergirding their CBA. This makes these neoliberal beliefs necessary, and elevates them to a **causal variable**.

Path Dependency:

As the breadth and depth of interdependence continued to grow over time, the costs of trying to disengage from China also continued to rise. Consequently, by the time the Obama administration assumed office, path dependency had become an incredibly powerful factor in America's approach to China. As one senior economic official said of the choice about containment or engagement, "Once we passed WTO accession, we had already kind of 'gone

[814] (Burrows, 2015)

[815] Ibid

[816] (Steinberg, 2009)

to the Mount' with China."[817] Deputy Secretary Steinberg also referenced the power of path dependence in his speech on strategic reassurance:

> "The first eight months of the Obama Administration [have been] building on the important efforts of our predecessors – and I want to stress the importance of continuity in the U.S.-China relationship, which has brought us to this very important stage today – have provided solid evidence that…this approach [strategic reassurance] can bear fruit."[818]

Likewise, Secretary Clinton described the administration's aim by saying: "We seek to build upon a strong tradition of engagement by presidents and secretaries of state of both parties across many decades."[819] Thus, it is certainly true that the Obama administration was building on the policy of its predecessors. It is also true that trying to abandon this legacy of engagement and strike out on containment would have been far costlier for the Obama administration than previous administrations given the degree of interdepended that had been reached.

However, while it is important to not understate the importance of path dependence, it is equally important to not overstate its importance. In particular, it became very common during the later days of the Bush administration and the early days of the Obama administration to talk of Economic Mutual Assured Destruction (EMAD).[820] As mentioned in the previous chapter, the public narrative surrounding this concept was that China—as a consequence of its large reserves of treasury notes and other dollar-denominated assets—was holding the United States hostage. Washington wanted to take a tougher stance with Beijing, but could not do so because if Beijing dumped American debt, it would wreck America's already fragile economy.

[817] (Senior Administration Official, 2014)

[818] (Steinberg, 2009)

[819] (H. Clinton, 2011)

[820] See pages ( ) in Chpt # for more detailed discussion on EMAD.

However, this implication was exactly the opposite meaning that Larry Summers and others in the administration meant to convey.[821] As Steinberg points out:

> "People in the public thought this EMAD meant that China was gaining additional leverage, when the message Summers and others were trying to convey was one of reassurance that China couldn't use these holdings to cripple or blackmail us."[822]

Indeed, Summers himself clarified that the intent behind the statement was actually to convey that the Chinese could not credibly deploy their holdings as leverage because dumping these holdings would hurt the Chinese economy as much or more than it would hurt the American economy:

> "People used to say, 'Well Eisenhower used sovereign debt holdings as a mechanism to compel the French and British in the Suez crisis.' The difference is that in that case, the negative impact to America of dumping these assets would have been very minimal. In contrast, if the Chinese were to dump American debt, they would get hurt just as much or more than we would—even if the U.S. did not retaliate."[823]

Jon Huntsman, who was serving as the Ambassador in Beijing at the time, acknowledged, "In a sense it (the relationship) was too big to fail. There was a sense of implied mutual assured destruction economically if the relationship ever failed." However, he then went on to agree with Summers, Steinberg, Dollar, and others that:

> "There was never a threat that they would discontinue buying our debt or treasury instruments…We are the largest market in the world, and it is not like you can go to Latvia or Lithuania or Estonia and park your money there. What are your options? You don't have any. So, the economic relationship really was 'too big to fail.'"[824]

Huntsman's quote also highlights the fact that not only would dumping these dollars hurt China in the short-run. It would also hurt them in the long run, because they had nowhere else to funnel the massive capital account surpluses that their export-led growth model was generating. Without the ability to trade these RMB for another reserve currency, the RMB would undergo a significant appreciation, and avoiding this

[821] (Haenle, 2014; Paal, 2014; Steinberg, 2014; Summers, 2014)

[822] (Steinberg, 2014)

[823] (Summers, 2014)

[824] (Huntsman, 2014)

appreciation was one of the primary motives to purchase the T-bills in the first place. David Dollar and another lead official from the Treasury Department described their perspective on China's holdings this way:

> Dollar: "So you've got a couple trillion dollars of US dollar denominated assets. Trying to bring those back into RMB would have a massive appreciation effect on their currency. They accumulated them in the first place to avoid that appreciation. So trying to undo that quickly would just shoot them in the foot. And what are they going to do after that? Are they going to buy gold? You can't buy a couple trillion dollars' worth of gold. Frankly, other countries bond markets just aren't big enough to absorb that kind of money."[825]

> Other official: "China accumulated a massive portfolio of treasuries and GSEs because they were trying to manage their exchange rate, full stop. In order to maintain a tightly managed exchange rate, they had to invest in dollar-denominated securities. It was hugely in their interest to avoid destabilizing the international financial system at that time."[826]

In contrast to the fact that the Chinese really did *have* to buy American treasuries, the Americans had plenty of other customers. This gave them considerable more flexibility, and meant that if anyone had a negotiating advantage as a consequence of China's reserve holdings, it was the U.S.—not China. As Steinberg described:

> "If the Chinese had not bought our treasuries, someone else would have. Precisely because we were in an economic crisis, people wanted secure and safe investments. Treasuries were and still are the safest investment. So even if the Chinese had stopped buying the treasuries, there probably would not have even been any substantial increase in the interest rates."[827]

Where does this leave us? As Ambassador Huntsman and others acknowledged, it is true that a violent disruption of the economic relationship between the U.S. and China would have proven disastrous for both the U.S. and China. This is because the degree of interdependence had reached such an extreme level that the two nation's economic fates—particularly in the aftermath of the financial crisis—really were linked. So path dependency did play a powerful reinforcing role in the sense that

[825] (Dollar, 2014)

[826] (Senior Administration Official, 2014)

[827] (Steinberg, 2014)

policymakers knew that trying to disengage or contain China would bring enormous costs to the American economy.

However, as in the previous administrations, path dependence is not necessary in order to explain the Obama administration's preference for engagement. If path dependence were necessary, and hence warranted classification as a causal factor, we would need to show that the administration wanted to pursue containment and only backed away from this strategy because the Chinese threatened to retaliate in a way that was prohibitively costly for the Americans. This would be the EMAD argument. In reality, however, neither of these stipulations is met. Most importantly, the administration had no desire to pursue containment in the first place. Second, Beijing never made any threat to use its holdings against the U.S., and even if they had, American policymakers would not have considered this a credible threat. Therefore, path dependence is a powerful **reinforcing factor** because the cumulative interdependence between the two countries assured massive costs would be entailed in trying to switch to containment. But it is not a causal factor, and the public interpretation of EMAD, "Sounds good, but didn't have any connection to reality."[828]

Futility of Unilateral Containment:

This argument is essentially that America would not have had partners in trying to contain China, and that an attempt at unilateral containment would have been futile. Let's examine the first part of this factor: would the U.S. have had partners in trying to contain China? The answer is that short of a clear provocation, there would not have been significant

[828] (Senior Administration Official, 2014)

international support. Matthew Burrows, who served as the Director of Analysis on the National Intelligence Council, emphasized the difficulty America would face in building a major coalition for containment by pointing out that:

> "Europeans don't consider China as a security threat…But they do have big economic interests in the region, and they're not going to be dissuaded by the U.S. saying for example, 'you shouldn't join the AIIB.' If the U.S. tried to orchestrate a worldwide coalition like what we did in Kuwait, you may be able to convince Vietnam and Japan, and India, and some of these who are already concerned about China's rising power. But the Europeans…not so much. That's going to affect the U.S. position if it can't pull its oldest partners and allies."[829]

Likewise, National Security Adviser, James Jones stated:

> "China was an economic reality, so you're not going to be able to stop it. The best you can do is shape it. By shaping it, you can maybe influence its behavior on the world scene. But I don't think I ever heard anyone talk about, 'Okay we are going to contain China.'"[830]

James Steinberg argued that in addition to sanctions and other attempts to constrain the Chinese economy:

> "Maybe we could have tried to replicate the Reagan approach to the end of the Cold War; start an arms race and just spend them into oblivion. Maybe we could do that, but it would have huge economic costs…not to mention the strategic costs. It would be sure to turn China into an adversary when that would not necessarily be the case otherwise."[831]

Steinberg's quote gets at more of the nuance behind this explanation. It is not that containment would have been futile in the sense that it would have had zero effect on China's economy. No policymaker or China expert would deny the importance of the American consumer market to the Chinese export-led growth model. Therefore, even unilateral sanctions and containment would have had a negative impact on China's economy. However, it would also have had a seriously negative effect on the American economy, and would have guaranteed China's development as an aggressive

[829] (Burrows, 2015)

[830] (Jones, 2015)

[831] (Steinberg, 2014)

revisionist power.[832] Hence, it was not a prudent policy from a cost-benefit standpoint. However, this more nuanced calculation of prudence fits better with our CBA explanation.

Therefore, it is true that short of a major provocation, it is unlikely that the Obama administration would have been able to organize anything even remotely resembling a global consensus for economic containment of China.[833] Unilateral sanctions would have restricted the pace of China's economic rise, but it would not have prevented it all together.[834] Furthermore, this would have only assured China's development as an aggressively revisionist state. Therefore, the absence of allied support for containment was a **reinforcing factor**. However, because there was no desire to pursue containment in the first place, and because unilateral containment efforts would have still exacted substantial costs on the Chinese, this explanation is not necessary and hence does not meet the threshold for being a causal factor.

Corporate Hijacking:

As with the futility argument, for corporate hijacking to be a causal factor, requires demonstrating that the administration wanted to pursue containment, but was prevented from doing so because of powerful corporate opposition. First of all, it is important to remember that during the first Obama administration, many U.S. businesses began to sour on China as Beijing continually failed to enforce intellectual property rights, refused to open greater market access for American firms, and used its intelligence agencies to mount increasingly expansive and damaging corporate espionage attacks on behalf of Chinese state-owned enterprises.[835] Thus, while it is certainly safe to say that the majority of the business community would have

[832] (B. Gates, 2015; Lord, 2014; Summers, 2014)

[833] (Burrows, 2015; Dollar, 2014; P. Feaver, 2014; Gordon, 2014)

[834] (B. Gates, 2015; Panetta, 2015)

[835] (Celico, 2014)

strongly opposed containment, there were a growing number of business leaders who were increasingly open to a tougher approach to Beijing, signaling an end to the unequivocal euphoria over the promises of the Chinese market in both the public and private spheres.[836]

More importantly, though, Obama's support for engagement and interdependence was not wholly or even primarily the result of corporate lobbying. Instead, the administration favored engagement because they also believed that their economic and strategic interests were linked in a mutually reinforcing way. In reflecting on this connection, Secretary Clinton endorsed one of the key tenants of neoliberalism's belief in engagement by saying:

> "Increasingly, economic progress depends on strong diplomatic ties, and diplomatic progress depends on strong economic ties. And naturally, a focus on promoting American prosperity means a greater focus on trade and economic openness in the Asia-Pacific."[837]

Thus, there was a strategic rationale for engagement and interdependence, independent of the admittedly important economic justifications. Indeed, David Dollar says:

> "When I talk to members of Congress, I don't try to make the economic argument about why this integration with China is important. I make a strategic argument that it's important for the U.S. to have this peaceful, cooperative world where people follow rules and have successful international institutions."[838]

Finally, several policymakers indicated that even if corporations were capable of ensuring support for the President's engagement strategy in normal periods, they doubted whether this support would be enough to avoid a major response if China took actions similar to those of Putin in Crimea. An example of this is found in Matthew Burrows' response to my question about how the U.S. might respond to Chinese actions that resembled those of Russia in Ukraine:

> "Even though China represents a bigger economic interest for the US, if they seize territory militarily, I'm not sure that we wouldn't do something. A Republican President and even Democratic, I mean Mrs. Clinton would be under enormous

[836] (Dollar, 2014; Huntsman, 2014)

[837] (H. Clinton, 2011)

[838] (Dollar, 2014)

> pressure. I'm not sure that you could do what the first George Bush did after Tiananmen."[839]

Despite all of this, it is undeniable that the business community, on the whole, remains supportive of the neoliberal engagement strategy that every president since rapprochement has favored. It is also true that these business leaders continue to be powerful partners in helping the executive branch secure support for engagement in an otherwise anti-China congress.[840] To that end, corporate influence continued to play a powerful facilitating role in helping President Obama secure congressional approval for his engagement strategy. However, it is not a necessary factor because the Obama administration favored engagement for a range of strategic reasons that were quite independent of corporate motivations. Thus, it is a powerful **facilitating factor**, but does not rise to the level of a causal factor.

Policymakers Miscalculation:

The final explanation that we considered is that policymakers simply made a mistake. Had they known how fast China would grow or how intransigent Beijing would prove in resisting reform, they would have been more open to a containment strategy. For previous administrations, we demonstrated that policymakers did systematically underestimate how fast China would grow and overestimate how much reform engagement and interdependence would spark in China. Policymakers acknowledged these miscalculations. However, they maintained that knowing how quickly China would grow would only have strengthened their resolve to pursue engagement.[841] Similarly, they argued that even if this engagement strategy has not produced the sort of comprehensive reform that they had hoped, they still believed it

[839] (Burrows, 2015)

[840] (Celico, 2014; Hastert, 2015; Kapp, 2014; Podesta, 2014)

[841] (Kimmitt, 2014; Rosen, 2015; Rubin, 2014)

was the right strategy.[842] To the extent China has pursued aggressive policies of late, they fear Beijing would have been all the more aggressive if the U.S. had pursued containment.[843] Thus, even if the present outcome is less than they had hoped for, it is still better than if they had pursued containment.

It is harder to make these assessments for the Obama administration, simply because they are still in office, so there has not been the temporal distance required for them to examine the ultimate outcome of their policies. There are nonetheless two noteworthy points regarding this line of explanation. First, as highlighted earlier in this chapter, there were many criticisms from individuals both inside and outside of the administration that the initial "strategic reassurance" had wrongly signaled that the U.S. would be more reticent to challenge Chinese assertiveness than it had previously been. Several of these critics argued that this motivated Beijing to pursue a more adventurous foreign policy, which resulted in backlash from Washington in the form of the strategic pivot.[844]

They also criticize strategic reassurance as increasing expectations that the Obama administration would prove more accommodating in traditional disputes with Beijing on issues ranging from Taiwan to Tibet to freedom of navigation. When the Obama administration followed through with normal practices, it elicited far sharper responses from Beijing because of their increased expectations.[845] This result is noteworthy for three reasons. First, it highlights the importance of expectation management. Second, it shows that the Obama administration was not blindly following its ideological notions. Instead, when its initial strategy backfired, it re-evaluated instead of doubling-down. Finally, it affirms our **Hypothesis 4** that behavior is what causes policymakers to re-assess their default neoliberal beliefs because these doubts

[842] (Baker, 2014)

[843] (Christensen, 2015; Wolfowitz, 2015; Zoellick, 2014)

[844] (Christensen, 2014; Dollar, 2014; Huntsman, 2014; Slaughter, 2014)

[845] (Christensen, 2015)

about China only began to emerge after the notably assertive turn in Beijing's behavior that took place in the first two years of the administration.

The recent slow-down in the Chinese economy has also re-awakened questions about the long-term prospects of China's economic rise, and has reinforced many policymakers' belief that China will not, in fact, pass the U.S. in terms of any meaningful measure of power and influence. For example, Charles Wolfe, an internationally renowned expert on China and the Rand Corporation's long-time Senior Economic Adviser expressed his belief that, "It's more than likely that the crossover in real GDP will not occur in your lifetime, let alone my lifetime."[846] The explanation that he and others have provided for this assessment range from a review of demographic changes in both the U.S. and China to mounting environmental challenges facing Beijing to rising levels of debt and dependency in both the private and public sectors in China.[847]

Indeed, numerous officials expressed their belief that China would not be able to escape the so-called "middle income trap" without undergoing a comprehensive reform of both their economic and political structure. For example, when I went back to Daniel Rosen for quote approval in April 2016, he wanted to reiterate his belief that China cannot truly surpass the U.S. unless it liberalizes more fully:

> "In the 12 months to April 2016, China's attempt to maintain an outmoded political system to manage high-income economic conditions has caused a capital markets crisis. $1 trillion in net foreign exchange outflows, rapid decline in RMB value expectations, bond defaults, and a general fall in confidence about China's future economic prospects. Our Clinton-era working-hypothesis that economic distress would befall China if it resisted political evolution is validated, and the question now is whether Beijing will chose to keep its politics and tolerate the gathering economic deterioration, or shed its command and control skin to get back on track to a more prosperous future."[848]

Reflecting these assessments, Secretary Clinton confidently asserted:

[846] (C. Wolf, 2015)

[847] (C. J. Wolf, 2015)

[848] (Rosen, 2015)

> "Despite its impressive economic growth and advances in military capacity, it [China] had not yet come close to surpassing the United States as the most powerful nation in the Asia-Pacific. We were prepared to engage from a position of strength."[849]

In short, it is too early to tell how the administration will reflect on its overall policies once it has had at least five to ten years to observe their results after leaving office. At this point, therefore, it is best to simply label this as an **uncertain factor**. Nonetheless, it is clear that the Obama administration did undergo a significant change in strategy in 2010 and 2011. This reversal came after its initial attempts to court Beijing with various peace offerings resulted not in reform and moderation, but increased mercantilist economic policies and aggressive foreign policies. However, even Obama's revised strategy, which purported to invest much more heavily in military and diplomatic hedging, has not withdrawn any of the carrots offered to Beijing through economic engagement. Thus, it has remained committed to comprehensive economic engagement.

Summary:

Table 8.2 below summarizes the results from the above analysis.

TABLE 8.2:

Assessing Explanations for Obama Engagement Consensus

Reason	Type of Factor

[849] (Clinton 2014, p. 67)

Cost-Benefit Analysis	Causal Factor
Neoliberal Beliefs	Causal Factor
Path Dependency	Reinforcing Factor
Futility of Unilateral Containment	Reinforcing Factor
Corporate Capture	Facilitating Factor
Policymaker Miscalculation	Uncertain Factor

Implications for H1-4 and C1-2:

The fact that the CBA and neoliberal beliefs are the only explanations that rise to the causal level affirm **Hypotheses #1 and #2.** In deciding whether to engage or contain China, American policymakers conducted a basic CBA. However, the values that they assigned to each of the variables within their CBA were heavily influence by a powerful set of neoliberal causal beliefs that resemble the sorts of "road maps" that Goldstein and Keohane articulate in their book, *Beliefs and Foreign Policy*.[850] However, as Goldstein and Keohane argue, the inclusion of these causal beliefs does not undermine the rationalist approach so long as they are fundamentally causal in nature and are not applied indiscriminately.

As the many quotes in this chapter have demonstrated, these beliefs were causal in nature, specifying the type of outcome policymakers expected engagement and containment strategies to generate. Furthermore, these causal beliefs were not applied indiscriminately. Obama remained committed to a strategy of containment and isolation when it came to other

[850] (Goldstein & Keohane, 1993)

countries like Iran, North Korea, and Syria. The fact that engagement was not chosen as the optimal strategy in these cases (and many others) is proof that these neoliberal beliefs are not alone determinative. These findings support **Hypothesis #3** that though policymakers' default beliefs are neoliberal, they do not apply these neoliberal beliefs universally or indiscriminately. Instead, officials decide whether to apply these beliefs in relations with other states based on their expectation of how that particular state will respond to engagement versus containment. While individuals might disagree on the calculations pertaining to any particular country, the process itself is a rational one.

In cases like Iran, Burma, and Cuba, the administration changed its original assessments, and switched to a policy of greater engagement. In other cases, like Russia, Syria, and Libya, the administration revised its strategy in the opposite direction. A purely ideological explanation cannot account for these varying—indeed contrasting—trends. However, an explanation that focused on the target state's behavior and the signals these behaviors conveyed to administration officials can account for these changes. This supports **Hypothesis #4**, which argues that it is the target state's behavior—not changes in its relative capabilities—that influence policymakers' thinking regarding engagement and containment.

In addition to finding evidence for **H4** in a cross-comparison of different cases, we also find support for it within the China case itself. The administration entered office fully committed to a strategy of comprehensive engagement. Indeed, the initial approach of "strategic reassurance" was substantially more deferential to China than that of previous administrations; but when China responded to this overture by increasing its assertiveness over territorial disputes and doubling down on a range of mercantilist economic policies, the Obama administration decided to adopt a harder line in areas of dispute.

Even so, this more hardline approach did not reach the threshold for containment because the administration did not withdraw the carrots associated with engagement—only

invested more heavily in the sticks necessary for hedging. The administration chose to impose sanctions and other containment measures on Russia and not on China for a few reasons. On one hand, the degree of economic integration between the U.S. and China is much more expansive and intense than that between the U.S. and Russia, which makes the costs associated with trying to disengage from China and pursue containment much higher. Consequently, we would expect American policymakers to require a higher burden of proof that Beijing is, in fact, an aggressively revisionist state before abandoning engagement and switching to containment.

This leads to the second explanation, and the one that most policymakers emphasized in justifying the differences in their response; that Beijing's actions were not nearly as aggressive as Moscow's. Beijing made veiled threats to some of its neighbors and employed aggressive tactics when intercepting American ships and aircraft. However, Putin actually seized territory from another nation using military force, and openly backed Assad's regime in Syria. Consequently, Anne-Marie Slaughter remembers:

> "Nobody that I ever heard thought about containing China the way we thought about containing Russia. Containment is about, 'they're in their place, and we are going to keep them there.' That's containment. It wasn't that with China. With China, it was, 'we need to be present and China needs to know we are present, and that it is important that everyone in the region play by the rules.'"[851]

Therefore, it is perfectly understandable from a behavior-centric explanation why the U.S. would respond much more harshly to Moscow than to Beijing. Not only were Moscow's actions more brazenly aggressive, but also the threshold for switching to containment was lower for Russia because it was relatively less integrated with and vital to the American economy than China.

In contrast, structural realism's focus on the relative balance of material capabilities cannot account for the change in America's approach to China because during the same period

[851] (Slaughter, 2014)

that concerns in Washington were mounting, China's economic growth rates were actually beginning to decelerate—both in absolute terms and in relation to America's. If policymakers were primarily worried about dynamic assessments of China's future capabilities, then these concerns should have abated as American growth rates recovered from the financial crisis, and China's growth rates—while still larger than America's—nonetheless decelerated from upwards of 14% annually down to 7%. Instead of being positively correlated, however, these variables moved in opposite directions.[852]

This sort of relative capabilities explanation also fails to explain why Russia became such a concern in 2014. At the time, Russia's economy was suffering even more than China's. Indeed, while China was continuing to rise, Russia was in noticeable decline. So why should America have responded more harshly to Russia, which was already weaker than China and only further declining, than to China, which was already stronger than Russia and poised to only increase its relative power over Russia? Again, this is the opposite of what a neorealist would expect. However, the fact that Moscow's actions were clearly more aggressive than Beijing's makes it completely compatible with a behavior-centric explanation of the sort proffered in this thesis.

Corollary #1 is not really applicable in Barack Obama's case because, unlike George W. Bush and Bill Clinton, Obama had not campaigned on "getting tough" with China. Therefore, while President Obama did begin his time in the White House strongly committed to engaging China, this was not seen as a reversal from his campaign rhetoric.

As for **Corollary #2**, Obama did face calls from Congress to label China a currency manipulator and to take a tougher stance on panoply of human rights and trade issues. Despite other legislative setbacks, however, Obama was able to achieve his desired China policy during

[852] See Figures 4.1 – 4.3.

the first term. This ultimately affirms **Corollary #2** that the President retains considerable autonomy over China policy. These results are captured in **Table 8.3** below.

TABLE 8.3:

Performance of Hypotheses for Obama Administration

Hypothesis #1	Affirmed
Hypothesis #2	Affirmed
Hypothesis #3	Affirmed
Hypothesis #4	Affirmed
Corollary #1	Not Applicable
Corollary #2	Affirmed

Chapter 9 Conclusions:

The empirical question from which this project began was quite simply, *"How has America responded to the rise of China in the post-Cold War era?"* This dissertation's answer has been that American leaders have prioritized the absolute gains that both nations have received from engagement, instead of focusing on the relative gains that China has accrued. Consequently, post-Cold War administrations have consistently opted for a strategy of neoliberal engagement with China, and have expressly disavowed the type of containment strategies employed against the Soviet Union during the Cold War and against North Korea, Iraq, Iran, Libya, Burma, Cambodia, Cuba, Zimbabwe, Angola, Sudan, Syria, and other "pariah" states at various points in the post-Cold War period.

The fact that American policymakers have opted for engagement presents a real problem for neorealists, because this should have been a most-likely case for the types of relative gains concerns that neorealism anticipates. However, most American policymakers have taken the exact opposite approach, believing that a rising middle class in China benefits both the economic and security interests of the United States. Indeed, many policymakers were not just indifferent to China's economic growth (the threshold for absolute gains). They actually wanted to help facilitate this growth.

Neorealists might simply respond that America has made a mistake and that no social scientific theory—particularly one that makes the sort of macro-claims that realism does—can be right 100% of the time. This defense might work if this failure involved two minor powers, or even a great power and a minor power. However, the case examined in this thesis is precisely the sort of rising versus existing great power relationship that is the primary focus of neorealist

literature. To fail categorically in this type of most-likely case sheds serious doubt on whether the neorealist conception of relative gains is ever applicable in the post-Cold War era. More generally, the inability of neorealism to explain why policymakers have not transferred relative gains concerns in the military sphere to the economic sphere, despite acknowledging that the two spheres are fundamentally linked, indicates a more pervasive limitation in the transferability of realism's theoretical insights to the actual implementation of real-world policymaking.

These findings required an explanation for why American policymakers have pursued this strategy of neoliberal engagement, despite having many of the security concerns that neorealists highlight and despite recognizing that China's economic growth provides the foundation of its military power. In other words, why have policymakers elected to *engage but hedge* as opposed to *contain and hedge* China? First, policymakers have conducted a basic cost-benefit analysis (CBA) of the pros and cons of engagement vs. containment. Within this framework, policymakers have calculated that engagement would increase the economic benefits that America reaps from trade and interdependence with China, while also decreasing the chance of a future conflict.

Policymakers have acknowledged that this strategy of engagement would also facilitate China's rise and increase the degree of bilateral interdependence, which would consequently increase the ultimate costs of a future conflict with China. However, they have calculated that this is a better option than containment, which would:

1. Wipe out the economic benefits of trade and interdependence in the long-term
2. Impose significant adjustment costs in the short-term
3. Eliminate the prospect of Chinese cooperation on a range of global challenges of high priority to American policymakers
4. Minimize the societal and commercial connections that they hoped would lead to long-term liberalization and reform in China

5. Remove the economic incentives for Beijing to avoid external aggression
6. Threaten to initiate a security spiral
7. And consequently increase the chances of a conflict.

From this standpoint, it seems easy to account for policymakers' calculations. After digging deeper, however, I demonstrated that some powerful neoliberal causal beliefs about the benefits of engagement and interdependence were undergirding and driving virtually all aspects of policymakers' CBA. These beliefs can be distilled into five basic assumptions:

1. Increased trade and interdependence benefits the U.S. economy.
2. Engagement and interdependence moderate other states' foreign policies.
3. Engagement and interdependence facilitate reform and liberalization in target states.
4. Consequently, engagement and interdependence reduce the likelihood of conflict.
5. In contrast, containment has a self-fulfilling effect, leading to unnecessary conflict.

I then showed how these beliefs drove policymakers' CBA and hence their overall strategy towards China. Indeed, my analysis revealed that as long as policymakers held these beliefs and applied the assumptions that flow from them, their CBA would always favor engagement over containment. While these neoliberal causal beliefs were necessary to explaining policymakers' preference for engagement, their inclusion does not erode the rationalist foundations of this thesis because these beliefs were both causal in nature and applied only after policymakers assessed that the target state's behavior reflected a status quo or moderate reformist agenda. Hence, both the nature of these beliefs and the manner in which policymakers chose whether or not to apply them in a given case are consistent with a rational choice model that expects individuals will approach strategic decision-making with *a priori* beliefs about the likely effects of various actions. Other factors and possible explanations were

also considered, including: path dependency, the futility of unilateral containment, corporate capture, and policymaker miscalculation. These factors had a variety of impacts from one administration to the next. However, only policymakers' CBA and their underlying neoliberal beliefs consistently met the causal threshold.

This conclusion led to the obvious question, *"Do policymakers apply these neoliberal causal beliefs to relations with all states? If not, why are they applied in some relationships and not others?"* In answering the first part of this question, it was easy to conclude that American policymakers do not apply these beliefs to all states. Nonetheless, these do appear to be policymakers' default beliefs. So what would cause American policymakers to reject these default beliefs and instead favor containment with a given state?

First of all, I demonstrated that it was not the relative distribution of material capabilities that determined what *a priori* beliefs policymakers relied on for their CBA with any specific country. If this were the case, American policymakers should have been far more likely to reject their neoliberal beliefs and favor containment with China than with Iran, North Korea, or any of the other states for which American policymakers have pursued containment. This material explanation also did not work within the U.S.-China relationship itself, because for most of the period of this study, there was a positive correlation between China's rapidly rising relative power and American policymakers' confidence in and support for neoliberal engagement. Therefore, this explanation fails to explain variances both across cases and within the China case.

As an alternative to this material-centric framework, I argued that policymakers place far more importance on the target state's behavior. In other words, if the target state's behavior signals that the regime in question is either a status quo power or moderate reformist, then American policymakers are likely to rely on their default neoliberal beliefs and prefer engagement. In contrast, behaviors that lead American policymakers to conclude that the state

in question is committed to an aggressively revisionist agenda will cause policymakers to abandon their default neoliberal beliefs for that relationship, fearing that engagement with an aggressively revisionist power will not only fail to produce moderation and liberalization, but will actually embolden their aggression. Accordingly, I found that the only time when American policymakers even questioned their neoliberal engagement strategy with China was when it violently crushed domestic calls for reform (Tiananmen) or threatened to use force against America or its allies in territorial disputes (1995-1996 Taiwan Straits Crisis, 2001 EP-3 Crisis, and Beijing's renewed territorial assertiveness from 2009 to the present).

However, my theory does not predict that such behaviors will inevitably result in American policymakers rejecting their neoliberal beliefs and abandoning engagement. It only predicts that these behaviors will spur a re-assessment of this strategy and the beliefs underlying it. My explanation for this, which is consistent with Goldstein and Keohane's work, is that once these causal beliefs become so prevalent as to be institutionalized, they continue to direct policy virtually on autopilot. To continue this metaphor, the plane remains on autopilot until turbulence jars the aircraft and forces the pilot to take manual control and decide whether to maintain or to adjust course and altitude. However, just as there is no guarantee that turbulence will force a pilot to adjust course or change altitude, observing one of these behaviors from a target state does not guarantee that American policymakers will ultimately change strategies. Instead, I acknowledge that the ultimate decision of how to respond in any given instance is contingent on a range of factors at the international, domestic, bureaucratic, and even individual levels. These factors cannot be systematically accounted for in such a way that allows this theory to predict consistently how they will interact with one another across time and space. Consequently, the best we can do in terms of a generalizable theory is to say that these behaviors will spawn a policy re-assessment. Explaining why these factors did or did not result in a reversal of strategy requires a detailed analysis of each particular case.

There were also two interesting corollaries that evolved from this assessment. First, this thesis demonstrated that even presidential candidates who promised to take a tougher line with Beijing during the campaign quickly conformed to their predecessors' neoliberal strategy of comprehensive engagement once they actually occupied the Oval Office. Interestingly, however, this shift has not been a consequence of domestic political pressure. In fact, domestic and Congressional pressures consistently favored a harder line with China.[853]

The second corollary is that the President enjoys a considerable degree of autonomy in setting China policy. Congress influences policies on the margins, but presidents have consistently prevailed in maintaining the core components of their engagements strategy—even amidst intense crisis situations like Tiananmen, the 95-96 Taiwan Straits Crisis, the EP-3 Crash, and the 2009 financial crisis. However, a cautionary note was included to acknowledge that 24-hour cable news and social media may make it increasingly difficult for presidents to maintain this leeway and flexibility over China policy in the contemporary era.

In addition to the specific competing explanations listed earlier in this conclusion, I also addressed a more comprehensive and fundamental alternative hypothesis—that policymakers' willingness to set aside relative gains concerns and pursue engagement was merely an epiphenomenal consequence of unipolarity. However, given the counterfactual nature of this claim, I was not able to confirm or deny its veracity. Policymakers did not list unipolarity as being a major factor in their calculus. Instead they consistently highlighted behavior, and denied the importance of relative aggregate power. However, to avoid a circular debate over whether policymakers are even cognitive of the true sources of their preferences, I simply accepted the possibility that this could be an alternative explanation. Nevertheless,

[853] If Bernie Sanders or Donald Trump were either to be elected President, this would provide a major test of this corollary because of the vitriolic attacks both have waged on America's economic policies with China.

given the complete lack of evidence (and indeed some counter-evidence) for this competing explanation, I saw no need to dilute or caveat my own explanation.

In conclusion, this thesis finds strong evidence to suggest that structural realism is ill equipped to deal with America's approach to China in the post-Cold War era, even though this should be a most-likely case for theories in this tradition. The reason for this failure is that American foreign policymakers adhere to a powerful set of neoliberal causal beliefs. When infused into a rational CBA, these beliefs consistently result in a strong preference for neoliberal engagement over containment. Changes in the relative balance of power cannot reverse these preferences. Only the other state's actual behavior can revise or undermine these beliefs and the calculations they produce. Of particular concern to American policymakers are behaviors that indicate the target state's willingness to use violent force to disrupt the normal evolution of liberal values within their own borders, or to revise aspects of the international order that they find unsatisfactory. Policymakers view these actions as indicative of an aggressively revisionist agenda. Under these exceptional circumstances, policymakers often forsake their default confidence in engagement. In fact, for aggressively revisionist states, policymakers often fear that attempts at engagement will be interpreted as appeasement and only embolden and empower the regime to act more aggressively both domestically and internationally.

Thus, the other state's behavior—not the relative distribution of capabilities—determines which causal beliefs American policymakers apply to a given relationship. These beliefs, in turn, drive policymakers' cost-benefit calculations. Therefore, actions from Beijing that indicate a willingness to use force to suppress domestic liberalization or to revise aspects of the international order will degrade policymakers' confidence in engagement with China. If severe enough or repeated frequently enough, these behaviors could lead to a complete collapse of the engagement consensus that has guided America's approach to China since

rapprochement. Consequently, observers of U.S.-China relations should focus far more on China's actions than its growth, and worry about its capabilities only in-so-far-as the pursuit of certain capabilities is seen to indicate offensive intent.

Finally, scholars and journalists should not confuse *hedging* with *containment*. The U.S. does hedge China, but this has not translated into a strategy of isolating or containing China. Quite the contrary; American policymakers want to see China accept greater responsibility within the liberal order (both globally and in the Asia-Pacific). These policymakers also see many benefits to be reaped from continued Chinese economic growth. Therefore, they do not view China's rise through a zero-sum lens, and they accept that China will expect its influence to grow commensurate with its power.

Nonetheless, these same policymakers are fully aware that China may not develop along this reformist path. Consequently, they continue to make substantial investments in maintaining the military superiority required to hedge this robust bet on economic engagement. Neorealists point to the inherent link between military and economic power, and consequently view this strategy of hedging engagement as contradictory. American policymakers acknowledge the link between economic and military power; but unlike neorealists, who take a pessimistic view of the inevitability of conflict, American policymakers believe that the liberal order remains sufficiently powerful and that the ideas of liberal democracy and free markets remain sufficiently transcendent and transformative that they can peacefully normalize China within the liberal order.

Therefore, neorealists focus primarily on limiting the costs of conflict, which they view as ultimately inevitable. American policymakers, by contrast, believe that the historical pattern of conflict between rising and existing great powers can be avoided, and hence focus on implementing a strategy designed to avoid conflict in the first place. In particular, they remain confident that a basic carrot and stick approach of complementing economic engagement with

military hedging is the optimal strategy to minimize the chance of conflict. Anything more overtly aggressive (like adopting containment) is feared to likely precipitate otherwise avoidable conflicts that would not doubt prove immensely costly for both sides. Anything less resolved (like abandoning hedging) is feared to invite Chinese over-reach. Only pairing robust economic and political engagement with a strong military hedge is thought to convey American policymakers' desired message that China's ascendance is warmly welcomed, but only so long as Beijing reifies its commitment to a peaceful rise that will embrace the existing liberal order.

Relevance of the Theory Moving Forward:

This project has explicitly restricted its claims to describing and explaining the perspectives and priorities of American foreign policymakers in the post-Cold War era. In light of these restrictions, a couple of clarifying points are warranted. First, this thesis has focused on what America's policy was from 1989-2013. It is my belief that this strategy has continued to guide American foreign policy up through 2016. However, because the current Obama administration is still in power as of this writing, I feel it is too early to comment definitively on the extent to which their strategy has remained constant or evolved. This is primarily because many of the primary sources (interviews and memoirs) for those who served in this administration are still unavailable.

Second, I do not guarantee that this neoliberal strategy will continue to guide future administrations. For example, if Donald Trump were elected it would present a difficult test for Corollary #1, which argues that regardless of their campaign rhetoric, all Presidents conform to the neoliberal narrative once actually in the Oval Office. If Trump were elected and abandoned his isolationist, zero-sum campaign rhetoric, then it would provide perhaps the most powerful evidence for Corollary #1 thus far. On the other hand, if he did start to pursue containment and prioritize relative gains, this would require a re-examination of Corollary #1.

If the shift in course were linked to further increases in Chinese assertiveness and aggression, then this change would fit with the behavior-centric model. However, if this shift were solely in response to China's continued rise in relative material power, then this change would degrade the theory's reliability as a predictor of policy moving forward.

Another problem for the theory would be if someone like Hillary Clinton, who had been a proud supporter of the neoliberal strategy for her entire public life, abandoned these neoliberal beliefs and pursued a more hardline containment strategy in response to domestic political pressure. In many respects, this prospect seems more likely. If it occurred, it would undermine the future applicability of Corollary #2 that Presidents are largely immune to domestic political pressures when shaping the broad contours of China policy. Again, as with the previous examples, this would not undermine the historical accuracy of this thesis. It would only draw into question its predictive power for the future.

In essence, the primary focus of this thesis has been explaining America's strategy towards China from 1989-2013. If new policymakers change this strategy in the future, it does not undermine the historical accuracy of the thesis, but it would draw into question how useful the theory is as a tool for predicting American foreign policy moving forward. With the popularity of Donald Trump and Bernie Sanders in the 2016 election, it is conceivable that a populist ground-swell could forcefully wrestle control over China policy from the foreign policy establishment and demand a much more nationalist and isolationist agenda that would be far more receptive to containment strategies that prioritized relative gains.

However, I should emphasize that a change in American policy is only a problem for this theory if it is not in response to increased assertiveness on Beijing's behalf. For example, if Beijing launched an assault on Taiwan, started firing on or seizing U.S. vessels in the South China Sea, violently suppressed a mass democratization movement at home, or just generally pursued a more aggressive foreign policy and a more mercantilist economic policy, then a

hardline shift in American policy would not be incompatible with the behavior-centric model proffered in this thesis. In short, changes in American policy that can be linked to increased assertiveness or aggression in Beijing are entirely compatible with this thesis. If, however, the change in strategy is merely in response to rising Chinese material capabilities and/or increased domestic political pressure, then changes in American policy would create problems for the predictive power of the model moving forward.

Relevance Beyond America's Approach to China in the Post-Cold War Era:

In addition to challenges that these potential scenarios might present for the thesis, I also think there are numerous potential theoretical extensions. For example, one possible means of theoretical extension would be to explore whether this argument held for American policymakers prior to the end of the Cold War? My initial sense is that policymakers were always using a rational choice framework similar to the one articulated in this dissertation. The question then would be 1) were they applying the same neoliberal beliefs to that CBA framework as consistently in earlier periods as they have in the post-Cold War era and 2) if and when these beliefs were not applied, were policymakers responding mainly to the behavior of particular states or simply the basic distribution of relative power?

On the first question, there have been supporters and skeptics of these neoliberal beliefs throughout American history. However, an initial assessment is that America's self-conception as "a shining city on a hill" has resulted in these neoliberal beliefs proving powerfully influential more often than not. In particular, these neoliberal beliefs appear to resonate in the aftermath of successful war efforts and/or in particularly bullish economies. For example, there was widespread support for economic and political engagement with the world in the immediate aftermath of WWI, WWII, and the Cold War. One could anticipate this being the result of an increased optimism that the American economic and political model was destined

to triumph over its rivals. A strategy of trying to actively promote this model abroad, therefore, was seen as the best way to achieve a more peaceful and prosperous future. However, it is certainly true that some periods, such as the aftermath of unsuccessful war efforts and/or during particularly bearish economies, have not been hospitable to these neoliberal beliefs. During these periods, policymakers have frequently resorted to a set of protectionist and isolationist views. While one could point to many examples when this has occurred, the most obvious would, of course, be the 1930s.

The second aspect of assessing the argument's earlier applicability is to explore why policymakers abandoned their faith in these neoliberal beliefs with different states at various junctures prior to the end of the Cold War? Was it, as structural realism would expect, simply the result of unfavorable changes in the relative balance of material capabilities with other leading states? Or was it more in response to behaviors from those states that signaled they might intend to use their rising capabilities to harm America or its allies? If basic material factors were more important during these previous eras, this might lead to questions about what changed to cause American policymakers to pay greater attention to state behavior and less to calculations of raw power in the post-Cold War era? Why would policymakers in the post-Cold War era be more idealistic in this sense than their Cold War and pre-Cold War predecessors?

My initial assessment would be that prior to the end of the Cold War, material factors about the raw distribution of power did factor more prominently into policymakers' CBA. If this is, in fact, true, there might be any number of explanations as to why this would be the case. Some might point to the advent of nuclear Mutual Assured Destruction, and the assurance it provided to those great powers with a second strike capacity that their actual homelands would never be conquered. Others might argue that decolonization and a rising sense of nationalism made trying to conquer and hold territory far more costly, while the changing

nature of the global economy made the fruits of conquest and colonization far less profitable. Still others might point to the solidifying concept of sovereignty and the decline of interstate war as relaxing concerns about the costs of conflict. Others might point out that the Cold War, in particular, was framed as a global war of ideas—a war for the "Soul of Mankind".[854] In this context, demonstrating the superiority of the American system of market capitalism over Soviet Communism framed the conflict in a classically zero-sum game. With the collapse of the Soviet Union, there appeared no such rival to the American model—at least none that made the sorts of universal claims that would inherently place it in existential conflict with America's system. These are just a few of the numerous potential explanations for why assessments of the relative distribution of power might have lost a degree of significance for policymakers after the end of the Cold War. Exploring them would be a fascinating project. For now, however, my claims are restricted to describing American policymakers' decision-making calculus in the post-Cold War period.

Author's Perspective:

Thus far I have not commented on whether I agree or disagree with American policymakers' neoliberal strategy for managing the rise of China. While I have argued that the CBA process that policymakers have used has been a rational one, I have not said whether I believe the ultimate conclusions that policymakers have reached as a result of that CBA have been right or wrong. In these final paragraphs, however, I depart from the otherwise descriptive focus of this paper, and offer a few prescriptive comments.

Ultimately, I agree that a strategy of deep and comprehensive economic engagement coupled with a robust military hedge has been the most prudent strategy for managing China's rise. I also agree with four of the five causal beliefs that have undergirded policymakers'

[854] (Leffler, 2007)

preference for engagement. I agree that the economic relationship with China has benefitted the U.S. substantially in an absolute sense (belief #1); that the benefits China has received from this relationship have provided powerful incentives for Beijing to avoid overtly aggressive foreign policies that would jeopardize these benefits (belief #2); and that engagement has therefore minimized the chance of conflict (belief #4), whereas containment or isolation would have dramatically increased the probability of conflict (belief #5).

However, I do not believe that this engagement strategy has resulted in the sort of broad-based political transformations within China that many supporters of engagement had hoped and expected, nor do I believe that engagement is likely to produce these results in the foreseeable future (belief #4). Even so, given the recent resurgence in Chinese nationalism, the rise in regional tensions, and the growing discontent with globalization that is sweeping populations worldwide, I am not convinced that a rapid dissolution and downfall of the Chinese Communist Party would necessarily be a positive development for regional security or for American interests more generally. Therefore, while engagement has not resulted in a competitive, multi-party democracy in China, and while I believe that it is unlikely to do so in the foreseeable future, this does not (in my view) warrant an abandonment of engagement.

In light of this assessment (and of the findings of this paper more generally), I would offer the following advice for American policymakers on how they might best approach China policy in the coming years.

1. **Maintain a strong commitment to broad and comprehensive economic engagement.** The interdependent relationship between the U.S. and Chinese economies has significant benefits for the American economy, and these benefits are likely to continue rising as China develops a larger middle class. Containment,

in contrast, would impose significant short-term adjustment costs and long-term opportunity costs on American companies and the American economy more generally. Furthermore, while containment might slow China's growth, it would not stop it. As a result, the U.S. would face a relatively weaker China, but one that is far more likely to pursue an overtly aggressive agenda. Furthermore, if America were seen as instigating this conflict, the U.S. would encounter greater resistance in attempting to rally the critical support of its allies. To that end, China's actions thus far do not (in my opinion) warrant abandoning engagement. In my view, it would take a direct attack on American military forces, a major military assault against the homeland of one of China's neighbors (like Taiwan, Japan, or the Philippines), or clear support for another country with which America was openly engaged in conflict (like supplying weapons to Assad during an American led ground assault against Syria) before a switch to containment would be justified. In the absence of such events, the prudent approach remains broad-based economic and diplomatic engagement, paired with robust investments to maintain a definitive global and regional military advantage.

2. **However, this strong commitment to positive-sum economic engagement should not preclude policymakers from taking a tough stand when Beijing pursues practices that are in clear violation of mutually agreed upon rules and norms and directly harmful to American interest in an absolute sense.** This is not a call for conditional engagement, but it is a call for responding firmly when Beijing unfairly restricts the absolute—not relative—gains that America derives from the relationship. To this end, policymakers should keep in mind that the relative importance of the American economy to Beijing and the relative superiority

of America's defense capabilities to those of the PLA continue to provide American policymakers a strong negotiating position. However, policymakers should not be using economic censorship in response to Beijing's domestic political practices. This should be reserved for instances when Beijing directly harms American interests or those of its allies—not when Beijing treats its own citizens in ways Americans find objectionable.

As a more general point, policymakers should place a greater emphasis on economic reform, and downplay their interest in domestic political reform within China. Not only does America have less influence on domestic political issues within China, but they also have less credibility because Beijing's human rights practices do not harm America's interests as directly as its mercantilist economic policies. Hence, the Chinese government (and the Chinese people) view these domestic political lectures as an intrusion into their internal affairs. As one liberally minded Chinese friend put it to me, "On economic issues, we can negotiate. On political issues, there is no room for negotiation. It is a matter of national pride." In short, focusing on political reform is not only an unwise prioritization of political capital, but often counter-productive to the cause of domestic reformers, who can then be labeled as American pawns.

3. **Rhetoric matters, and it is important to manage expectations**. It would be unwise to label China an "enemy," but it is also naïve to call it a "strategic partner." Appearing over-eager to befriend China, as the Obama administration did in its early days, will only concern America's allies and raise Beijing's expectations to an unrealistic level. When America's actions inevitably fall short of Beijing's

hopes, the relationship is likely to suffer from tensions that might otherwise have been avoided by a more measured rhetorical approach.

By the same token, dramatically proclaiming a "strategic pivot", as Hillary Clinton did in 2011, is also unwise. Such pronouncements empower hardliners in Beijing to argue that containment is coming and that America will not allow China to fully rise. Even worse, when America's actual military allocations to the Pacific subsequently fall short of those expected to follow such dramatic announcements, these same hawks in Beijing are emboldened to label America as a paper tiger—all bark and no bite. At the same time, such pronouncements leave regional allies fearing that a more overtly aggressive strategy in Washington will unnecessarily escalate regional tensions, but when the tangible manifestations of this rhetorical shift fail to meet the expectations that the announcement generated, these allies begin to wander whether America's actual material commitment might be waning. For these allied countries a "paper tiger" in Washington is the nightmare scenario because it at once raises the risk of a regional conflict while simultaneously bringing into question the commitment of their most powerful patron.

In essence, the best strategy in East Asia resembles the classic adage of Theodore Roosevelt, "Speak softly and carry a big stick." America should continue to make robust economic, diplomatic, and military investments in the region to assure all nations—friend and foe—that just as the region is more important than ever to the global order, so too America's concrete commitment to the region is also greater than ever before. However, this message should be communicated quietly through the sorts of behind-the-scenes, retail politics of the Bush administrations. Not the bold announcements and grand gestures of the Obama administration. Bland speeches and a monotonous repetition of approved talking

points in public may make for boring news clips back in America, but they are keystones for successful diplomacy in East Asia. Bold action is required and frank conversations are needed, but these should be manifested in tangible investments and communicated through private channels.

4. **Relations with China should always come as a second priority to relations with America's long-term allies in the region**—even if those nations are much smaller and comparatively less important to the American economy. If it is naïve to believe that America can befriend China, it is equally arrogant to think that Washington can manage and shape China's rise without the committed support of its allies and partners. This support will only come if America provides the support and respect that these partners expect and deserve as allies.

5. **Increase our investments in maintaining the regional military superiority needed for a balanced carrot and stick approach.** This includes not only developing high-end weapon systems designed specifically to defeat Chinese anti-access area-denial capabilities, but also strengthening the security partnerships with regional partners—both old and new. To do this, America should be generous in the capabilities it provides to these allies. Washington should also increase the number and size of bilateral military exchanges and exercises, and try to expand these to truly multinational, joint-force exercises whenever possible.

As numerous policymakers, including Condoleezza Rice, Thomas Christensen, Joe Nye, Robert Zoellick, Leon Panetta, Robert Gates, and Ashton Carter made clear, these military and security investments are not mutually exclusive with—nor counterproductive to—a strategy of broad-based economic

engagement. Quite the opposite. Not only are these military investments important as an insurance policy in case China does adopt a more overtly assertive and expansionist agenda, but maintaining a clear military advantage is also important in deterring China from making an aggressive turn in the first place. In this respect, today's policymakers should reflect on the strategic approach of Ronald Reagan. Reagan was one of the most ardent and eloquent supporters of free trade and the liberal order. At the same time, he was relentlessly committed to his "peace through strength" mantra, which held that real peace could be guaranteed only through a strong, but prudent display of power.

APPENDIX A:

George H.W. Bush (1989-1993)

State Department

James Baker (Secretary of State, 1989-1992)
4
Raymond Burghardt (Political Counselor in Beijing, 1987-1989)
3
Jeff Bader (Director Office of East Asian Affairs, 1987-1990)
4
Robert Kimmitt (Under Secretary of State for Political Affairs, 1989-1991)
3
Donald Keyser (Minister-Counselor for Political Affairs, U.S. Embassy Beijing, 1989-1992)
3
Winston Lord (Ambassador to China, 1985-1989)
4
Stapleton Roy (Ambassador to China, 1991-1995)
4
Robert Zoellick (Counselor of the Department of State, 1989-1992)
4

Department of Defense and Intelligence Community

Richard Armitage (Assistant Secretary of Defense for International Security Affairs, 1983-1989) 3
Robert Gates (Director of the CIA, 1991-1993; Deputy Director of CIA, 1986-1989)
3
Jack Leide (US Defense Attaché in Beijing, 1988-1990)
4
Thomas Mahnken (Dept. of Defense Office of Net Assessment)
3
Colin Powell (Chairman of the Joint Chiefs of Staff, 1989-1993)
4
Gratton Sealock (China Desk Officer at the Defense Intelligence Agency, 1989-1990)
4
Paul Wolfowitz (Undersecretary of Defense for Policy, 1989-1993)
3

White House and National Security Council

James Baker (White House Chief of Staff, 1992-1993)
4
Robert Gates (Deputy National Security Advisor 1989-1991)
3

James Keith (China Director on the National Security Council, 1990-1992)
3
John Negroponte (Deputy National Security Advisor, 1987-1989)
4
Doug Paal (Senior Asia Director on the National Security Council, 1986-1993)
3
Colin Powell (National Security Advisor, 1987-1989)
4
Condoleezza Rice (National Security Council, 1989-1991)
4
Brent Scowcroft (National Security Advisor, 1989-1993)
3
John Sununu (White House Chief of Staff, 1989-1991)
4
Philip Zelikow (Assistant to National Security Advisor, 1989-1991)
4
Robert Zoellick (White House Deputy Chief of Staff, 1992-1993)
4

Treasury Dept, Commerce Department, US Trade Representative's Office

Jon Huntsman (Deputy Assistant Secretary of Commerce, 1989-1992)
4

U.S. Congress

Dennis Hastert (Member of the US House of Representatives, 1987-2007)
4
Bennett Johnston (Democratic Senator from Louisiana, 1972-1997)
4
Richard Lugar (Republican Senator from Indiana, 1977-2013)
3
Leon Panetta (Chairman of the House Budget Committee, 1989-1993)
4

Bill Clinton (1993-1997)

State Department

* Madeleine Albright (Ambassador to the United Nations 1993-1997)
4
Jeff Bader (Director of the Office of East Asian Affairs, 1995-1996)
4
*Warren Christopher (Secretary of State 1993-1997)
4
Donald Keyser (Director of the Office of East Asian Affairs, 1993-1995)
3

Winston Lord (Assistant Secretary of State for East Asian Affairs, 1993-1997)
4
Stapleton Roy (Ambassador to China, 1991-1995)
4
James Steinberg (Director of Policy Planning at the State Department, 1994-1996)
4
Strobe Talbott (Deputy Secretary of State 1994-2001)
3
Anonymous
4

Department of Defense and Intelligence Community

Kurt Campbell (Deputy Secretary of Defense for Asia and the Pacific)
3
Peter Feaver (Director for Defense Policy, 1993-1994)
3
Thomas Mahnken (Dept. of Defense Office of Net Assessment)
3
Joseph Nye (Chairman of National Intelligence Council, 1993-1994;
Assistant Secretary of State for International Security Affairs, 1994-1995)
4
Colin Powell (Chairman of the Joint Chiefs of Staff, 1989-1993)
4
Kori Schake (Special Assistant in Office of Secretary of Defense, 1994-1996)
3

White House and National Security Council

Sandy Berger (Deputy National Security Adviser, 1993-1997)
4
Senior Staff Member on the National Economic Council
3
Leon Panetta (White House Chief of Staff, 1994-1997; Director of OMB, 1993-1994)
4
John Podesta (Assistant to the President, 1993-1995)
4
Robert Rubin (Chair of the National Economic Council, 1993-1995)
4

Treasury Dept, Commerce Department, US Trade Representative's Office

Charlene Barshefsky (Deputy US Trade Representative, 1993-1997)
4
Robert Kapp (President of US China Business Council, 1994-2004)
4
Robert Rubin (Secretary of the Treasury, 1995-1999)
4
Larry Summers (Chief Economist at the World Bank, 1991-1993)
4

U.S. Congress

Dennis Hastert (Republican Chief Deputy Whip in House of Representatives, 1995-1999)
4
Bennett Johnston (Democratic Senator from Louisiana, 1972-1997)
4
Richard Lugar (Ranking Member of the US Senate Foreign Relations Committee, 1977-2013) 3
James Sasser (Democratic Senator from Tennessee, 1977-1995)
3

Bill Clinton (1997-2001)

State Department

*Madeleine Albright (Secretary of State)
4
Raymond Burghardt (Direct American Institute in Taiwan, 1999-2001;
Shanghai Consul General 1997-1999)
3
Jeff Bader (Deputy Assistant Sec of State for East Asian Affairs, 1996-1998)
4
Donald Keyser (Deputy Assistant Secretary of State for Intelligence and Research, 1999-2000) 3
Stapleton Roy (Assistant Secretary of State for Intelligence and Research, 1999-2001)
4
James Sasser (Ambassador to China, 1996-1999)
4
Joseph Prueher (Ambassador to China, 1999-2001)
4
Susan Shirk (Deputy Assistant Secretary of State for East Asian Affairs, 1997-2000)
3
Strobe Talbott (Deputy Secretary of State, 1994-2001)
3
Anonymous
4

Department of Defense and Intelligence Community

Kurt Campbell (Deputy Secretary of Defense for Asia and the Pacific)
3
Mike Green (Senior Adviser for Dept of Defense Office of Asia Pacific Affairs, 1997-2001)
3

Mike Hayden (Director of the National Security Agency, 1999-2005)
4

White House and National Security Council

Sandy Berger (National Security Adviser, 1997-2001)
4
Senior Official on the National Economic Council, 1997-2000
3
Jeff Bader (Director of Asian Affairs on the National Security Council, 1998-1999)
4
David F. Gordon (National Intelligence Officer for Economic and Global Issues, 1997-2002)
3
James Keith (Asia Director on National Security Council, 1999-2000)
3
Kenneth Lieberthal (Senior Director of Asian Affairs on the National Security Council, 1998-2000)
4
John Podesta (White House Chief of Staff 1998-2001; Deputy Chief of Staff, 1997-1998)
4
Daniel Rosen (Director of Joint National Security Council and National Economic Council task force on WTO accessions process, 2000-2001)
4
James Steinberg (Deputy National Security Advisor, 1996-2001)
4

Treasury Dept, Commerce Department, US Trade Representative's Office

Charlene Barshefsky (US Trade Representative, 1997-2001)
4
Robert Kapp (President of US China Business Council, 1994-2004)
4
Robert Rubin (Secretary of the Treasury, 1995-1999)
4
Larry Summers (Secretary of the Treasury, 1999-2001; Deputy Secretary of Treasury, 1995-1999) 4

U.S. Congress

Dennis Hastert (Republican Chief Deputy Whip in House of Representatives, 1995-1999)
4
Richard Lugar (Ranking Member of the US Senate Foreign Relations Committee, 2003-2007) 3

George W. Bush (2001-2005)

State Department

Richard Armitage (Deputy Secretary of State, 2001-2005)
3
James Keith (Director of Office of Chinese Affairs, 2000-2002;
American Consul General in Hong Kong, 2002-2005)
3
Donald Keyser (Deputy Assistant Secretary of State for East Asian Affairs, 2001-2004)
3
John Negroponte (US Ambassador to the United Nations, 2001-2004)
4
Doug Paal (Director of American Institute in Taiwan, 2002-2006)
3
Colin Powell (Secretary of State, 2001-2005)
4
Randall Schriver (Deputy Assistant Secretary of State for East Asian Affairs, 2002-2005)
3
Joseph Prueher (Ambassador to China, 1999-2001)
4
Anonymous
4
Anonymous
3

Department of Defense and Intelligence Community

Doug Feith (Under Secretary of Defense for Policy, 2001-2005)
3
Daniel Blumenthal (Senior Country Director for China, 2001-2004)
3
Elbridge Colby (Defense Department)
2
David F. Gordon (Director of the CIA Office of Transnational Issues, 2002-2004)
3
Mike Hayden (Director of the National Security Agency, 1999-2005)
4
James Jones (Commandant of the U.S. Marine Corps, 1999-2003)
3
Thomas Mahnken (Dept. of Defense, Office of Net Assessment)
3
*Donald Rumsfeld (Secretary of Defense, 2001-2006)
3
Gratton Sealock (Defense Attaché in Beijing, 2000-2002)
4
Paul Wolfowitz (Deputy Secretary of Defense, 2001-2005)
3
Anonymous
4

Anonymous
3

White House and National Security Council

Aaron Friedberg (Deputy Assistant for National Security and Director of Policy Planning to the Vice President, 2003-2005)
3
David F. Gordon (National Intelligence Officer for Economic and Global Issues, 1997-2003)
3
Mike Green (Asia Director National Security Council, 2001-2004)
3
Paul Haenle (Executive Assistant to National Security Advisor, 2004-2007)
4
Condoleezza Rice (National Security Advisor, 2001-2005)
4
Kori Schake (NSC Director for Defense Strategy and Requirements, 2001-2005)
3
Ashley Tellis (Special Assistant to the President on the NSC)
2
Anonymous
4

Treasury Dept, Commerce Department, US Trade Representative's Office

Jeff Bader (Assistant Trade Representative for China WTO negotiations, 2001)
4
Matthew Burrows (National Security Adviser to Secretary of Treasury Paul O'Neill 2001-2002) 4
Amy Celico (Director of China Affairs at US Trade Representative, 2005-2007;
4
Country Director for the Commerce Department's International Trade Agency, 2003-2005)
4
Donald Evans (Secretary of Commerce, 2001-2005)
4
Jon Huntsman (Deputy US Trade Representative, 2001-2003)
4
Robert Kapp (President of the US China Business Council, 1994-2004)
4
Robert Zoellick (United States Trade Representative, 2001-2005)
4
Paul Wolfowitz (President of the World Bank, 2005-2007)
3

U.S. Congress

Dennis Hastert (Speaker of the House of Representatives, 1999-2007)
4
Richard Lugar (Chairman of the US Senate Foreign Relations Committee, 2003-2007)
3

George W. Bush (2005-2009)

State Department

Raymond Burghardt (Chair of American Institute in Taiwan, 2006-present)
3
Thomas Christensen (Deputy Assistant Secretary of State for East Asian Affairs, 2006-2008)
4
Elbridge Colby (State Department)
2
David F. Gordon (Director of Policy Planning at the State Department, 2007-2009)
3
James Keith (Deputy Assistant Secretary of State for East Asian Affairs, 2005-2006)
3
Stephen Krasner (Director of Policy Planning at the State Department, 2005-2007)
4
John Negroponte (Deputy Secretary of State, 2007-2009)
4
Doug Paal (Director of American Institute in Taiwan, 2002-2006)
3
Condoleezza Rice (Secretary of State, 2005-2009)
4
Kori Schake (Deputy Director for Policy Planning, 2007-2008)
3
Kristen Silverberg (State Department)
3
Philip Zelikow (Counselor to the Secretary of State, 2005-2007)
4
Robert Zoellick (Deputy Secretary of State, 2005-2007)
4

Department of Defense and Intelligence Community

Matthew Burrows (Counselor to National Intelligence Council, 2007-2009)
4
Daniel Blumenthal (Vice Chairman of U.S.-China Economic and Security Review Commission) 3
Doug Feith (Under Secretary of Defense for Policy, 2001-2005)
3
Robert Gates (Secretary of Defense, 2006-2011)
3
Mike Hayden (Director of the CIA, 2006-2009; Director of National Intelligence, 2005)
4
Thomas Mahnken (Deputy Assistant Secretary of Defense for Policy Planning, 2006-2009)
3
Andrew May (Defense Department Office of Net Assessment, 2005-present)
2
John Negroponte (Director of National Intelligence, 2005-2007)
4
*Donald Rumsfeld (Secretary of Defense, 2001-2006)
3

White House and National Security Council

Peter Feaver (Special Advisor for Strategic Planning on the National Security Council, 2005-2007) 3

David Gordon (Vice Chairman of the National Intelligence Council, 2004-2007)
3

Mike Green (Senior Asia Director on the National Security Council, 2004-2005)
3

Paul Haenle (China Director on the National Security Council, 2007-2009)
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Paul Lettow (Counsel on the National Security Council)
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Treasury Dept, Commerce Department, US Trade Representative's Office

David Dollar (Country Director for China at the World Bank, 2004-2009)
4

Robert Kimmitt (Deputy Secretary of the Treasury, 2005-2009)
3

David McCormick (Under Secretary of Treasury for International Affairs, 2007-2009; Under Secretary of Commerce for Industry and Security, 2005-2007)
4

Hank Paulson (Secretary of the Treasury, 2006-2009)
4

Susan Schwab (US Trade Representative 2006-2009; Deputy US Trade Representative, 2005-2006)
4

U.S. Congress

Dennis Hastert (Speaker of the House of Representatives, 1999-2007)
4

Richard Lugar (Chairman of the US Senate Foreign Relations Committee, 2003-2007)
3

Barack Obama (2009-2013)

State Department

Kurt Campbell (Assist Secretary of State for East Asian Affairs 2009-2013)
3

Raymond Burghardt (Chair of American Institute in Taiwan, 2006-present)
3

Jon Huntsman (Ambassador to China, 2009-2011)
4

Anne Marie Slaughter (Director of Policy Planning at the State Department, 2009-2011)
3
James Steinberg (Deputy Secretary of State, 2009-2011)
4

Department of Defense and Intelligence Community

Matthew Burrows (Director of Analysis National Intelligence Council, 2009-2012)
4
Robert Gates (Secretary of Defense, 2006-2011)
3
Andrew May (Defense Department Office of Net Assessment, 2005-present)
2
Leon Panetta (Secretary of Defense, 2011-2013; Director of the CIA, 2009-2011)
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David Petraeus (Director of the CIA, 2011-2012)
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White House and National Security Council

Jeffery Bader (Asia Director on the National Security Council, 2009-2011)
4
Paul Haenle (Asia Director on the National Security Council, 2007-2009)
4
James Jones (National Security Advisor, 2009-2010)
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Larry Summers (Chair of the National Economic Council, 2009-2010)
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Treasury Dept, Commerce Department, US Trade Representative's Office

Senior Treasury Official, 2010-2013)
3
David Dollar (Treasury Department's Emissary to China, 2009-2013)
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U.S. Senate

Richard Lugar (Ranking Member of the Senate Foreign Relations Committee, 1977-2013)
4

Barack Obama (2013-present)

State Department

Raymond Burghardt (Chair of the American Institute in Taiwan, 2006-present)
3

Department of Defense and Intelligence Community

Andrew May (Defense Department Office of Net Assessment, 2005-present)
2
Leon Panetta (Secretary of Defense, 2011-2013)
4

White House and National Security Council

John Podesta (Counselor to the President, 2014-present)
4

Treasury Dept, Commerce Department, US Trade Representative's Office

Senior Treasury Official, 2013-present
3

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