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**US grand strategy towards China, 1991-2015:  
A neoclassical realist analysis**

**by**

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## Declaration

This thesis is my own work and has not been submitted for a degree at another university.

The word count is 77,600.

During my PhD studies, I published the following:

Foulon, Michiel (2015) 'Neoclassical Realism: Challengers and Bridging Identities', *International Studies Review*, 17:4, pp. 635-661.

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## Abstract

This study demonstrates how a neoclassical realist approach can contribute to explanations of the grand strategies of states, by examining the case study of the United States' (US) grand strategy towards China. Thereby, it aims to contribute to theories of international relations, studies of grand strategy adjustments and the empirical analysis of the US's grand strategy towards China during 1991-2015.

Grand strategy is expected, from the purview of structural realism, to focus on checking rising great powers; that is, structural realism anticipates a strong trend that established great powers go to great lengths to respond to rising powers and to redress trade deficits with them. However, as the US's sub-optimal strategy towards China from 1991–2015 illustrates, this is not always the case. Since the alternative explanations offered by scholarly literature on US-China relations are frequently grounded in Innenpolitik, constructivist and two-level game approaches, they cannot easily explain continuous sub-optimal strategies. To offer a more satisfactory explanation to grand strategy that a sparser structural realist approach cannot, scholars have increasingly adopted neoclassical realism.

This thesis examines neoclassical realism and alternative explanations to construct a theoretical model that can more satisfactorily explain sub-optimal strategies and uses the US's China strategy as its case study. The thesis's theoretical model explores the conditions under which decision-makers' perceptions and resource constraints interfered more with the US's grand strategy towards China and when they interfered less. It argues that, in a very permissive strategic environment (when the threat from a rising power is distant and small), the space for decision-makers' misperceptions and resource constraints to interfere expands, and decision-makers worry less about potential security losses from trade. However, in a less permissive strategic environment, the space for such interference contracts, and decision-makers worry more about security losses from trade. The US's grand strategy towards China is caught up in this matrix of variables. The US's China strategy from 1991–2015 is then conceptualised as a blended product of systemic conditions and domestic characteristics that produced an underactive China strategy.

This proposed theoretical model is examined in a comparative case study with a before-after design on the US's grand strategy towards China. Congruence and process-tracing methods reveal the within-case causal mechanism at play and demonstrate the causal primacy of systemic factors in producing the US's China strategy.

## Acronyms

A2AD	Anti-Access and Area-Denial
AIIB	Asian Infrastructure Investment Bank
APEC	Asia-Pacific Economic Cooperation
ASEAN	Association of Southeast Asian Nations
ASEAN+3	ASEAN Plus Three
BSR	Base Structure Report
CRS	Congressional Research Service
EAPT	East Asian States and US Pacific Territories
FOMC	Federal Open Market Committee
FPA	Foreign Policy Analysis
GDP	gross domestic product
IMF	International Monetary Fund
IR	International Relations
MFN	Most-Favoured Nation
NATO	North Atlantic Treaty Organization
NDS	National Defense Strategy
NMS	National Military Strategy
NPT	Nuclear Non-Proliferation Treaty
NSS	National Security Strategy
QDR	Quadrennial Defense Review
RCEP	Regional Comprehensive Economic Partnership
TPP	Trans-Pacific Partnership
UN	United Nations
US	United States
WTO	World Trade Organization



# Chapter 1 - Introduction

## 1.1 Introduction and research questions

The purpose of this study is to demonstrate how neoclassical realism can contribute to analyses of the grand strategies of states. It argues that a neoclassical realist framework can help to address some of the limitations of existing accounts. The thesis examines the case of the United States' (US) grand strategy towards China, which is an example of the broader grand strategy phenomenon or class of events. The US's economic and military clout render it significant in international relations, and the US's China strategy remains unexplained by structural realism. From the purview of structural realism, states are expected to focus on checking rising great powers; structural realism anticipates a strong trend that established great powers go to great lengths to respond to rising powers and to redress trade deficits with them (e.g. Mearsheimer, 2003, 2006, 2014a; Waltz, 1979, 2000, 2008). However, because structural realism incorporates only system-level factors, the observed behaviour does not match what has been anticipated. From 1991-2011, the US was observed to pursue a strategy that engaged China economically and stagnated the US's military posture, aiding China's rise; then from 2011- 2015, the US was seen to focus more on checking China's rise.

Scholarship on US-China relations and International Relations (IR) theory based on Innenpolitik, constructivism and two-level game approaches explain aspects of America's behaviour through reference to individual and domestic political constraints (e.g. Brown, S A W, 2018; Garrison, 2005), international norms or US identity (e.g. Foot and Walter, 2011a). However, this merely demonstrates that individual and domestic factors matter in the US's China strategy. It fails to explain when, over time, individual and domestic factors influence China strategy more and when they influence it less.

Responding to these limitations in existing studies, this study argues that a neoclassical realist model can help to address some of the limitations of existing explanations. Neoclassical realism is an adaption of structural realism that attempts to explain specific

state actions. It incorporates variables at the international (system) level and at the domestic (unit) level to explain behaviour such as America's China strategy that a sparser structural realist theory, Innenpolitik or constructivist approaches cannot (Ripsman, Taliaferro and Lobell, 2016; Rose, 1998). As such, it has been widely adopted in IR theory as well as literature on the US-China case. Recent suggestions in neoclassical realist literature are that a novel variable of the permissiveness of the strategic environment be combined with foreign policy elite perceptions and state power variables, as it is thought to hold much promise in terms of explaining grand strategy.

This study draws on such developments in neoclassical realism to develop an innovative model by combining the novel variable of the permissiveness of the strategic environment with perception and state power variables. It demonstrates the conditions under which foreign policy elite perceptions and resource constraints have interfered with adjustments in the US's grand strategy towards China and (from structural realism's purview) yielded underactive strategies. As outlined below, in a very permissive strategic environment (that is, when a threat from a rising power is distant and small), room expands for decision-makers' perceptions and resource constraints to interfere with strategy, and decision-makers tend to worry less about security losses from trade. Therefore, when decision-makers face rising powers, they are more likely to strategise underactively. However, in a less permissive strategic environment, room contracts for decision-makers' misperceptions and resource constraints to interfere, and they are likely to worry more about security losses from trade. Therefore, decision-makers are more likely to strategise more optimally (from structural realism's purview). This study reconceptualises US grand strategy towards China, which is caught up in this matrix of variables. It is then conceptualised as a blend of systemic conditions and domestic characteristics that have resulted in an underactive China strategy.

Such an approach is essential in explaining the intricate dynamics of grand strategy adjustments in addition to accounting for the US's underactive China strategy. If we can explain continuity and change in the US's behaviour towards China between 1991 and 2015

more satisfactorily, then we may gain a better grasp of US grand strategy towards China and how great powers interact. Furthermore, if we can demonstrate how neoclassical realism can explain this grand strategy more satisfactorily than the alternative explanations of structural realism, Innenpolitik and constructivism, then we may be able to understand how neoclassical realism can attend to some of the limitations in the literature of IR and Foreign Policy Analysis (FPA).

As such, and in order to take the academic discourse further, this study posits the following research question:

*Why did the US pursue an underactive grand strategy towards China from 1991-2011, but a more optimal strategy from 2011-2015?*

To address this central question, the study is further guided by four sub-questions:

- What kind of behaviour might be expected to result from structural realist incentives in general and specifically in US-China relations, and what behaviour was actually observed?
- What are the strengths and weaknesses in the extant explanations offered by scholarship to explain the US's behaviour?
- What theoretical model of existing and novel variables and new theoretical propositions can more satisfactorily explain the US's behaviour?
- Can an empirical case study demonstrate the proposed model's plausibility?

In the following sections, I will first unpack the research puzzle that drives the study; that is, the behaviour that structural realism generally expects, what it anticipated regarding US-China relations, and the behaviour that was actually observed. I will then introduce the argument, the study's contributions, methodology and structure.

## 1.2 Unpacking the research puzzle

Neoclassical realist analyses compare the behaviour which might be expected to arise from structural incentives with actual observed behaviour. Namely, they outline how much of the observed behaviour can be explained by structural realist incentives. To that end, most neoclassical realist analyses start with the work of two of the main structural realists, Waltz and Mearsheimer.<sup>1</sup> However, they also point out that structural realism has its weaknesses. Hence, as Ripsman, Taliaferro and Lobell note,

[t]he value-added of any neoclassical realist theory ... lies in its ability to predict and explain political behaviour that a sparer structural realist theory cannot (2016, p. 114).

Thus, neoclassical realism differs from structural realist accounts in its approach to the results drawn from structural incentives.

Grand strategy is defined by three central features. It relates, first, to the means-ends relationship; how state leaders connect their available domestic resources to their strategic objectives. Second, grand strategy emphasises non-military policies, such as trade and investment with allies. In other words, economic and trade tools are forms of power that may be wielded to achieve international aims. Third, grand strategy entails planning over years and decades. It persists following very restrictive strategic environments of major conflict and into permissive strategic environments of peace.<sup>2</sup> This working definition of grand

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<sup>1</sup> For example Berenskoetter and Quinn (2012), Brawley (2010a), Dueck (2006), Dyson (2010), He (2017), Juneau (2015), Schweller (2004) and Taliaferro (2006).

<sup>2</sup> For the centrality of the relationship between domestic means or resources and foreign objectives, see Brawley (2010a, p. 63), Dempsey (2012), Desch (1989, p. 86, footnote 1), Huntington (1988, p. 76), Kennedy (1988, 1991), Kirshner (1998), Posen (1984, p. 13; 2007) and Posen and Ross (1996). For the role of trade and other dimensions of grand strategy, see for example Liddell Hart (1967, p. 322), Rosecrance and Stein (1993a, pp. 3-4) and Silove (2018, pp. 34-9). For the long-term and permissive environment aspect of defining grand strategy, see also Kennedy (1988, p. xv), Lobell (2003, p. 3) and Silove (2018, pp. 34-9)

strategy aligns with extant neoclassical realist work and is theorised in Chapter 3, insofar as it pertains to the thesis's model.<sup>3</sup>

In the following sections, I will first discuss what behaviour might be expected to result from structural realist incentives in general. I will then specify what behaviour is, in fact, observed in the US-China case. This shows that structural realism would expect that after 1991, the US would have focused and augmented its strategy vis-à-vis China, but the reality was that successive US administrations did not adopt this approach.

#### *Structural realism and general expected behaviour*

Structural realism's chief prediction is that states respond to changes in other states' material power capabilities and other states' intentions (Lobell, Ripsman and Taliaferro, 2009, p. 32; Waltz, 1979, p. 131).<sup>4</sup> Structural realism lacks the specificity to explain foreign policy decisions and strategy choices (e.g. Mastanduno, Lake and Ikenberry, 1989; Wivel, 2005), but it suggests that it can account for general trends in state behaviour such as balancing, by "rewarding some types of behaviour and punishing others" (quoted from Gilpin, 1981, p. 85; see also Waltz, 1979, p. 73). That is, structural realism expects that an established great power suspects that the emerging one may seek more than just survival, act against others' interests or seek hegemony and conquest (Mearsheimer, 2003, 424 fn. 8; Waltz, 1959, p. 233; 2008, p. 137). Thus, when states consistently forego acting against the rising power, they put their survival and political autonomy at risk.<sup>5</sup>

When states seek to protect themselves and respond to rising powers, they navigate through three main strategic routes. First, if they doubt that joining forces with the emerging power is a good option, they are expected to increase their own resources and boost defence

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<sup>3</sup> For related extant definitions, see Christensen (1996, p. 7), Lobell, Taliaferro and Ripsman (2012, p. 15), Ripsman, Taliaferro and Lobell (2016) and Rosecrance and Stein (1993a). In Silove's recent categorisation, this working definition adopted here nears her definition of a "grand plan" (2018, p. 39).

<sup>4</sup> See also Waltz (1979, p. 131) for his seven items for ranking states: they pertain to population size, territory, economic power and military capabilities; and Ripsman, Taliaferro and Lobell (2016).

<sup>5</sup> Waltz argues: the alternative to strategise against a rising power is "probable suicide" (Waltz, 1959, p. 205).

spending.<sup>6</sup> Second, if they have powerful allies that are available and interested to secure regional stability, states may prefer others to carry the burden of checking the rising power.<sup>7</sup> In using this strategy where states prefer others to carry the burden - that is, to 'pass the buck' - they rely on some form of multipolarity; at least one other state must be powerful enough to check the rising power.<sup>8</sup> When states adopt this strategy, it enables them to use their own power capabilities more sparingly, drastically cut the defence budget, keep low levels of power capabilities on the distant shore or none in the region at all.<sup>9</sup> With this strategy, states can instead balance off the region's shore and insulate themselves from potential conflict.<sup>10</sup>

However, a third strategy may impose itself. When states have no local great power in the distant region that is available or powerful enough to perform the balancing, then they must actively balance on the rising power's shore. Active balancing is required when the global system is unipolar and the distant regional international system lacks great powers to maintain order.<sup>11</sup> With active balancing, the established power must husband its resources and define its interests in a restrained sense: the main security threats in the core relevant region. In other words, active balancers maintain or increase their posture in more important region(s) but retrench from regions that are of less interest (Mearsheimer, 2003; 2011b, p. 33; 2016, p. 81). In that core region, active balancers deploy their military capabilities to contain an (aspiring) regional hegemon (Mearsheimer, 1998, pp. 225-6). In order to gain

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<sup>6</sup> See Anderson in Anderson and Silove (2016/17), Delury and Moon (2014), Mearsheimer (2003, p. 157), Parent and Rosato (2015, p. 56), Schweller (2004, pp. 159-60) and Waltz (1979, pp. 118, 24).

<sup>7</sup> For differences between regional and global security dynamics, see Binder (1958) and Brecher (1969); structural realists such as Mearsheimer (2003, p. 41) and Waltz (2008, p. 222); and neoclassical realists such as Lobell (2003, p. 8; 2009, p. 49).

<sup>8</sup> See Mearsheimer and Walt (2016, pp. 71-3), Parent and Rosato (Parent and Rosato, 2015, p. 57; Rosato and Parent, 2018), Schwarz and Layne (2002, p. 39) and Schweller (2018a, pp. 24-6).

<sup>9</sup> See Mearsheimer (2003, pp. 157-9) and Mearsheimer and Walt (2016, p. 75). Walt (1987, p. 265, see also 30-31) argues that it is "the natural tendency for states to pass the buck." Schroeder (1994, p. 117 fn. 25) notes that states can hide from threats when they deal with an emerging great power differently than when they engage in a great power struggle.

<sup>10</sup> This is defined as "extreme offshore balancing," as suggested by Layne (1997) and defined by Art (1998, p. 104). See also Gholz, Press and Sapolsky (Gholz and Press, 2010; Gholz, Press and Sapolsky, 1997), Layne (1993, 1997, 2012), Lieber (2016), MacDonald and Parent (MacDonald and Parent, 2011; Parent and MacDonald, 2011), Mearsheimer (2008, 2011b, 2016), Pillar (2016) and Posen (2013, 2014).

<sup>11</sup> See Mearsheimer (2003, p. 42), Parent and Rosato (Parent and Rosato, 2015; Rosato and Parent, 2018) and Posen (1984, pp. 59-67).

more power than others, states should be expected to engage in international trade within security ally networks and renounce or limit trade with an adversary emerging state when the latter gains more.<sup>12</sup> They should mind that a trade deficit with adversaries increases the latter's economic and military power, yield security benefits for them and shifts the balance of power unfavourably.<sup>13</sup> States are expected to focus on the region where the great power emerges and to clearly determine and perceive the main great power threat (Mearsheimer, 2003, p. 432 fn. 2). Doubt occurs only in marginal cases (Waltz, 1979, p. 131). In short, with no other states available to check the rising power, one must work hard to balance it.

The above outlines the behaviour that should be expected to result from a structural realist account in general. Structural realism does *not* expect that states always resort to active balancing. Instead, it expects that there is a strong trend that great powers turn to balancing when the system lacks other powerful balancers (Mearsheimer, 2003, p. 385; Waltz, 2008, p. 222).

#### *Structural realism and expected behaviour in the US-China case*

What behavioural patterns should then be expected in the US's grand strategy towards China?

After 1991, China's aggregate military and economic power capabilities have grown rapidly. Much of this growth was facilitated by the American trade deficit and security losses: the US trade deficit with China was \$13 billion in 1991, exploded to \$295 billion in 2011 and peaked at \$367 billion in 2015.<sup>14</sup> This means that one would expect US policymakers to be concerned that China might use its power to seek not just survival but also territorial conquest (Waltz, 2008, p. 137). Indeed, for the US, the structural realist incentive was that

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<sup>12</sup> See Waltz (1959, p. 105). For the argument that states are expected to trade with security friends, see Blackwill and Harris (2016), Gowa (1994; 1993), Grieco (1988; 1993) and Pollins (1989a, 1989b). Grieco (1988; 1993) and Mearsheimer (2003, p. 36) argue that in their realist view, states should be expected to reduce trade with potential adversaries when the latter gains more. Liberman (1996, p. 147), Sheetz (1997/98, p. 171) and Waltz (1959, p. 105) link this more explicitly to the balance of power.

<sup>13</sup> See Blackwill and Harris (2016), Gowa (1994), Gowa and Mansfield (1993) and Telbami (2002, p. 160).

<sup>14</sup> The data is taken from US Census Bureau (2018a) and elaborated on in Chapters 4 and 5.

China will try to dominate Asia ... which means it will seek to reduce, if not eliminate, the American military presence in Asia (Mearsheimer, 2014b, p. 29).

Furthermore, “an increasingly powerful China is also likely to attempt to push the United States out of Asia” (quoted from Mearsheimer, 2014b, p. 34; Schweller, 2018a, pp. 24-6).

From this perspective, when the US foreign policy executive and East Asian allies remained still, China’s power remained unchecked and American security and other interests were at stake. This incentive for the US to focus and balance China was strengthened because no East Asian state was capable of checking its rise. Indeed, when local powers are unable to oppose China, structural realists argue that the US must “throw its considerable weight behind them” and try very hard to check China’s rise (Beckley, 2017; Mearsheimer, 2008; quoted from Mearsheimer and Walt, 2016, p. 81; Tunsjø, 2018). These incentives for the US were not just to maintain its forward posture and security umbrella after the Cold War ended, but to augment and focus its China strategy in order to check its main strategic competitor. If the US did not respond appropriately to structural incentives, or just belatedly or inefficiently, China could act against the US’s interests, push it out of the region and defeat it in war. The US thus faced awfully high stakes, and a structural realist account would expect it to devise an appropriate strategy and concentrate on checking China’s rise.

An important implication is that the US should be expected to increase its defence spending and direct it towards balancing China. The US as a relative power seeker compares its own capabilities with China’s and is always occupied with internal balancing to some extent. It should thus be expected to increase its defence spending or at least direct a great deal of its power to checking China (Mearsheimer, 2003, p. 157).

Of equal importance is the question of what American behavioural pattern we should *not* be expecting to observe. A strategy of bandwagoning is considered “a strategy for the weak” because it allows smaller powers to join forces with the emerging power (quoted from Mearsheimer, 2003, p. 163; Parent and Rosato, 2015, pp. 57-8; Waltz, 2008, p. 87).



Therefore, the US did not qualify. A strategy that was equally not expected is that of passing the buck to another state or states in order to check China's rise. In this strategy, the US would try to advance and strengthen anti-China alliance building in the region with, for example, a more forceful Association of Southeast Asian Nations (ASEAN) or Japan.<sup>15</sup> But America's East Asian allies such as Australia, Japan and South Korea, as well as ASEAN's combined power capabilities were, as the thesis later discusses, insufficiently powerful. ASEAN also lacked internal cohesion among its member states to take a united stance against China.<sup>16</sup> Because America's East Asian allies lacked the capabilities to oppose China, the US was expected to adopt a more active strategy and increase its own capabilities (Beckley, 2017; Mearsheimer, 2008; 2011b, p. 33; Mearsheimer and Walt, 2016, p. 81). Indeed, "[o]ffshore balancers must come onshore when the local powers cannot contain the potential hegemon by themselves" (quoted from Mearsheimer, 2003, p. 385; Schweller, 2018a, pp. 24-6; Waltz, 2008, p. 222).

Of course, variation exists between offensive (Mearsheimer) and defensive (Waltz) structural realism. They at least expected the US to work hard to maintain its position and security in East Asia.<sup>17</sup> The US would be expected to redirect its power capabilities away from regions like the Middle East and towards East Asia, and to develop a clear strategy that concentrated on and increased its posture in order to check China's rise in the face of structural incentives as China's capabilities increased (Mearsheimer, 1998, pp. 225-6; 2008; 2011b, p. 33; Mearsheimer and Walt, 2016, p. 81). The US was expected to concentrate on preventing China from using military power to expand and gain territory and influence in East Asia (Mearsheimer, 2003, p. 385; 2011b, p. 33). The US was expected, in Waltz's own words on the US's strategy towards China after the Cold War, "to freeze historical

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<sup>15</sup> See also Anderson in Anderson and Silove (2016/17). ASEAN's member states with accession date are as follows: Cambodia (1999), Indonesia (1967), Lao (1997), Malaysia (1967), Myanmar (1997), the Philippines (1967), Brunei (1984), Singapore (1967), Thailand (1967) and Vietnam (1995); see Nuclear Threat Initiative (2018).

<sup>16</sup> See, Goh (2014), Keck (2014), Ross (2013) and Yates (2017).

<sup>17</sup> See Beckley (2017), Delury and Moon (2014), Glaser (2015, pp. 53, 82-3) and Waltz (1979, pp. 111, 20, 203-4). Differences between offensive and defensive structural realism are elaborated on in Chapters 2 and 3.

development by working to keep the world unipolar” (2000, p. 36); to weaken China and at least make it more difficult for China to grow economically and develop military power (Mearsheimer, 2003, p. 41; Waltz, 1979, p. 105); to try to reverse the trade deficit and security losses with China and keep security benefits from trade in American security ally networks.

*Observed behaviour and the research puzzle*

Once the behaviour that structural realism expects is presented, the next step is to specify the behaviour that is in fact observed. In other words, when we evaluate the US’s expected behaviour against its observed behaviour, how does structural realism score? Structural realism can account for US grand strategy towards China to some extent. In line with structural realist thought, in the early post-Cold War years, when China had few material capabilities, the US foreign policy executive saw China as no immediate threat and treated it as a strategic partner. The structural realist incentive increased when in the 1990s and 2000s, China’s power capabilities and regional aspirations grew rapidly. Indeed, China was labelled as a strategic competitor, but only briefly, during the first Presidential election campaign of Bill Clinton and that of George W Bush.<sup>18</sup> When structural realist incentives further increased, the Obama administration in 2011 announced the ‘pivot’ to Asia. This was understood by some observers as a strategy aimed at hedging China.<sup>19</sup> From a structural realist viewpoint, the US would indeed go to great lengths to prevent China from becoming a peer competitor.

This explanation seems plausible for certain aspects of the US-China case. However, arguing that American strategy during the 25 years under investigation matches structural incentives is unsatisfactory. US grand strategy towards China was expected to increase, augment and focus on East Asia. This was so especially when China increased its power

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<sup>18</sup> For this point, see, for example, Lippman (1999), Pei (2005) and Washington Post (2000), which I elaborate on in the case study in Chapters 4-5.

<sup>19</sup> See Cheong (2013, p. 13), Meidan (2015), Pilling (2015) and Tellis (2013a).

capabilities and manoeuvred against US interests, unchecked by American allies in East Asia. Structural realists point out that in the period under investigation, a balance of power started to emerge with a shift away from unipolarity (Tunsjø, 2018; Waltz, 2008, pp. 216-20). But they also argue that a hegemon would want to remain unipolar. Over the years, however, the US's strategy failed to focus on China and East Asia, facilitated the rise of China and spent much attention and resources elsewhere (Anderson in Anderson and Silove, 2016/17; Mandelbaum, 2016). Certainly, since 1991, the US did continue to maintain a military presence in the areas surrounding China, but even when structural incentives encouraged it to do so, it did not focus continuously without strategic interruptions and distractions.

This lack of focus is apparent at various stages of the US-China case. Under the Clinton administration, the US engaged China economically. The US supported China's accession to the World Trade Organization (WTO) and signed six trade-related agreements. The US maintained a military posture in East Asia by, for example, reaffirming the US-Japan security alliance as the basis for East Asian stability, and maintaining military forces in South Korea, Japan and the Philippines (BSR, 1990). This strategy was summarised by Nye, who also served in the Clinton administration from 1993-1995, as "integrate but hedge" (Nye, 2013, p. A19). Then, although George W Bush - as Presidential candidate in 2000 and briefly at the start of his Presidency - labelled China as America's main competitor, his foreign policy failed to concentrate on it (Mandelbaum, 2016).<sup>20</sup>

Furthermore, the US's economic engagement with China helped the trade deficit with that state to explode from \$13 billion in 1991 to \$295 billion by 2011 (US Census Bureau, 2018a). During the Bush administration, the US was said to lack a clear focus and policy on China (Yu, W, 2009, p. 92), to no longer have China on its "enemies list" after 9/11 (Van

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<sup>20</sup> Studies that present a different view include Green (2017) and Silove (2016), who argue that the US's 'pivot to Asia' started during the Bush administration; because, for example the US joined the Trans-Pacific Partnership (TPP) negotiations in 2008. But, as Anderson (in Anderson and Silove, 2016/17, p. 201) writes, "because Silove does not provide a clear definition of balancing, a great deal of the evidence that she uses to argue that the Bush administration pursued a policy of balancing in the Asia-Pacific" is problematised. In Chapter 3, I elaborate on and define the dependent variable insofar as it concerns the thesis; in Chapters 4 and 5, I use these definitions and evaluate them against the case study's empirical evidence.

Vranken Hickey, 2004, p. 472), to “squander so much of [its] foreign policy attention on the relatively less consequential Middle East” (quoted from Kugler, 2006, p. 38; Mandelbaum, 2016) and to have allied with China to fight terror. Indeed, American grand strategy towards China is surprising when we look only at structural incentives and the balance of power logic. The expected behaviour derived from structural incentives was for the US to increase its focus and strategy on China. Instead, the US stagnated its posture, deprioritised China and allowed its trade deficit and security losses to continue to skyrocket.

The change in direction was advanced most explicitly during 2011-2015 when the US retrenched from the Middle East and announced its ‘pivot’ to East Asia. Certainly, the Obama administration agreed to a brief increase in US military troops and capabilities in Afghanistan in 2010. Yet, it significantly reduced American troops in Iraq after 2009 and in Afghanistan after 2012 (CNN, 2009; Peters and Plagakis, 2017, pp. 4, 8). It also forwent military action against Iran and instead concluded an agreement to reduce sanctions in exchange for reductions in Iran’s nuclear capabilities (Friedman, 2015). The Obama administration also did not intervene when, in 2013, a chemical weapons attack in Syria was ascribed to the Syrian military, though the President had earlier said that such an attack would be met by US military action (Chollet, 2016b). The US also developed the AirSea Battle concept in response to China’s Anti-Access and Area-Denial (A2AD) capabilities. This became part of US grand strategy when it was incorporated in the 2010 Quadrennial Defense Review (QDR) (QDR, 2010, p. 32). When the Obama administration announced its ‘pivot’ to East Asia, the US planned to take a leading role in the region. The Obama administration aimed, by 2020, to locate 60% of its navy in the Pacific (Clinton, H, 2011; Obama, 2011c; Panetta, 2012).

The Obama administration’s foreign policy was, thus, more in line with the behaviour we should expect to result from structural incentives. That is, the US retrenched from a region of relatively little strategic interest and focused on a core region of interest (Abrams, 2017; Anderson and Cha, 2017/18; Mandelbaum, 2016). Still, US rebalancing to East Asia

during 2011-2015 stagnated and in some measures declined.<sup>21</sup> The US did not maintain, let alone augment, its forward military presence to maintain its position in the balance of power. A decline was observed in the number of US troops based in East Asia and in the number of US Navy active ships.<sup>22</sup> The US failed to maintain, let alone augment, its forward military presence in order to check China's rise. All of this happened at a time when the US faced ever greater structural incentives from China's economic and military rise.

What is more, the US facilitated the rise of China through its vast trade deficit, rather than hampering China's rise. America's large trade deficit and security losses lingered and helped China to gain and translate economic power into military capabilities. The US trade deficit allowed China to translate ever more economic resources into military advantage. When the US trade deficit rose, it fuelled the Chinese economy and expanded the available economic resources that China could use for military might. It also benefitted China regarding wealth and technology transfers. This allowed China to enjoy vast economic and security benefits that it could use against American interests. This is in direct opposition to structural realist expectations that the US would make it more difficult for China's economy and military to grow. After all, structural realists emphasise that states that operate in an anarchical system should be expected to be concerned more about relative gains from bilateral trade and the shifting balance of power (Mearsheimer, 2003, p. 36; Waltz, 1959, p. 105).

What this frame shows is that structural realism's explanation of the US-China case is inadequate. The puzzle is that structural realism fails to explain why, over the period of 1991-2015, US grand strategy in the region departed from what should be expected to result from structural incentives. In the classification of research puzzles that Ripsman, Taliaferro and Lobell (2016, p. 103) provide, the research puzzle (or "empirical puzzle" in the authors'

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<sup>21</sup> These figures and the US military posture are discussed in greater detail in Chapters 4-5.

<sup>22</sup> The figures in this section are taken from Naval History and Heritage Command (2014) and the US Department of Defense (BSR, 2000, 2014). See also Anderson in (Anderson and Silove, 2016/17). These figures are elaborated on in Chapters 4 and 5.

words) here is thus one of a case that appears empirically anomalous and underspecified by an existing theory. The research puzzle is thus not the complete lack of US balancing against China. Rather, the issue is timely and efficient balancing.<sup>23</sup> In such regard, conventional wisdom from structural realism does not appear to match the observations in the US-China case.

The simplest way for structural realists to deal with the case is to treat it as a deviation from its theory. This reading maintains that structural realism explains only general trends and international systemic changes, that its theory is correct only 75% of the time and that it was too short a timeframe within which to evaluate the US-China case between 1991 and 2015 (Kaplan, 2012; Mearsheimer, 2013, 31:22-31:52). If 26 years is too short a period, then structural realism has little to say about grand strategic adjustments over the short and medium term. The US-China case was also hardly a marginal one. Prospects for US-China conflict were said to be greater in the period under investigation in this thesis than those for US-Soviet conflict during the Cold War's hottest moments (Mearsheimer, 2003, p. 395). This means that structural incentives for the US to augment its balancing efforts against China were greater than when it balanced the Soviet Union. Though some argue that the geographical distance between the US and China lessens structural incentives for balancing, they maintain that when China rises, it causes the US to balance (Tunsjø, 2018). Looking at America's China strategy in retrospect, the puzzling question is why the US did not concentrate on checking China's rise with augmented efforts throughout the period under investigation. In other words, the often-raised responses from structural realists are unsatisfactory.

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<sup>23</sup> The research puzzle here is 'type 2' in the classification of Ripsman, Taliaferro and Lobell (2016, p. 103). They describe type 1 research puzzles as those of empirical observations for which there is no answer yet; type 2 for state behaviour at odds with or which seems anomalous from an existing theory; and type 3 research puzzles as entailing phenomena that seem inadequately explained or remain underspecified in terms of timing and style, and may or may not be empirical anomalies (2009, pp. 281-2; 2016, pp. 100-4). This is in line with existing neoclassical realist scholarship: Schweller's neoclassical realist work on balancing (2004, p. 169) does not seek to answer whether states balance or not, but how we can explain timely and efficient balancing.

The period 1991-2015 presented US foreign policy elites with many instances when they might have focused with a clear strategy. Of course, the US, to some extent, behaved in ways that should be expected to result from structural incentives. The Obama administration announced in 2011 that it would focus on East Asia. Nonetheless, for much of the period under investigation, the US failed to do so. Again, the overall question remains why America's China strategy during the period under investigation was not more in line with what one would expect to result from structural incentives. The Obama administration did not significantly augment American active foreign policy in East Asia after the much-branded 'pivot' (if indeed it augmented it at all). Some decisions from 2011 onwards were, as discussed above, in line with structural realist expectations. But this is only in sharp contrast with the preceding years.

These observations leave structural realists puzzled. It is no wonder, then, that Mearsheimer, one of structural realism's main proponents, during a guest lecture in 2011 articulated his amazement. His speech is worth quoting at length (2011a at 16:57-17:31):

All of this raises the core question: what went wrong? How is it that the United States of America which seemed to be at the top of the world in 1989 is in such serious trouble now? ... It is truly quite remarkable if you think of all the intellectual capital ... we have in this country that we screwed up so badly! (see also Mearsheimer, 2018a)

This important admonition directs our attention to several crucial points. Why did the US pursue a sub-optimal strategy of economic engagement and military stagnation during 1991-2011, and revive its external balancing efforts with the 'pivot' to East Asia only during 2011-2015? Why did the US allow its trade deficit and associated security losses with China to linger? After all, great power conflict was said to be looming just around the corner. The US's China strategy would thus seem to represent an exception to structural realism. But certainly, a theory that cannot explain a period of over a quarter-century leaves room for

others to provide a more satisfactory explanation. Simply explaining away this behaviour as an exception to structural realism is unsatisfactory.

### **1.3 The argument**

In order to address this puzzle, this thesis turns to neoclassical realism. Neoclassical realism is said to occupy the space left unfilled by structural realism. It is said to buy into structural realism's limitations and to present a richer framework. Neoclassical realism is said to explain the efficiency and the precise mechanisms of strategies (Ripsman, Taliaferro and Lobell, 2016). It maintains that anarchy and structure condition state behaviour: the distribution of capabilities and state interests condition grand strategy adjustments and what states can do. But neoclassical realism moves beyond a sole focus on structural incentives. It seeks to offer more satisfactory answers to research puzzles by integrating mediating variables at the state level.

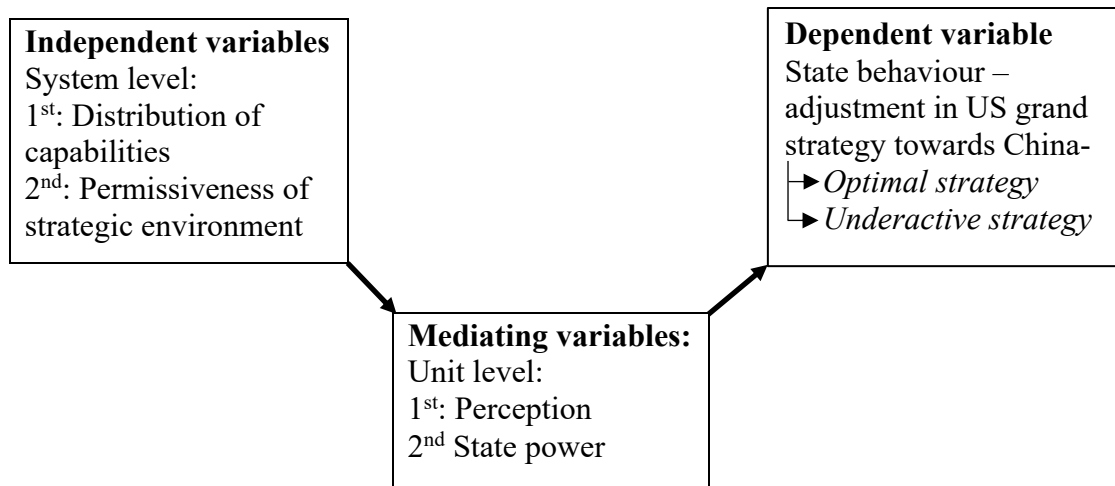
By drawing on neoclassical realism, the argument put forward in this thesis unfolds in two stages: the thesis seeks to explain the dependent variable of America's China strategy that varies, as Chapter 3 details, according to the values of optimal and underactive (Figure 1). To explain the dependent variable, the thesis first argues that the primary causal drivers of America's China strategy are two independent variables. As I will explain in Chapter 3, the distribution of capabilities presents the first independent variable, and America's China strategy is primarily driven by this (Ripsman, Taliaferro and Lobell, 2016; Rose, 1998). The distribution of capabilities fails, however, to elucidate the conditions under which individual and domestic factors matter more and when they matter less. The second and novel variable of the permissiveness of the strategic environment also holds much promise to explain under which conditions individual and domestic variables interfere with state behaviour (Crawford, 2012; Ripsman, Taliaferro and Lobell, 2016). Thus, the independent variables are:



- (i) the distribution of capabilities, and
- (ii) the permissiveness of the strategic environment.

The thesis argues that when (i) the distribution of capabilities changes because a rising power accumulates vast amounts of aggregate material power, states will, over time, balance it. However, the thesis also argues that (ii) the strategic environment can still remain very permissive. The strategic environment remains very permissive when the rising power behaves favourably towards the established power; namely, when the rising power devises security and trade policies and uses rhetoric that are favourable to the established hegemon. This suggests that room expands for the established hegemon's balancing and strategic choices to be distorted by domestic factors. Thus, the thesis argues that the strategic environment becomes less permissive only when the rising power starts behaving less favourably towards the established hegemon. Then room contracts for the established power's balancing and strategic choices to be distorted by domestic factors. Unlike extant explanations, the argument put forward in the thesis thus theorises the conditions under which domestic factors influence strategic choices to a greater and lesser extent.

The novel independent variable of the permissiveness of the strategic environment is here understood as the intensity of systemic constraints. When systemic constraints are weak, rather than guide states along a single path of action, they leave more room for deviant state behaviour. Conversely, when systemic constraints are strong, they guide states more clearly to the optimal strategy and leave less room for deviant strategies. This means it is clearer what the optimal strategy is (that is, aligned with structural realist expectations), with little leeway for alternative strategies. Thus, when the strategic environment remains very permissive (the international threat is distant and small), states enjoy greater leeway for mediating variables at the state level to shape sub-optimal strategies.



**Figure 1.** The thesis’s model and variables

Mediating variables are understood here as additional factors, whether individual or domestic, that intervene in the causal chain between systemic incentives and strategic choice and that influence the form that strategic choice takes (Dueck, 2009, p. 139; Lobell, Taliaferro and Ripsman, 2012, p. 25). Under conditions of a very permissive strategic environment, mediating variables interfere more with state action; that is, mediating variables intervene between the independent and dependent variables, which then influence America’s China strategy to become near underactive (in terms of structural realism’s expectations). Conversely, when the strategic environment becomes less permissive (or more restrictive, that is, when the international threat nears and enlarges), the optimal policy becomes clearer (here, focus on the near and large threat). This leaves less leeway for sub-optimal strategies or for mediating variables to interfere with state behaviour. This reveals the important yet untheorised conditions under which mediating variables interfere between the independent and dependent variables, which then influence America’s China strategy to be underactive.

Second, I argue that in order to explain sub-optimal strategies, two mediating variables come to the stage (Figure 1). As I will elaborate on in Chapter 3, decision-makers’ perceptions constitute the first mediating variable that intervenes between the independent and dependent variables (He, 2017; Marsh, K, 2012). In addition to this first mediating

variable, the second one of state power offers significant potential for explaining the efficiency of American balancing towards China (Taliaferro, 2006; Zakaria, 1998). Thus, these mediating variables are:

- (iii) decision-makers' perceptions, and
- (iv) state power.

The thesis argues that (iii) decision-makers' perceptions are the primary mediating variable that interferes with strategic choices. The perception mediating variable shows, as Chapter 3 details, that when decision-makers assess their international environment differently from what structural realism expects, they are likely to strategise sub-optimally. The perception variable shows that a version of the international environment is external to the state and binds over the longer term (the independent variables). But a perceptual layer operates at the level of decision-makers and affects how they operationalise that international environment. Decision-makers perceive systemic stimuli, but these are ambiguous enough to allow multiple different interpretations and sub-optimal strategic adjustments. When the foreign policy executive perceives that its main international threat is elsewhere than what structural incentives would say to expect, strategising which is underactive from what structural realism expects becomes more likely.

After decision-makers have perceived their international environment, the secondary mediating variable that the thesis posits is (iv) state power. State power refers, as Chapter 3 sets out, to the economic and military resources that the foreign policy executive can extract from society. When decision-makers correctly perceive their international environment (in line with structural realist incentives) but lack sufficient state power, they are likely to strategise underactively towards their chief international threat (here, the rising power). When decision-makers misperceive the main threat to be in a region of less grand strategic interest, they might still extract state power, but use it for strategy in the 'wrong' region.

When decision-makers direct these resources toward the wrong region, they also deplete the available resources for strategy against the real international threat (that is, the rising power). Thus, states (the US) strategise more optimally against a rising power (China) when they operate in a less permissive (or more restrictive) strategic environment, correctly perceive the rising power as their chief international threat and enjoy high levels of state power.

According to this explanation, the question is thus not just how states respond to their perception of international threats (first mediating variable). Rather, what *can* states do after state power (second mediating variable) has intervened between the independent variables and state action? When decision-makers adjust their strategy, state power matters but foreign policy executive perception is a prerequisite variable. Decision-makers adjust US grand strategy towards China not because it is essentially an appropriate or the most effective response to rising powers (the two independent variables). American grand strategy towards China was caught up in this matrix of variables. What this then produced was the very outcome that structural realism would say to avoid: a strategy that facilitated the rise of China. This variables matrix shows that the US's grand strategy towards China is then best understood as a blended product rather than a careful and pure rational response to externally given incentives.

The argument and proposed model are illustrated in Figure 1, articulated in Chapter 3 and demonstrated in Chapters 4-5.

#### **1.4 Contributions**

The thesis proposes several theoretical and empirical contributions to the literature through the following ways.<sup>24</sup> My earlier work, which has developed my intellectual thinking has, as indicated in the Declaration, been previously published in *International Studies Review*; the

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<sup>24</sup> I am making use here of the list from Professor Ben Clift's PhD training module (University of Warwick) that outlines 10 ways to make a contribution.

edited book project *Global Cooperation and Conflict? Emerging Powers and the Future of American Hegemony*; and *The Oxford Encyclopedia of Foreign Policy Analysis*.

First, the thesis proposes a theoretical contribution: improving knowledge on neoclassical realism, a theory which is in progress concerning its mediating variables, its propositions and its causal relationships. It develops an original neoclassical realist model. To that end, this study identifies a suggested but as yet un-theorised and promising variable of the permissiveness of the strategic environment. The present study thereby significantly extends a new direction in research that the literature proposes but so far remains undeveloped. That is, the thesis develops this novel variable and establishes its importance. It establishes how the permissiveness of the strategic environment is measured and what its consequences are for the role of domestic variables in state behaviour. Thereby, the thesis improves the study of when a state that strategises under conditions of a permissive strategic environment is influenced by mediating domestic factors. To that end, this study illustrates not only that mediating domestic variables interfere with strategic adjustments, but also theorises the conditions concerning when mediating factors influence strategy. It thus proposes a significant original contribution to knowledge. Indeed, Ripsman, Taliaferro and Lobell (2016, p. 176) point out:

one of the distinct missions of the new generation of neoclassical realists is to generate a set of clearly specified propositions regarding exactly when political and leadership variables will have greater causal effect and when policies and outcomes are determined primarily by systemic variables (see also Edelstein, 2012, p. 333; Ripsman and Levy, 2012, pp. 173-4; Taliaferro, Lobell and Ripsman, 2018).

If we understand more comprehensively how to gauge the permissiveness of the strategic environment, then we may more satisfactorily understand the systemic conditions under which America's China strategy was influenced more and less by domestic factors. This

original contribution distinguishes the present study from other neoclassical realist and US-China studies. Other studies tend to be limited to synthesising extant models or applying such models to cases. By innovating a variable as well as neoclassical realism's propositions, the thesis has the potential to expand neoclassical realism's research paradigm and can be used for further theory development. To the best of my knowledge, this research project is the first study to extend this body of theory in this new direction of permissive strategic environment conditions of mediating variables; thus offering novelty.

Second, the thesis presents an empirical contribution. It presents an original view of the US-China case in order to demonstrate the applicability of the proposed model. It examines the case with a before-after research design, using primary, secondary and tertiary sources in a thick empirical narrative. It presents an original causal explanation for why the US annually renewed China's Most-Favoured Nation (MFN) status and pushed for its accession to the WTO. Furthermore, the study presents an original view of why the US stagnated in its forward military posture, further liberalised trade with China and cooperated extensively with it regarding security. The thesis's case study further reveals why these patterns of more cooperative China policies during 2011-2015 shifted to competitive policies and more balancing. It is, therefore, an original study that presents a novel view on the US's China strategy and contributes to the literature on US-China relations and American grand strategy.

Third, the thesis challenges the extant literature on the trade-security nexus, which argues that states should be expected to foster trade with allies. This literature argues that when trade flows to allies, it increases the alliance's income and power. Conversely, when trade flows to adversaries, one's interests are potentially jeopardised.<sup>25</sup> However, this literature remains relatively silent about anomalous cases (Edelstein, 2012; Scholvin and Wigell, 2019). When a US-China great power conflict was said to loom around the corner,

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<sup>25</sup> For example, for Blackwill and Harris, trade is a state's first geo-economic instrument (2016, p. 49). See also Aggarwal (2016), Gowa (1994, pp. 38-9), Gowa and Hicks (2013) and Gowa and Mansfield (1993).

the US allowed its trade deficit with China to skyrocket. The thesis proposes the conditions under which states should or should not be expected to trade with adversaries and allies. It theorises and demonstrates that when states operate in a very permissive strategic environment (in this case from 1991 to 2011), they are less incentivised to worry about relative trade losses. Conversely when states operate in a less permissive or more restrictive strategic environment (as during of 2011-2015), they are incentivised more to worry more about relative trade losses and to promote trade with allies. Thus, the thesis contributes to addressing what is a main challenge in this area. Edelstein suggests (2012, p. 333):

Further exploration of this variable [that is, permissiveness of the strategic environment] may generate additional implications for how we consider international politics. How might permissive or restrictive security environments affect the willingness of states to engage in economic exchange? ... How [do] restrictive environments ... make state leaders more cautious about the countries with which they trade (see also Aggarwal and Govella, 2013).

By developing an original model theorising a novel variable and presenting innovative propositions, the thesis explains the US-China case and great power behaviour with a more substantial contribution than do studies that merely combine existing variables or test existing theoretical models.

### **1.5 Methodological framework**

The previous sections introduced the research questions, unpacked the research puzzle and outlined the argument and proposed contributions. At this point it is appropriate to explicate the research design. The following sections introduce this design, beginning with the research objectives and the neoclassical realist epistemology and ontology, before outlining the methods and sources used.

### *1.5.1 Research objectives*

According to George and Bennett (2005, p. 77), research objectives must address five issues. These issues concern the phenomenon or class of events that the thesis investigates, the type of explanation that the thesis develops, the theoretical model, the aspects of existing explanations and theories that the thesis will single out, and how the proposed theoretical model relates to the research aims. Using these issues, and linking them to this thesis's research questions, the research objectives of the present study can be defined as follows (Table 1):



**Table 1. Research questions and objectives**

<b>Thesis's research questions</b>	<b>Research objectives</b>
1. What kind of behaviour might be expected to result from structural realist incentives in general and specifically in US-China relations, and what behaviour was actually observed?	→ A. The study investigates grand strategy adjustments as a phenomenon or class of events. B. The study reviews how structural realism scores to explain the US's China strategy (that is, dependent variable), and seeks to explain the observable variation in it, based on the values of optimal and underactive balancing that structural realism cannot explain.
2. What are the limitations in the extant explanations which scholarship offers to explain the US's behaviour?	→ C. The study examines the strengths and weaknesses of rival explanations and neoclassical realism.
3. What theoretical model of existing and novel variables and new theoretical propositions can more satisfactorily explain the US's behaviour?	→ D. The study singles out the independent variables - the distribution of capabilities and the innovative yet un-theorised variable of the permissiveness of the strategic environment - as well as mediating variables such as perception and state power; and the dependent variable of America's China strategy, for development, refinement and elaboration.
4. Can the proposed model's plausibility be demonstrated with an empirical case study?	→ E. The proposed theoretical model will be sufficiently specified and operationalised with a novel hierarchy of variables and innovative propositions aimed at probabilistic expectations for the US-China case study.

### *1.5.2 A neoclassical realist epistemology and ontology*

When the thesis states its research objectives, it is already embedded within neoclassical realism's meta-theoretical worldview. This affects the thesis's choice of methodology. Therefore, this worldview is discussed in the following sections with a focus on debates

about positivism, agent-structure, parsimony-complexity and change-continuity. Thereafter, the thesis's methods and sources are discussed.

### From positivist to soft-positivist epistemology

Neoclassical realism grounds itself in positivist epistemology. However, it maintains a “soft-positivist” epistemology because it acknowledges positivism’s limitations in terms of its applicability to the social sciences (Ripsman, Taliaferro and Lobell, 2016, p. 106). Positivism holds that the world exists independent of the researcher. It maintains that it is possible to objectively view observable phenomena (Smith, S, 1996b). It maintains that this externally observable reality is the foundation upon which social phenomena, such as America’s China strategy, are created (Marsh, D and Furlong, 2002). For example, observable realities about the US and China, such as their geography, population and material power, provide the foundation upon which US foreign policy is constructed. With this positivist epistemology and foundationalist ontological position, researchers can build theoretical models and draw probabilistic cause-effect inferences in empirical case studies between social phenomena; they can develop theoretical models and propositions, for example, that variable X (in this case, China’s rise observed in terms of its material capabilities) causes variable Y (here, US grand strategy) to vary, and researchers can (dis)confirm the propositions with supporting empirical evidence (Bennett and Checkel, 2015; King, Keohane and Verba, 1994, pp. 75-84; Marsh, D and Furlong, 2002, pp. 19-20).

In contrast, hermeneuticists adopt a post-positivist epistemology. They stress that there is no ‘real’ world independent of the meaning actors attach to it; in other words, actors are immersed in the same social world they are trying to interpret. Consequently, our theorisations help to construct/deconstruct the very world we are attempting to theorise. Further, the meanings we attach to the seemingly observable ‘reality’ are constructed and mutable (George and Bennett, 2005, pp. 51-2; Marsh, D and Furlong, 2002, p. 24). They argue that social reality is relational, rather than foundational - in other words, meanings we

attach to things are not independent of those who observe, but are constructed in the process of interaction between the observer and the observed. So, America's and China's geography, population, material power capabilities and so forth do not project anything on their own. They are imbued with certain meanings that are socially constructed (Glenn, 2009, pp. 539-40; Marsh, D and Furlong, 2002). Furthermore, they argue that how researchers understand and gather data and access sources is shaped by their own subjective positions (Glenn, 2009, pp. 540-1; Marsh, D and Furlong, 2002, p. 19). They stress that researchers construct theories and examine cases from value-laden perspectives, or that they collect data and sources selectively (Glenn, 2009, pp. 539-41; Marsh, D and Furlong, 2002, p. 19). Researchers have been said to subjectively interpret and give meaning to their external environments and to depend on them; thus they are impeded with regard to reporting objectively about the social world. These problems rest with the researcher and the actor (in this case, US foreign policy elites) (Giddens, 1976, pp. 1-15; Glenn, 2009, pp. 539-41; Marsh, D and Furlong, 2002, p. 19; Ripsman, Taliaferro and Lobell, 2016, pp. 105-7; Wivel, 2005, p. 365).

Understandably, when social scientists theorise and draw causal inferences it is difficult and ultimately imperfect. Nonetheless, theorising and drawing causal inferences is possible, useful and important. First, it is possible to theorise because, whilst social phenomena and empirical observations are subject to actors' subjectivity, interpretation and meaning, these interpretations are not infinite: over time, relatively stable understandings about the social world can be established for meaningful periods (George and Bennett, 2005, p. 130; Hadfield-Amkhan, 2010, pp. 11-2; Hollis and Smith, 1990, pp. 71-5; Marsh, D and Furlong, 2002, pp. 24-6; Sanders, 2002). While hermeneutic awareness is important to remain attentive to the protean nature of social relations and their inherent relationality, one can garner significant analytical purchase from assuming the relative stability of meanings (George and Bennett, 2005, p. 130; Hadfield-Amkhan, 2010, pp. 11-2; Marsh, D and Furlong, 2002, pp. 24-6; Sanders, 2002). America's China strategy was arguably accompanied by changing perspectives on China (from more positive views during 1991-2011 to increasingly

negative views during 2011-2015), but it is the shift in material conditions that drives this change. In other words, during each of these periods, perceptions of China could be considered relatively stable, but to account for the changes in perception across these periods, the thesis will have to primarily consider material changes (Marsh, D and Furlong, 2002, pp. 22-6).

Second, theorising is also useful since, with sufficient observations researchers can (dis)confirm and determine patterns of causal relations (Marsh, D and Furlong, 2002, pp. 21-2; Ripsman, Taliaferro and Lobell, 2016). As Ripsman, Taliaferro and Lobell argue, theoretical model building is important, because

[w]ithout the ability to verify or dismiss particular theories, we would have no ability to choose between theories to guide our behaviour and accumulate knowledge (2016, p. 106).

With these considerations of positivism in mind, the thesis adopts a modern, more sophisticated, soft positivist epistemology (Hadfield-Amkhan, 2010, pp. 11-2; Marsh, D and Furlong, 2002, p. 24; Ripsman, Taliaferro and Lobell, 2016, p. 106) (Figure 2). The thesis will develop the proposed model, seek to demonstrate its plausibility with an empirical case study and refine the causal mechanism. The thesis can draw causal inferences concerning whether the available supporting evidence (dis)confirms the proposed model's propositions and causal mechanism (George and Bennett, 2005, p. 209; Levy, 2008; Ripsman, Taliaferro and Lobell, 2016, pp. 105-6).

### Agent-structure

If theory building is a possible and important scientific endeavour, then any attempt to do so must clarify where it stands in relation to other central debates within the social sciences. Specifically, the thesis's methodology is affected by where neoclassical realism falls on the agent-structure debate. This debate centres on how these two analytical constructs relate to

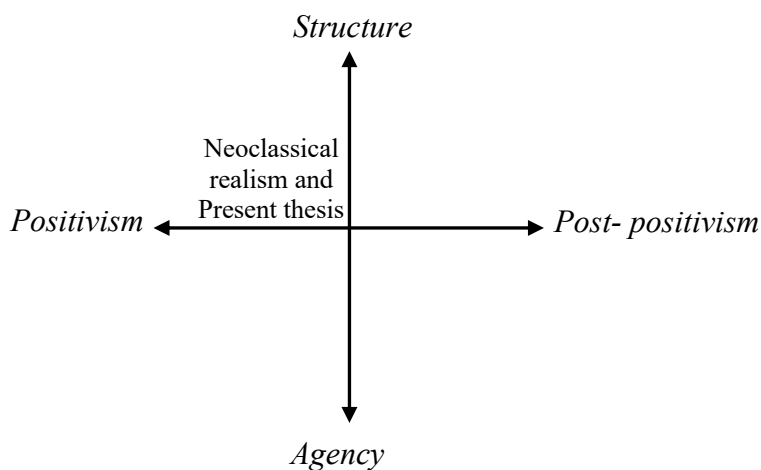
one another. Agency denotes the extent to which actors (individuals and groups) can shape their own fate and affect their environment, while structure refers to context and conditions that delimit the range of actions available to these actors (Marsh, D and Furlong, 2002, p. 31; McAnulla, 2002, p. 271). Structure in international relations consists of (dis)incentives that emanate from the distribution of capabilities, and international norms that restrict the options available to agents (here, states). Structure is not fixed but is influenced by changing practices on the part of its constituent actors; when states' capabilities grow, they change how power is distributed within the system, and states can inter-subjectively construct new rules or norms. Thus, structure and agents are connected.

However, as Guzzini argues, the question is not which analytical construct comes first. Such interpretation of the agent-structure debate is commonly referred to as “the chicken and egg problem” (Guzzini, 1998, p. 197) and does not require a ‘solution.’ In this debate, IR scholars rarely provide explanations derived solely from either structure or agency. For example, in Waltz’s later work he maintains a “softer notion of structure” (Hollis and Smith, 1990, p. 116); he argues that in order to explain state action one must include domestic factors (Waltz, 1996). However, whilst structural realists like Waltz “argue that unit-level factors matter...[they] refuse to include them in their analysis” (Elman, 1996, p. 34). This tendency on the part of structural realism to disregard domestic factors is problematised in the present thesis, whose research puzzle arose specifically because of structural realism’s disregard for domestic variables.

When neoclassical realist scholarship includes domestic variables towards more satisfactory explanations of state action, it then presents a synthesis of the agent-structure debate. Neoclassical realism first examines the material structural incentives for states. It emphasises that, because the system of states lacks an overarching authority to which states can resort for protection, states must look after themselves. Therefore, it matters that rising powers accumulate material power that may be used against other states. Neoclassical realism thus maintains that states derive their interests from that material reality: state

interests relate to those material things that states must protect if they want to defend themselves.

After neoclassical realism has begun by examining structural incentives for states, it proceeds to explore agency. While the structure constrains and pushes the state to accumulate power, how optimally any particular state is able to accumulate or concretise (resource extractive capability) and leverage, channel and deploy (decision-making) this power depends on domestic politics of states (Figure 2). That is, neoclassical realism focuses on the foreign policy executive: the individuals who act on behalf of states to respond to structural incentives. These individuals survey and assess their international environment and extract domestic material resources for use in foreign policy. Thus, the structural incentives that influence agents' preferences and strategic choices are being deciphered by the agents, who respond through their views and those domestic institutions that invest in the agents some degree of decision-making capability. In other words, "the structural effects Waltz and other structural realists posit obtain only through the agency of states" that respond to systemic incentives (Ripsman, Taliaferro and Lobell, 2016, p. 12). When neoclassical realism brings a level of agency into a structural framework, it appreciates that agents may fail to accurately assess and respond to structural incentives. Agents may thus behave sub-optimally, relative to structural realism's expectations.

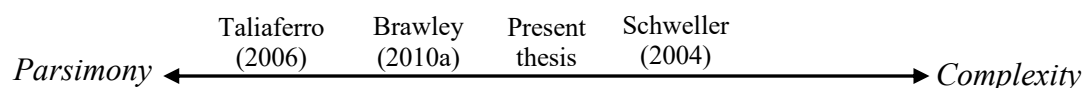


**Figure 2.** Neoclassical realism and the present thesis in meta-theoretical debates

### Parsimony-complexity and change-continuity

When neoclassical realism brings agency into its analysis, this also has implications for the level of convolution, as the analysis gradually departs from parsimony and nears complexity (Layne, 2006, p. 11; Legro and Moravcsik, 1999, p. 35; Zakaria, 1998). Parsimony is understood here as using as few elements as possible to explain why the dependent variable varies (in this case, America's China strategy) (Ray, 2003, p. 235). Accordingly, complexity here denotes employing more variables and explaining multiple causal relations that lead to the dependent variable's variation (Aarts, 2007).

From this perspective, the parsimony-complexity duality may be considered a continuum on which different places are occupied by extant neoclassical realist models. Some neoclassical realist models approach parsimony, with just a single mediating variable (e.g. Taliaferro, 2006); others are arguably closer to the middle, with two mediating variables (e.g. Brawley, 2010a) or near complexity, with four mediating variables (e.g. Lai, 2008; Schweller, 2004). The present thesis seeks to balance parsimony and complexity. It adds an independent variable and two mediating variables. Its proposed model is thus more complex than those of Taliaferro and Brawley and more parsimonious than that of Schweller (at least when parsimony refers to the number of variables) (Figure 3). From this perspective, the present thesis may be said to build its model in "stages" (Wivel, 2005, p. 363). Step by step, the thesis relaxes parsimony, structuralism, materialism and grand theory in favour of complexity and concrete empirical analysis. The thesis thereby seeks to explain the US-China case via a more intricate causal chain. Chapter 3 refines structural realism's assumptions, selects the relevant variables and develops the proposed model.



**Figure 3.** Selected neoclassical realist models and this thesis in parsimony-complexity

By mediating the parsimony-complexity and agent-structure debates, neoclassical realism seeks to better explain change and continuity. Continuity is accounted for by structural realism; that is, there is always a strong element of constancy. Continuity means that states are expected to balance rising powers over the long term (Mastanduno, 1997; Porter, 2018). It means that states cannot successfully contravene systemic imperatives in the long term, since the system of states rewards some types of behaviour and punishes others; when states neglect to balance rising powers, they may consequently jeopardise their interests (Gilpin, 1981, p. 85; Waltz, 1979, p. 73). Therefore, states are expected over time to derive their interests from those material things and empirical realities, such as military power, which they must protect if they wish to defend themselves from rising powers. However, the present thesis also seeks to explain a degree of change: change can occur, as the thesis later elaborates, when systemic incentives for sub-optimal behaviour are lenient. Sub-optimal behaviour of this nature occurred in the thesis's case study when the US neglected to balance China and to prioritise the protection of its material interests in East Asia (see also Kropatcheva, 2012; Schweller, 2004).

### *1.5.3 Case study method*

I have grounded the case study method in neoclassical realist epistemology and ontology (as discussed above), which has implications for the thesis's methods: it points to the construction of a theoretical model and case study-based research (Hollis and Smith, 1990, pp. 50-2; King, Keohane and Verba, 1994, pp. 85-6; Marsh, D and Furlong, 2002, pp. 21-2; Ripsman, Taliaferro and Lobell, 2016, pp. 99-138). These methods are discussed in the following paragraphs.

The case must, Van Evera (1997, pp. 77-88) writes, vary widely within the case and with regard to the variables of interests, be challenged with rival explanations that make opposite predictions, resemble intrinsic policy concern and human interest and be rich in sources and data. Based on these criteria, the case presented in this thesis varies with regard



to the variables of interest: America's China strategy (the dependent variable) varied, as the research puzzle illustrated, from underactive to more optimal balancing. The case also varies in terms of its independent and mediating variables. Moreover, the case remains, as Chapter 2 outlines, unexplained by various rival explanations. The US-China case has attracted significant political concern and human interest, as it is arguably one of the most important bilateral relationships in the world and key to peace and prosperity in the twenty-first century. Finally, the US-China case's available sources and data render it suitable for in-depth analysis.

To develop this case study-based research, three main case study designs were considered (George and Bennett, 2005, pp. 151-80): qualitative comparative analysis in a controlled comparison of most similar cases; quantitative comparative analysis; and a qualitative single case study before-after design. The first two designs suit multiple-case research, whilst the third is more telling regarding the advantages of the present study's single-case before-after design.

The single-case design was chosen for this thesis as it benefits the present research in three main ways: it allows a richer analysis of the US-China case, accumulation of more observations within the case, and generation of deeper insights for a higher quality model than those of the other designs (George and Bennett, 2005, pp. 3-37; Hopkin, 2010, p. 303; Lijphart, 1971, p. 691; Zakaria, 1998). Furthermore, with a deeper single-case study, the US-China case's old theoretical mechanisms may be more profoundly questioned, and new ones can be refined.

Certainly, one could argue that when a single case design is adopted, it would be problematic to develop a theoretical model using the US-China case, and then use that same case to demonstrate the model's plausibility. However, "while it is not legitimate to derive a theory from a set of data and then claim to test it on the same data," we can demonstrate "a theory on different data, or new or previously unobserved facts, from the same case" (quoted from George and Bennett, 2005, p. 76; Van Evera, 1997). Various scholars point out

that “a theory can be derived ... based on the evidence within a case, and still be tested against *new facts* or *new evidence* within the same case” (quoted from George and Bennett, 2005, p. 219, original emphasis; Ripsman, Taliaferro and Lobell, 2016, p. 181).

One caveat is that single case study designs limit generalisability. For example, “while thick description of an important case is interesting in and of itself, without generalizability those insights will not allow the researcher to make inferences beyond the time, space, and unique context of the case and therefore allow for predictions about the future or for policy relevant advice” (quoted from Ripsman, Taliaferro and Lobell, 2016, p. 181; Van Evera, 1997).

Other designs, such as qualitative comparative analysis of most similar cases, allow researchers to generalise their findings more satisfactorily (should they seek to develop a generalisable model) (Gerring, 2004; Hopkin, 2010, p. 289). Nonetheless, qualitative comparative analysis is merely “*one* of the basic scientific methods, not *the* scientific method” (Lijphart, 1971, p. 682, original emphasis). Qualitative comparative analysis of multiple cases limits the scope and space for within-case observations: a multiple case-study design affords less time to study the cases (George and Bennett, 2005, pp. 19-32; Hopkin, 2010). One could also argue that quantitative design is a suitable setup. With quantitative design, researchers explore general patterns of how variables correlate in large-n data sets. However, whereas quantitative designs “evaluate the average effect of hypothesized causes” (Ripsman, Taliaferro and Lobell, 2016, p. 108), they “cannot determine whether hypothesized independent variables actually had any causal impact on the policy choices of any individual state” (Hopkin, 2010, p. 303; quoted from Ripsman, Taliaferro and Lobell, 2016, p. 131).

To develop the present thesis’s single case design, the US-China case can be divided according to a before-and-after design. With this design, the researcher can divide a single case into two episodes. That is, “the investigator may be able to achieve “control” by dividing a single longitudinal case in two subcases” (George and Bennett, 2005, p. 166). To develop this design, George and Bennett explain that only one variable can change at the

point in time that splits the longitudinal case in two (2005, p. 166).<sup>26</sup> For example, Zakaria's *From Wealth to Power* (1998) uses a variable to divide his longitudinal case: he examines, first, why American foreign policy was underactive during the 1870s and 1880s; and then why the US expanded during the 1890s.

It seems feasible that the thesis should divide the US-China case into two subcases based on the independent variable of the permissiveness of the strategic environment. When the permissiveness of the strategic environment is used to divide the case, the thesis examines the US-China case's mediating variables (perception and state power) in two steps. First, the thesis explores the very permissive strategic environment in the first subcase (Figure 4). This should show why room expanded for the US's China strategy to be affected by mediating variables. Then the thesis examines how the less permissive strategic environment in the second subcase contracted the space within which the US's China strategy could be affected by mediating variables. The thesis maintains, in line with the aforementioned proposed model, that the US's strategic environment was very permissive from 1991 to 2011: China lacked advanced capabilities, included the US in international organisations and mostly refrained from rhetoric that was hostile to the US. The US's strategic environment became less permissive during 2011-2015 because China developed advanced capabilities, launched international organisations which US did not join and increased its stark rhetoric against the US.

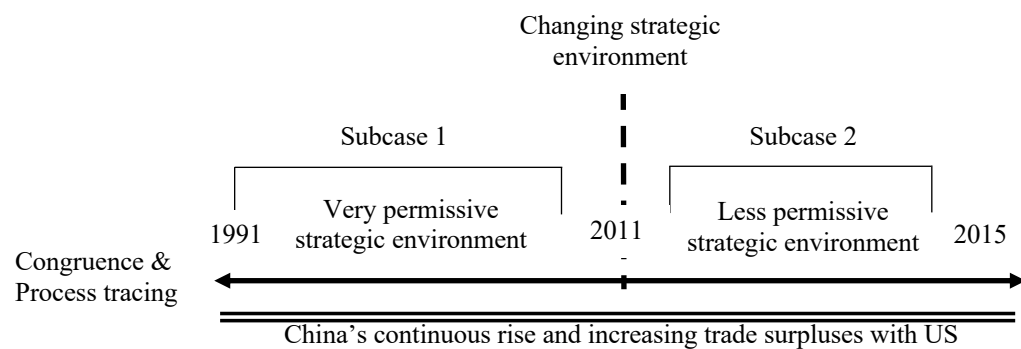
The thesis maintains that these changes in the strategic environment's permissiveness affected how mediating variables affected America's China strategy. When the strategic environment was very permissive between 1991 and 2011, room for mediating variables to interfere with America's China strategy expanded. When it became less permissive (or more restrictive) during 2011-2015, room for mediating variables to interfere with America's

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<sup>26</sup> Of course, it has been pointed out that "for most phenomena of interest, more than one variable changes at a time" (George and Bennett, 2005, p. 166); and that therefore process tracing, as introduced above, is also required on the other variables in the case (George and Bennett, 2005, pp. 166-7).

China strategy contracted. Therefore, the thesis’s case is subdivided into a first subcase that covers 1991 to 2011; and a second subcase that covers 2011 to 2015 (Figure 4). Of course, whilst the thesis divides the case analytically for its inferential value, the subcases connect, revealing two episodes of the same US-China case. They are best read in tandem.

When the case study is divided according to a before-after design, it should help the thesis to examine in each subcase how China strategy was affected by the proposed model’s mediating variables (perception and state power). The case design should allow the examination of the mediating variables’ roles: first, from 1991 to 2011, when the strategic environment was very permissive; then, from 2011 to 2015, when it was less permissive. In addition, a comparison will be conducted between the two subcases. This should help the thesis to demonstrate and refine the proposed neoclassical realist model.



**Figure 4.** Theory model building and case study design

To develop this case study, the thesis employs the congruence and process tracing methods (Figure 4). These methods are acknowledged to be important research aids (Ripsman, Taliaferro and Lobell, 2016, pp. 99-138; Van Evera, 1997, p. 21). With congruence procedures, “the investigator explores a case looking for within-case correlation between the study variable and other phenomena” (Van Evera, 1997, p. 69). They allow researchers to evaluate whether “the congruence between the independent and dependent variables is causal or spurious and also to enrich theories” (quoted from George and Bennett, 2005, p. 182; Van Evera, 1997, pp. 58-67). Congruence procedures examine whether correspondence exists between how the variables vary. Whether the variables causally relate, however, is

examined by process tracing (George and Bennett, 2005, pp. 176-84; Van Evera, 1997, pp. 64-7). These methods have been discussed in neoclassical realist works, such as Ripsman, Lobell and Taliaferro (2016) and Rose's review article (1998, p. 166); and used in the studies of Dueck (2009), Marsh (2012) and Juneau (2015), among others.

Process tracing refers to the analysis of the chronological course of events in a case study. It aims to discover, analyse and describe the causal process at play between the variables (Bennett and Checkel, 2015; Klotz, 2008; Van Evera, 1997). Process tracing facilitates "drawing descriptive and causal inferences from diagnostic pieces of evidence - often understood as part of a temporal sequence of events or phenomena" (Collier, 2011, p. 824). Thus, for the two US-China subcases, process tracing is important for identifying the chronology of events that led to particular strategic adjustments and for gauging why the US made particular choices.

The case study will examine how the variables interacted with regard to the US's strategic choices over time in each subcase. The time points indicated with a dashed line in Figure 4 signify important changes in the permissiveness of the strategic environment which expanded (subcase 1) and contracted (subcase 2) to make room for individual and domestic variables to interfere with strategic choices. I will examine the US-China case from the point in time when the US remained the sole superpower and China's rise and trade surplus with the US developed in 1991 up until the endpoint for the present study in 2015. Thereby, process tracing across the variables per subcase should help the thesis to demonstrate the proposed model's plausibility, reveal the within-case causal mechanism at play and demonstrate that systemic factors are causally primary in producing America's China strategy. It should help to inductively identify mechanisms which were previously un-theorised, and to refine the thesis's model (Van Evera, 1997). Chapters 4 and 5 develop the single case's before-after analysis to demonstrate the model's applicability and to refine the model.

#### 1.5.4 Data sources

The frame outlined above introduced the single case's before-after design. One of its requirements is that the researcher uses relevant sources and evidence to develop a thick narrative. To that end, the thesis uses primary, secondary and tertiary sources. Primary sources are defined by Burnham et. al. as "evidence that was actually part of or produced by the event in question," secondary sources as "other evidence relating to and produced soon after the event," and tertiary sources as "material written afterward to reconstruct the event" (2004, p. 187). This qualifies sources broadly; sources such as diaries and memoirs "may cross these artificial divides" (Burnham et al., 2004, p. 188). The widely cited *Case Studies and Theory Development in the Social Sciences* (George and Bennett, 2005) specifies this and includes memoirs in primary sources. Neoclassical realists such as Ripsman, Taliaferro and Lobell (2016) write that speeches and memoirs are included in neoclassical realist researchers' primary sources. In the next sections I will outline the thesis's primary, secondary and tertiary sources, in that order.

First, the thesis collected material from digital archives, speeches, strategic documents and memoirs. Digitally archived material was collected via digital archives accessible online from the White House, Department of State, Department of Defense, George H W Bush and Clinton Presidential Libraries, Congressional Research Service (CRS) and University of California's American Presidency Project. The thesis narrowed the searches down with 18 relevant keywords, such as "China," "trade," "Most Favoured Nation" and "East Asia." Just over 1,000 *prima facie* relevant documents, each from a page long document to book-length reports, were selected. The documents include letters; press releases; congressional debates, testimonies, hearings and reports; executive orders; memoranda of conversations; communications and meeting transcripts. Moreover, the thesis collected and carefully reviewed speeches, addresses and pertinent US strategic documents, such as the publications of the National Security Strategy (NSS), National Military Strategy (NMS) and QDR published during 1991-2015. Additionally, pertinent material from 30

memoirs, diaries and autobiographies was collected and reviewed from relevant foreign policy executive members, including Presidents; Secretaries of State, Defense and Commerce; (Deputy) National Security Advisors; Deputy Secretaries of State; a Principal Asia advisor to the President; a Senior Advisor to the President; Chairmen of the Joint Chiefs of Staff; Vice-Presidents and a Director of National Intelligence.<sup>27</sup> Based on Burnham et al. (2004), I classify these data sources as primary sources. The thesis used these sources to provide evidential support and to thicken the causal narrative in the case study in Chapters 4 and 5.

To map the dependent variable's variation (the US's China strategy), the thesis used government military and trade data. First, military data was collected from the Department of Defense's Base Structure Report (BSR) database. The BSR produces annual reports on how the US military distributes its personnel and infrastructure per country.<sup>28</sup> These military reports were collected via the Department of Defense's digital archives. Military data for 1991, 2001, 2011 and 2015 were selected. This covers the thesis's period under investigation. This military data was entered in an Excel database. This data provided, together with publications by experts, insights into how America's behaviour in East Asia and vis-à-vis China evolved in terms of its forward military posture. This was used to produce Figures 14-18 in Chapters 4 and 5.

The thesis used data on trade and security treaties other international agreements. This trade data was collected from the Department of State's database, Treaties in Force. The Department of State's Treaties in Force publishes annually the list of treaties and other international agreements to which the US became a party. The list of trade and defence-

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<sup>27</sup> These are by publication date: Quayle (1994), Powell (1995), Bush, G H W and Scowcroft (1998), Brown (1998), Bush, G H W (1999), Christopher (2001), Talbott (2002), Albright (2003), Clinton, B (2004), Obama (2006), Bush, G W (2010), Mosbacher (2010), Rove (2010), Shelton (2010), Rumsfeld (2011), Cheney (2011), Rice (2011), Bader (2012), Powell (2012), Gates (2014), Clinton, H (2014), Hill (2014), Panetta (2014), Perry (2015), Wharton Jr. (2015), Kerry (2018), Clapper (2018), Rhodes (2018), Sherman (2018) and Burns (2019). From these 30 memoirs, I extracted and used pertinent and relevant material from each, except Brown (1998), Mosbacher (2010), Rove (2010), Powell (2012), Wharton Jr. (2015), Kerry (2018), Clapper (2018) and Sherman (2018): they were less pertinent.

<sup>28</sup> Military personnel includes the military and civilian personnel reported in the Department of Defense's BSR.

related agreements that the US added with East Asian states was collected digitally via the Department of State.<sup>29</sup> Having selected 1,235 agreements, they were entered into an Excel database. Then the number of agreements per country and per year was extracted.

This data was used to further map how America's behavioural patterns in East Asia and vis-à-vis China varied. If the thesis's proposed theoretical model and propositions have any plausibility, then the case's dependent variable must show an underactive strategy (underactive in relation to structural realism's expectations): to engage China with cooperative trade and security policies and to stagnate or reduce America's forward posture in East Asia. This would not demonstrate causality; it would, however, confirm the consistency of the thesis's proposed model.

Next, evidence was gathered from documents and data from the US government and international organisations, think tank reports, news media (including over 400 newspaper articles selected via digital newspaper archives), published elite interviews, and periodicals.<sup>30</sup> Based on Burnham et al. (2004), I have decided to classify these as secondary sources. I collected evidence from existing scholarship (books and academic journal articles) and publications by former US administration officials. Based on Burnham et al. (2004), I have decided to classify these as tertiary sources.

My approach to analyse the sources involved qualitative textual analysis to process trace the selected variables. This entails mapping processes and providing evidence on

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<sup>29</sup> This database is available via US Department of State (2015b). The list includes the treaties and other international agreements that are relevant to trade or defence. For trade, the list includes all agreements with the category title words of commerce, trade-marks, trade, agricultural commodities, economic and technological cooperation, economic and technical cooperation, trade & investment, trade and investment, financial institutions, finance, investment, shellfish, agency for international development, international development agency, customs, shipping, Asian Development Bank, China (commerce and industry), economic and technical cooperation and development, or trade and commerce. For defence, the list includes all agreements with the category title words defense, missions, military, mutual security, friendship, peace, Pacific settlement of disputes, Southeast Asia Treaty Organization (SEATO) or North Atlantic Treaty.

<sup>30</sup> The published elite interviews were selected via the University of California's American Presidency Project and the University of Virginia's Miller Center. From the American Presidency Project, I selected only the interviews that refer to China: 3 interviews with George H W Bush, 54 with Clinton, 47 with George W Bush and 50 with Obama. From the Miller Center I selected the relevant interviews which have been made available, that is, 19 interviews with foreign policy elites of the administration of George H W Bush and 38 interviews for the Clinton administration.



whether the hypothesised variables existed, whether the hypothesised temporal and causal links between the variables existed, and whether the purported causal mechanism most likely brought about the variation in the dependent variable (George and Bennett, 2005, pp. 205-23; Ripsman, Taliaferro and Lobell, 2016, pp. 131-4). It is acknowledged as a powerful technique to analyse causal mechanisms and grand strategy and to develop a thick narrative over selected variables (George and Bennett, 2005; Ripsman, Taliaferro and Lobell, 2016, pp. 131-4). I carefully and critically reviewed, took notes, and underlined relevant sections from the selected source material. Subsequently, information relevant to the case study was extracted, and this was integrated with my chronological records and added to a chronological overview of the case. This facilitated temporal organisation and chronological analysis of the evidentiary material. These processes allowed me to increase my knowledge of and to conduct a thorough and improved analysis of the material. Correspondingly, a process-tracing procedure was applied to the US's China strategy, revealing the causal mechanism that underpins it. Particular attention was also paid to occurrences whereby the collected evidentiary material may disconfirm the thesis's propositions; such instances were mentioned and incorporated into the case study and used to evaluate and refine the theoretical model.

In using these sources, three main precautions must be taken. First, to enhance the research findings' credibility, the sources must be triangulated (Jick, 1979). Evidence gathered, for example from memoranda, should be confirmed by other sources such as letters, government documents, media sources, memoirs, published interviews found in digital archives or academic publications. Second, when the thesis uses the sources in the case study, causality can only be inferred. That is: when the thesis examines the case, causality cannot be observed or (dis)proven; the sources can only provide (dis)confirming supporting evidence (Hollis and Smith, 1990, pp. 65, 171-3). Finally, the thesis initially aimed for the George W Bush and Obama periods and 2011-2015 to gather further documents from Presidential Libraries. This was impossible due to access and resources issues (for example,

the Obama Presidential Library is being constructed at the time of writing). Therefore, the thesis's Chapter 5 relies less on Presidential Library sources than Chapter 4. This is addressed with wide use of other valuable documents and with triangulation. This allows the uninterrupted explanation of America's China strategy and the formulation of conclusions regarding the proposed model's applicability.

In this section, I have outlined the thesis's research objectives, neoclassical realist epistemology and ontology, case study method and data sources. In this chapter's final section, I will present the outline of the thesis's structure.

## **1.6 Thesis structure**

The remainder of the thesis is organised as follows. Chapter 2 reviews extant explanations for the US-China case based on their theoretical underpinnings. It suggests that existing explanations are limited. It reveals that extant explanations of America's China strategy show merely that individual and domestic factors mattered but fail to explain when they mattered: they interfered in and influenced the US's China strategy during 1991-2011, as it neared sub-optimal, but had less bearing on the strategy during 2011-2015. The review suggests that the following are necessary: (1) to theorise the novel variable of the permissiveness of the strategic environment; (2) to develop the causal links between the decision-makers' perceptions and state power; (3) to innovate neoclassical realism's propositions.

Chapter 3 articulates the theoretical model that the thesis proposes. It refines the proposed model's assumptions, innovates propositions, and selects and specifies how the model's variables combine to explain the US's strategy. It articulates how the US's China strategy should not be understood as a purely rational response (in the structural realist sense) to external threats posed by China's rise and changes in the distribution of capabilities. Instead, it suggests that the US's China strategy can best be explained as a blended product

of systemic conditions and domestic characteristics that produced a sub-optimal China strategy.

Chapters 4 and 5 turn to the US-China case. These chapters present an in-depth empirical case study. They develop a thick causal narrative to demonstrate the model's plausibility. Based on primary, secondary and tertiary sources, these chapters explain change and continuity in China strategy by employing a before-after case design. They seek to demonstrate and refine the model's causal chains, hierarchy of variables and theoretical propositions.

Specifically, Chapter 4 examines the first subcase (1991-2011). This chapter examines the behaviour of China and its ally North Korea, the competition over perceptions of China in the US administrations, and declining American economic resources. It reveals that the relatively peaceable behaviour of China and its North Korean ally expanded room in each US administration for sub-optimal perceptions of China. These sub-optimal perceptions of China favoured liberalising US-China trade, which jeopardised American security and interests and aimed to protect the US-China relationship despite incidents that strained it. The US failed to strategise optimally in the rhetorical, economic and military domains. The subcase further reveals how the thesis's variables combine and ably explain why the US-China relationship came close to that which the US enjoyed with traditional allies.

Chapter 5 examines the second subcase (2011-2015), which investigates the behaviour of China and its ally, North Korea, competing perceptions of China in the US administrations, and debates among foreign policy elites about resource constraints and budget cuts. It reveals that these elites were overwhelmed by China's increasing assertiveness in the military, economic and rhetorical domain. It shows that this caused room in the American foreign policy executive for sub-optimal China perceptions to contract. It also demonstrates that, unlike the first subcase, the US's China strategy was dominated by those foreign policy elite perceptions that favoured balancing China. Therefore, when the

US cooperated less with China on trade and security, it demonstrated more optimal balancing. The second subcase further reveals, however, that the US was withheld from augmenting its efforts more due to low state power levels (resource constraints). It argues that this mix of factors led to a hybrid result of focused yet constrained balancing. The chapter shows how the thesis's variables combine and more satisfactorily explain why the US's China strategy changed to a fixed but contracted balancing. The US augmented its balancing of China in the rhetorical and economic domain, but less so in the military domain.

Chapter 5 ends by refining the thesis's model. Here, the thesis reveals, first, that under less permissive strategic environment conditions during 2011-2015, the US's perceptions of China (first mediating variable) were more protean: US perceptions of China changed relatively rapidly. They changed from more positive views during 1991-2011, to more negative views during 2011-2015, which urged the US to trade less and to cooperate less on security with China. Therefore, when the US approached more optimal strategising during 2011-2015, the perception variable was less of a hurdle to balancing. It also reveals, second, that state power - resource constraints and budget cuts - (second mediating variable) importunately impeded the US from augmenting its forward posture vis-à-vis China in the military domain. This suggests that the extent to which the US eventually started to balance China's rise depended more on the very nature of the balancing hurdles that it faced.

Chapter 6 summarises the thesis's arguments, findings and contributions, and considers implications for future research.

## Chapter 2 - A review of explanations of the US-China case

This thesis aims to demonstrate how neoclassical realism can contribute to explanations of grand strategy, by examining the case of the US's grand strategy towards China. The thesis seeks to expand on what structural realism can(not) explain. As the introductory chapter discussed, a structural realist perspective would expect the US to focus on balancing China's rise: the US was expected to prioritise China, to augment its forward posture towards East Asia and to reduce its trade deficit with China.<sup>31</sup> This perspective does not account for why the US pursued a China engagement strategy, cooperated closely regarding security and further liberalised trade during 1991-2011, before finally directing an inefficient and untimely focus on balancing China during 2011-2015. Structural realist theory was developed to explain the systemic patterns that result from state behaviour, but has been unsuccessful in explaining why the US allowed its trade deficit and associated security losses with China to linger when great power conflict was believed to loom around the corner. Certainly, a theory that cannot explain a period in excess of 25 years leaves room for other approaches to offer better explanations.

If we cannot better explain America's sub-optimal behaviour towards China during 1991-2015, then we fail to fully grasp its strategy towards China and how great powers interact. If neoclassical realism cannot be shown to provide an explanation of change and continuity in the US's China strategy more satisfactorily than alternative approaches, then neoclassical realism's added value remains unclear.

This case on US grand strategy has led to vigorous scholarly debate, which is commonly organised along two main groups of theoretical approaches.<sup>32</sup> Porter (2018, p. 10) and Narizny (2007) define a first group that comprises systemic explanations and focuses on realism. This group maintains that "the analysis of [US grand strategy] ... should begin with

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<sup>31</sup> See Beckley (2017), Delury and Moon (2014), Glaser (2015, pp. 53, 82-3), Mearsheimer (1998, pp. 225-6; 2003, pp. 41, 385; 2008; 2011b, p. 33; 2016, p. 81) and Waltz (1979, pp. 105, 11, 20, 203-4; 2000, p. 36).

<sup>32</sup> See Friedberg (2005), Garrison (2005, pp. 2-4), Liu, Yongtao (1999, pp. 128-9) and Porter (2018).

its external environment” (Narizny, 2007, p. 5). It explains America’s strategy first through factors external to the US, such as China’s rise. The second group explains America’s strategy through domestic variables: that is, the societal preferences of interest groups. This group maintains that “if different domestic groups have divergent preferences, over [trade] issues, security policy will become just as politicized as foreign economic policy” (Narizny, 2007, p. 4). This way of organising the literature helps to classify existing studies. However, exceptions aside, this method tends to be limited to either structural realism or domestic variables.

It seems more appropriate in this case to categorise the debates in the literature more broadly. A broader categorisation starts with structural realist explanations, since the present thesis’s research puzzle stems from a mismatch between structural realist expectations and the strategy that the US was observed to adopt towards China. Then the broader categorisation reviews other selected approaches that underpin alternative explanations. This seems a more useful method of organising the literature - and how to proceed reviewing this literature - since the US-China debates developed with structural realism, constructivism, individual and decision-making approaches, domestic politics and sectoral interests, and two-level game theory.<sup>33</sup> These approaches are considered to be main alternative explanations to structural realism and neoclassical realism and to the present thesis’s argument.<sup>34</sup>

To review these alternative explanations, I categorise the literature into three groups of studies. The first comprises system-level explanations, comprising structural realism and systemic constructivism. The second group includes *Innenpolitik* explanations, including individual and decision-making approaches, as well as domestic politics and sectoral interest

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<sup>33</sup> Domestic politics and sectoral interest approaches are often referred to as analytical liberal approaches. The qualification of analytical liberalism as an *Innenpolitik* approach is in line with studies by Brawley (2010a, pp. 1-14), Ripsman, Taliaferro and Lobell (2016, p. 165), Rose (1998) and Rosecrance (1993b). In IR, liberalism has proponents who not only stress the unit level of analysis, but who also prioritise the system level of analysis (Deudney and Ikenberry, 1999; Owen IV, 2001/02).

<sup>34</sup> See Hopf (1994, pp. 171-2), Legro and Moravcsik (1999, p. 55), Rathbun (2008, pp. 297-9, 316), Ripsman, Taliaferro and Lobell (2009, pp. 292-3; 2016), Schweller (1997, p. 927) and Tang (2009, p. 802).

approaches. The third group involves explanations that use two-level game theory.<sup>35</sup> This method of categorisation helps to uncover gaps in the literature, identify novel ways to examine the case, and position the present thesis's argument within extant research. For each group, I will first discuss the associated theoretical approach before reviewing US-China studies and highlighting limitations in previous studies. These US-China studies do not necessarily fit in a single group (for example, domestic-oriented studies may differ on how they use domestic factors), but to the extent that they have internally consistent views they draw elements from one or the other selected theoretical approaches.

The literature review provides justification for the proposed research. It evaluates problems inherent in existing works and suggests that the thesis extends knowledge in three ways. First, by developing the novel variable of the permissiveness of the strategic environment suggested in the reviewed works. This variable holds much promise to show how the US strategised in a strategic environment that did not compel it to balance China but was lenient to other strategic choices. This helps to uncover the conditions for when individual and domestic factors intervened in the causal chain between systemic incentives and the US's China strategy that approximated underactive. Second, the review suggests that the thesis contributes by developing the specific causal links between the selected individual and domestic variables of perception and state power and the dependent variable of the US's China strategy. Third, the review suggests that this thesis contributes by developing a set of propositions and by demonstrating their applicability with the in-depth US-China case study: another important contribution that cannot currently be found in the literature.

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<sup>35</sup> When reviewing studies on US grand strategy at different levels, it should be noted that the levels of analysis debate is not a 'problem' that requires a solution (Nishimura, 2011), and is not within the present thesis's scope. For the levels of analysis debate, see Singer (1961) and Waltz (1959, 1979); and for the agent-structure debate, see Dessler (1989) and Wendt (1987), as well as the methodological framework in Chapter 1.

## **2.1 System-level explanations**

A main body of the literature develops structural explanations. Overall, structuralism maintains that individuals act according to structures which they are unable to see and of which they may be unaware (McAnulla, 2002, p. 275). Structure is defined as relatively stable constraints on states, such as (dis)incentives emanating from the distribution of capabilities and international norms. Structure is, in this section of the literature review, assumed to be primary. Because this structure guides state behaviour, Fearon writes that system-level explanations see states as unitary and purposeful actors (1998). In these explanations, Fearon includes structural realism and systemic constructivism. That categorisation seems to capture the system-level US-China literature which is influenced by structural realism and systemic constructivism.

### *2.1.1 Structural realist explanations*

One of the most prominent approaches to America's China strategy is structural realism. Structural realism maintains a positivist epistemology; that is, it accepts that an empirically material world exists and can be known to states (Buzan, 1996). Structural realism maintains that empirical realities or material factors such as military power order states in the international system. It maintains that states derive their interests and what they want to do in international relations from that material reality: state interests relate to those material things which they must protect if states want to defend themselves (Telbami, 2002, p. 160). In that manner, structural realism has a materialist ontology: it argues that an international structure exists independently of its constituent actors' behaviour. Structure orders states' behaviour, rather than the other way around (Waltz, 1979).

Because structural realism views reality in this way, it maintains that systemic (dis)incentives and the structural rule of anarchy cause state behaviour. Systemic (dis)incentives are derived from the international system of states that is ordered by anarchy. Structure denotes an analytical concept that defines how units in a system (here, states in the



international system) are arranged (Waltz, 1979; Wight, 2006). Anarchy means the absence of an overarching authority in the system of states (Dickinson, 1916, Chapter 1; Mearsheimer, 2003, pp. 3, 32; Waltz, 1959, pp. 159-86; 1979, pp. 81-9; 2000, p. 38). Because of anarchy as a structural rule, it matters how material power is distributed in the system of states. This anarchical international material system creates a range of (dis)incentives that condition, in the field of IR and grand strategy, states' national interests.<sup>36</sup>

Of course, the literature on structural realism is not limited to the works of Waltz and Mearsheimer. Structural realists disagree as to whether states increase their security (defensive realism) or maximise their power (offensive realism).<sup>37</sup> Defensive structural realism maintains that the international system encourages states to deploy moderate strategies to achieve security.<sup>38</sup> Offensive structural realism, mainly associated with Mearsheimer (1990, 2003), holds that offensive action often contributes to security (see also Holslag, 2015). It maintains that states are likely to develop expansionary foreign policies and seek power and dominance. These structural realists converge in their theoretical roots: because of the structural rule of anarchy, it matters how material power is distributed in the system of states.

From this, most structural realists assume that states act 'rationally'.<sup>39</sup> When states observe that other states accumulate power, then they are expected to act logically and respond with an appropriate strategy. They operate in a constant fight for safety and power, which produces several trends in grand strategy, such as balancing (Gilpin, 1981, p. 85; Quester, 2004, p. 51; Waltz, 1979, p. 73). In the following paragraphs, I will discuss how

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<sup>36</sup> See Dickinson (1916, Chapter 1), Delury and Moon (2014), Mearsheimer (1998; 2003, pp. 3, 32) and Waltz (1959, pp. 159-86, 203-4; 1979, pp. 81-9; 2000, p. 38).

<sup>37</sup> The terms, 'aggressive' and 'defensive' realism, were coined by Snyder (1991, p. 12) and later adopted as 'offensive realism' by other scholars such as Mearsheimer (2003).

<sup>38</sup> For example, Glaser (2011, 2015), Grieco (1990), Jervis (1999) and Tunsjø (2018). See also Lake (1991), Taliaferro (2000/01, p. 129) and Zakaria (1998, p. 9).

<sup>39</sup> Differences in rationality among structural realists and the present thesis's rationality assumption are elaborated on in Chapter 3 which develops the thesis's theoretical model.

structural realism is used by existing studies to explain the US-China case, before I will point to limitations of structural realism.

#### Works specifically on US-China relations

A dominant explanation from this premise is that when China started to rise, the US developed strategies to maintain its position in the system of states. This argument is strongly influenced by Waltz's defensive realist work on America's China strategy in *Structural Realism after the Cold War* (2000) and *Realism and International Politics* (2008). He reasons that the US, China, Japan and South Korea competed for influence in East Asia. In that struggle, "when China makes steady but modest efforts to improve the quality of its inferior forces, Americans see a future threat to their and others' interests" (Waltz, 2000, p. 36). He reasons that the US responded by seeking more relative power to protect itself and contain China (Waltz, 2000, p. 36; 2008, p. 220).

In a similar vein, other studies maintain that China's rise holds much explanatory power for America's strategy. Tunsjø (2018) refines structural realism in his study of how, after 1991, the rise of China led to American balancing. He maintains that during the 2010s, China's rise rendered the international system bipolar, in turn restricting the US's strategic choices to balancing. Whilst the US could consider itself relatively safe from China's rise because of the geographical distance between them, the US was strongly incentivised to augment its efforts to check China's rise. Similar arguments can be found in Glaser (2011, 2015), Beckley (2017), Tellis (2013a), Wang (2004, pp. 181-3), Mastanduno (1997) and Zhao (2013). While structural realist explanations of US-China relations cannot explain specific decisions of the US (Mastanduno, Lake and Ikenberry, 1989; Wivel, 2005), they maintain that the US generally sought more power than China. In that respect, Mastanduno's study, *Preserving the Unipolar Moment: Realist Theories and US Grand Strategy after the Cold War* finds that structural realism explains a level of continuity in America's grand strategy (1997).

Further US-China studies adopt offensive structural realist views. This argument has been generally advanced by Mearsheimer, who developed his arguments in *Tragedy of Great Power Politics* (2003) and his later work on America's China strategy in *China's Unpeaceful Rise* (2006). He argues that because China's capabilities grew, a necessary fear was instilled in the US. He argues that this was the case because China's rise equipped it to act offensively towards the US. That is, China could enforce its nine-dash-line (with which it claims most of the South China Sea), deny the US access to areas close to China's shores and push American naval power behind the first island chain and out of the region (Mearsheimer, 2003, p. 157; 2008, 2014b; Mearsheimer and Walt, 2016).<sup>40</sup> Mearsheimer writes that the US was therefore compelled to seek maximum power and act aggressively. The evidence he uses for his conclusions includes America's decision to maintain its military posture in East Asia after 1991 and George H W Bush's 1992 'Defense Guidance' (Mearsheimer, 2014a). The same scholars see evidence, for example, in George W Bush's 2002 NSS, where he repeated that the US sought to prevent a peer competitor from rising (Mearsheimer, 2014a).

This argument has been further developed and applied in later studies. Layne examines America's grand strategy since 1991, arguing that "[g]reat powers balance against each other because structural constraints impel them to do so" (1997, p. 117). He reasons that because great powers want to ensure their survival, they balance actively and forego bandwagoning.<sup>41</sup> In similar vein are Holslag's study on China's rise and its implications for US-China rivalry (2015); and Elman's *Extending Offensive Realism: The Louisiana Purchase and America's Rise to Regional Hegemony* (2004). Unlike Mearsheimer's study, Elman seriously considers local challenges to China's rise. If China's rise was challenged, it would pose less of a threat to the US. Still, Elman reasons that "the United States is likely

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<sup>40</sup> The 2006 Annual Report to Congress by the Department of Defense defined the first island chain that covers the area from the East coast of Vietnam via the West coasts of Malaysia and Brunei (encompassing the contested Spratly Islands), through the South China Sea, via the Luzon Strait between the Philippines and Taiwan and over the Ryukyu Islands between Taiwan and the Japanese archipelago (US Department of Defense, 2006, p. 15).

<sup>41</sup> When states bandwagon, they subordinate to a stronger power, whether for defence or profit (Kawasaki, 2012; Schweller, 1994, p. 74 fn. 11; Trubowitz, 2011, p. 13).

to balance vigorously to prevent the rise of a peer competitor in another region” (2004, p. 575). They insist that states regularly balance internally by arming themselves against challengers, and great powers balance against changes in the distribution of material capabilities.

In developing the present thesis’s argument, I share some affinity with the structural realist US-China literature. I maintain a materialist ontology and prioritise the distribution of capabilities (that is, how material power is dispersed among states). The structural realist explanations maintain that over the long term, the US balanced against China’s rise and showed a degree of continuity. This is an explanation to which I seek to lend evidentiary support. However, I argue that the explanatory value of this literature to explain change in America’s behaviour is limited, because of limitations that I will discuss in the following section. I will suggest how a model that uses elements from neoclassical realism may attend to some of these limitations.

#### Limitations of works specifically on the US-China case

The first limitation of these structural realist explanations is that they seem to downplay individual and domestic variables, such as resource constraints. Structural realist analyses are questioned precisely because America’s China strategy was underactive. If structural realist incentives failed to dictate America’s China strategy, as the research puzzle outlined, then this raises questions for the system-level of analysis. Indeed, this literature’s overly system-level analysis and how it disregards individual and domestic variables gives the present thesis its central topic. The importance of questioning this disregard is pronounced.<sup>42</sup> US grand strategy scholars who used to stress structural realism’s explanatory power (Layne, 1997) have started to examine America’s strategy by looking at domestic issues (Layne, 2009). Indeed, other US-China scholars have made strong cases that individual and domestic

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<sup>42</sup> See Layne (2009), Liu, Yongtao (1999, p. 129), Ripsman, Taliaferro and Lobell (2016), Rose (1998), Schweller (2006, p. 5; 2018a) and Wivel (2005)

factors, such as America's China perceptions and resource constraints, matter. They argue that these individual and domestic factors constrained the US's ability to balance China (Friedberg, 2010, 2011).

A closely linked problem to the disregard for individual and domestic variables is that these studies maintain a narrow understanding of 'rationality.' These structural realist studies define rational behaviour (though no consensus exists, as discussed in Chapter 3) as states being "capable of coming up with sound strategies that maximize [their] prospects for survival" (Mearsheimer, 2007, p. 74). They argue that states act rationally when they obey structural imperatives; that is, when they choose a strategy that best serves their geostrategic interests and survival chances (Ripsman, Taliaferro and Lobell, 2016, pp. 22-4). Thus, they conclude that the US behaved 'irrationally' because it failed to balance China's rise. However, a new debate has started which maintains that states act rationally when they adapt to international threats as well as individual and domestic constraints that decision-makers face (Glaser, 2010, pp. 2-3; Juneau, 2015; Keohane, 1988, p. 381; Simon, H A, 1976; 1985, p. 294). Correspondingly, these authors open avenues for exploring how states act rationally when evaluated against both international factors (such as China's rise) and individual and domestic constraints. As I will elaborate upon in Chapter 3, neoclassical realism lends itself to incorporate this form of rationality. That is, because neoclassical realism understands rationality in ways that show how "grand strategic policy making proceeds in a surprisingly rational manner" (Juneau, 2015, p. 220; quoted from Taliaferro, Ripsman and Lobell, 2012, p. 35).

However, structural realist US-China studies are problematic also because they fail to consider the permissiveness of the strategic environment. They disregard that when the US made strategic choices after 1991, it enjoyed leeway. Structural realists overlook that the US "enjoy[ed] considerable discretion with regard to the strategic choices ... that ... are shaped by the context in which they are made" (Kirshner, 2010, p. 54). Of course, in his most recent work, Mearsheimer argues that because the US has been very powerful since

1991, it could pursue a sub-optimal foreign policy (2018b). Still, because he fails to distinguish between America's sub-optimal strategy during the administrations of Clinton, George W Bush and Obama, his argument has little to say about the present thesis's empirical puzzle.

A new debate has been started, suggesting that since the Cold War ended, the international environment has been more permissive or lenient towards strategies other than balancing.<sup>43</sup> They argue that this environment expanded room for individual and domestic factors to influence American strategy (Lobell, 2018, p. 597; Ross, 2013). They offer promising avenues to show how America's underactive China strategy resulted from individual and domestic factors. Yet, these studies do not theorise the permissiveness of the strategic environment, remaining unclear on to measure it comprehensively and what its consequences are.<sup>44</sup> In the next chapter, I will develop the important and novel variable of the permissiveness of the strategic environment.

Having discarded the US-China literature based on structural realism as offering insufficient explanations of US grand strategy vis-a-vis China, we can turn to alternative approaches. In the next paragraphs, I will review constructivist US-China studies, discuss strengths and weaknesses and suggest how an alternative framework can help to explain the US-China case.

### *2.1.2 Social constructivist explanations*

A second important group of system-level US-China studies employs constructivism. Before proceeding, two main caveats must be noted. First, constructivism is not 'a theory.' Different constructivist studies on US-China relations do not make similar, or a coherent set of arguments about social reality. Indeed, constructivists' views range on a spectrum of whether

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<sup>43</sup> See Copeland (2012, p. 145), Elman (2009, p. 73), Lobell (2009, pp. 54-6, 68-70), Silverstone (2012, p. 85), Taliaferro (2012, pp. 197-8) and Trubowitz (2011).

<sup>44</sup> Examples include: Brawley (2009, p. 81), Crawford (2012), Dueck (2009, p. 149), Haas (2012, pp. 302-3), Lobell (2012, pp. 150-7), Lobell, Taliaferro and Ripsman (2012), Ripsman (2009, pp. 186-91), Ripsman, Taliaferro and Lobell (2009, pp. 282-7), Silverstone (2012, pp. 70-1) and Taliaferro (2012, pp. 197-200).

social reality could be analytically explained or interpreted. However, broadly, constructivists agree on two key aspects in IR: agents and structure are co-constituted, and the meaning-construction of the material world depends on how actors subjectively and constitutively interpret it. Accordingly, the second caveat is that constructivism represents a range of positions. Different forms of constructivism are: linguistic constructivism (Kratochwil, 1989; Onuf, 1989); critical constructivism; radical constructivism (Der Derian, 1987); and moderate or thin constructivism (Adler, 2013; Ruggie, 1982; Wendt, 1999). It is therefore inappropriate to speak of ‘one constructivism.’ Overall, they can be categorised as thin and thick constructivism.

Thick constructivists maintain that how actors understand the world is mediated by meanings which could only be understood through language, images, discourses and communication (Campbell, D, 1998; Kratochwil, 2006). However, while agreeing with thick constructivists on the ontological priority of ideas over matter, thin constructivists argue that all meanings do not have similar analytical importance (Adler, 2013; Wendt, 1999). They argue that some possibilities, meanings and interpretations are more probable than others. And hence, while meanings are socially constructed, the possibilities of differences are not endless. Indeed, over a time period, it is possible to arrive at a stable set of meanings regarding the material world, even though these meanings are not static and fixed. Thus, it is possible to theorise in an objective, explanatory sense. Since this thesis primarily concerns explanatory, not interpretative, examination, I will therefore in the following sections engage with US-China studies based on thin constructivism as utilised in IR. I will first discuss thin constructivist thought, then I will discuss main studies specifically on the US-China case.

Thin constructivism provides an account for states’ interests and strategy different from structural realism. Structural realism maintains that actors behave rationally based on their interests that they derive from the international material environment. Thin constructivism re-examines how actors constitute these interests and how they act: states interact socially in the international system, which shapes their identity and interests

regarding one another. Hence, states inter-subjectively create identities and these identities shape state interests. Constructivists, while they agree with the basic structural realist premise of anarchy, disagree that anarchy only leads states to balance rising powers. The constructivist answer is: 'it depends' on the nature of interactions between the states and on their intersubjective identities.

Thin constructivism was developed as a main IR approach by Wendt (1999) and Adler (1997), amongst others. Wendt advances "a parsimonious systemic theory that reveals the overarching constraining and shaping force of structure ... from an ideational perspective" (Copeland, 2006, p. 4). He argues that it provides a middle way that fills the explanatory void in structural realism and neoliberalism (Landolt, 2004; Wendt, 1999). He builds on how Giddens conceptualised "the duality of structure," whereby agents shape the structure that, in turn, constrains them (quoted from Giddens, 1984, p. 15; Wendt, 1999, p. 165). This structure is composed of a set of norms that "are causal insofar as they regulate behavior" (Wendt, 1999, p. 82). States do not exist prior to this structure but transform and reproduce the structure within which they operate (Giddens, 1984, pp. 16-35; Wendt, 1987, pp. 336-8; 1999, pp. 171-8, 246-312). Thus, to some extent malleable understandings of agents' material environment are possible and, therefore, new logics of systemic incentives and state behaviour under anarchy are possible. Adler (1997) emphasises that this constructivism does not abandon the notion that states act rationally. Instead, constructivism revives it: rationality results from how actors interact socially. In the following paragraphs, I will discuss how this constructivism has been used by existing studies to explain the US-China case, before I point to limitations.

#### Works specifically on the US-China case

A dominant argument from the constructivist premise is that America's China strategy resulted from US identity and international norms. This argument has been strongly asserted by Foot and Walter, for example in *China, the United States and Global Order* and in *Global*



*norms and major state behaviour: The cases of China and the United States* (2011a, 2011b) (see also Chan, Hu and He, 2018; Foot, 2013, 2014; Kim, 2018). They acknowledge that a material reality exists outside the US, but they reason that the US's behaviour was guided by how the US interacted socially with China and created a system of norms and rules. These norms include nuclear weapons non-proliferation, financial regulation and climate protection. Foot and Walter argue that, depending on the US leadership's views, the US and China cooperated closely and demonstrated norm-consistent behaviour (Foot and Walter, 2011a, p. 173).

Within this context, Foot and Walter refer to empirical examples that would show why the US failed to balance China. They state that in 1998, America cooperated with China to condemn India's nuclear tests. They point out that in the same year, China hosted a meeting in Geneva with the permanent members of the United Nations (UN) Security Council and drafted UN Security Resolution 1172. In it, the US and China asked India to abandon its nuclear programme and join the Nuclear Non-Proliferation Treaty (NPT). The authors conclude that this is supporting evidence that the US and China cooperated consistently in accordance with non-proliferation norms (Foot and Walter, 2011a, p. 168). The same scholars see, for example, further proof of America's norm-consistent behaviour in President Obama's April 2009 speech in Prague. In this speech, the President committed to strengthen the NPT and reduce the role of nuclear weapons in America's security strategy (Obama, 2011b). This was, the authors argue, supporting evidence that international norms led to China policies at odds with structural realist expectations (Foot and Walter, 2011a, pp. 151-74). That is to say, structural realist scholars expected India to form a coalition with the US to check China's rise (Mearsheimer, 2000). Similar interpretations are provided by Karademir's constructivist US-China analysis (2012) and Pacheco Pardo's study *Seeing Eye to Eye: A Constructivist Explanation of Sino-American Cooperation* (2009).

While Foot and Walter's US-China study strays slightly from systemic constructivism because they consider individual and domestic factors such as the US

leadership's views, they do stress international norms' effect on America's behaviour. Other studies attribute more explanatory power to international norms. Kim (2018, p. 3) "links the traditional understanding of power politics between the United States and China with the study of constructivist norm research." In agreement with Liu's study (1999), *Norms, Identity and Prospects of Sino-American Security Cooperation*, Kim writes that international norms created possibilities to arrive at common US-China interests (2018, pp. 6-7, 12). Finamore (2014, p. 106) maintains that "a powerful but friendly China is less threatening to the West than a weak but hostile one." He writes that the Clinton administration therefore adopted engagement policies towards China. Though the literature lacks systematic constructivist US-China research, the cited studies explain America's China strategy by prioritising international norms and US identity, not material reality.<sup>45</sup>

In the present thesis, I share some common ground with the constructivist argument in the US-China literature. Consonant with this constructivist literature, I disagree with structural realist explanations. These do not account for why the US forewent balancing China's rise. Additionally, I share an interest with constructivist US-China literature, in that it sees possibilities that the US leadership's China views are mutable; rather than seeing China as a material threat, logics of common US-China interests were possible. However, I argue that these explanations of the US-China case are limited for three main reasons, which I will discuss in the following section. I will suggest how a novel model may attend to some of these limitations.

#### Limitations of works specifically on the US-China case

An important implication of these studies is that they are unclear regarding how independent causal effects exist based on the international material environment. The US-China studies discussed above acknowledge that an objective material reality, such as China's material

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<sup>45</sup> Regarding the lack of systemic constructivist studies on US-China relations, see also Hayes (2013) and Shambaugh (2013).

capabilities, exists outside states. Yet, they maintain that meanings of such reality of material capabilities can denote different things: ideas and social relations between the US and China give meaning to it. If ideas are ontologically prior over matter, then it is unclear how the international material environment can independently affect behaviour (Wendt, 1999). Indeed, it has been pointed out that US-China studies such as Foot and Walter's overlook how the international material environment affected American behaviour (Yang, V, 2011). This means that they miss possible correlations that could be made between China strategy and the substantial changes in the international material environment (here, increases in China's material capabilities).

Whereas the need to examine causal effects from increases in China's material capabilities is propounded, the constructivist US-China literature also employs a perceptual variable differently from the present thesis. It has been asserted that the US must rely on its perceptions of China's capabilities and intentions because the US cannot be certain about them. The US perceives China not necessarily based on international norms, as asserted in the constructivist US-China literature, but on material considerations of America's relative power capabilities (Brawley, 2010a; Friedberg, 2011; Marsh, K, 2012; Zakaria, 1998). In the next chapter, I will argue that neoclassical realism's use of mediating variables allows the thesis to conceptualise this otherwise immeasurable link of perceptions, without violating realism's materialist assumptions.

Furthermore, much of the above constructivist US-China literature is problematic, because it tends to assert an overly system-level argument. This is done by removing the US from its domestic materially-grounded reality of resource constraints and writing out the effects from one of the US-China case's most salient features: America's economic and fiscal constraints.

Of course, some constructivist US-China studies consider individual and domestic factors such as the President's views. Foot and Walter consider how the President's views affected US-China cooperation, but they fail to develop the conditions which would show

when these views mattered and when they changed. It has been demonstrated that each US administration throughout the period of 1991-2015 had two decision-maker groups. One group perceived China as a threat; the other group perceived it as a partner (Bader, 2012; Garrison, 2005). But while during 1991-2011, the US consistently perceived China as a partner, during 2011-2015, the US perceived China as its main adversary. Constructivist US-China studies rarely identify the conditions under which the US's view of China changed from partner to one of adversary (Liu, Yangyue, 2014). In the next section, I will discuss how neoclassical realism may help to explore these conditions about precisely when the US's China strategy resulted from the US's perceptions of China.

When we discard system-level explanations as offering insufficient explanations of US grand strategy vis-a-vis China between 1991 and 2015, we can turn to alternative approaches. In the next section, I will review US-China studies that stress individual and domestic factors and fall within the *Innenpolitik* category. I will discuss strengths and weaknesses and point to how an alternative framework can help explain the US-China case.

## **2.2 *Innenpolitik* explanations**

On the other end of the analytical spectrum from system-level US-China studies, scholars employ *Innenpolitik* approaches that stress individual and domestic factors. Regarding the US-China literature, these explanations are consistent with approaches that stress individual and decision-making factors, as well as approaches that emphasise domestic politics and sectoral interests. For example, Fearon defines domestic-oriented approaches, in alignment with his earlier-mentioned qualification of system-level explanations, as those that see states as “nonunitary, and at least one such state pursues a sub-optimal foreign policy due to the interaction of the actors represented within the state” (Fearon, 1998, p. 291). He writes that domestic-oriented approaches explain state behaviour through “particular domestic-political institutions and practice” (Fearon, 1998, p. 303). This qualification embraces explanations that stress the role of domestic politics and sectoral interests (such as business lobbies). At

first sight, however, this qualification seems to exclude the literature on explanations from individual and decision-making approaches. However, “domestic-political interactions” and “the interaction of the actors represented within the state” (Fearon, 1998, p. 291) seem broad enough to include a variety of dynamics included in individual and decision-making explanations.

Below, I will first discuss US-China studies that employ individual and decision-making factors. Then I will discuss US-China studies that fall within the group which focuses on domestic sectoral interests. I will review how their explanations help to identify the gap in the literature, to detect novel ways of examining the US-China case and to position the present thesis’s argument in the literature.

### *2.2.1 Individual and decision-making FPA*

The third dominant group explains the US-China case with individual and decision-making factors borrowed from FPA. A caveat must be noted here. FPA is not unified literature: all FPA studies on US-China relations do not make similar, or a coherent set of arguments about state behaviour. Indeed, FPA views range along a spectrum, examining whether foreign policy can be explained by domestic politics, leaders’ personal beliefs, decision-making structures and decision-making approaches. FPA scholars simultaneously work in IR subfields such as political economy and security studies.<sup>46</sup> FPA has also been employed by scholars of realist, constructivist and liberal pedigree with different methodologies and epistemologies (Kaarbo, 2015).

However, FPA is usually understood in two main ways: first, as a subfield of IR, it “includes scholarship that has foreign policy processes or behaviors as the explicit *explanandum* and domestic and decision-making factors as the starting place for explanations” (Kaarbo, 2015, p. 191, original emphasis). Second, as a distinct approach, FPA is narrower. It is “more parsimonious than FPA as a subfield, in that the subjective

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<sup>46</sup> See Kaarbo (2015) and Ripsman, Taliaferro and Lobell (2016).

understandings of leaders are the single factor through which all others flow” (Kaarbo, 2015, pp. 191-2). This conception emphasises “decision-making as a central focus [to] provide a way of organizing the determinants of action around those officials who act for the political society” (Snyder 1962 quoted in Hudson, 2005, p. 3). In the following sections, I will focus on the second conception of FPA as a distinct approach to review the US-China literature, before I will point to limitations.

#### Works specifically on the US-China case

The literature that employs FPA to explain America’s behaviour towards China is strongly influenced by Garrison’s work. She develops FPA analyses in *Making China Policy: From Nixon to G.W. Bush* (2005; see also 2007), and in her work on the Obama administration (2013). She argues that America’s China policy was shaped by the US decision-making structure. Garrison argues that the US lacked a coherent China policy because it lacked structured and organised decision-making processes (2005, p. 2). She reasons that because the US administration failed to coordinate and centralise its China policy, internal competition flourished among policy-makers. This resulted in openly competing policy messages about China (2007). Similar interpretations are provided by Roberts (2015) and Massari (2000).

In a similar vein, Brown (2018) examines how the US decision-making process was permeated by competing views on China. He argues that decision-makers’ views of the international system varied and shaped how they evaluated rising powers. He finds that ‘China’s rise’ was a contested notion; that is, decision-makers failed to give a fixed, single meaning to China’s rise, and they competed over which China strategy was apt.

Other US-China studies link the FPA literature with constructivist insights. Hayes (2013), Slater (2019) and Goh (2005) argue that the US’s behaviour towards China was driven by self-perceptions of American identity. Hayes (2013) examines how US policy-makers constructed identities of a democratic US as opposed to a non-democratic China. He

argues that these identities, when accepted by the public, shaped how the US developed policies to engage and ‘democratise’ China. According to the author, this explains why, in 1994, Clinton decided to renew China’s MFN status and to maintain US-China trade levels, a move that was expected to help democratise China (pp. 99-168).<sup>47</sup>

A similar interpretation is provided by Goh: she examines how US elites constructed ‘Self’ and ‘Other’ identities through language and how China strategy consolidated these identities (2005). She finds that the US foreign policy executive created discourses about China’s rise that departed from structural realist expectations. The US then consolidated changes in discourse through its foreign policy towards China, Goh concludes.

By these definitions, America’s China strategy was a product of its decision-making dynamics that favoured US-China cooperation. Therefore, this literature seems to provide a partial answer to the research question. It suggests that US decision-makers disagreed over the appropriate China policy and created policies at odds with what structural realism expects (in this case, balancing China’s rise). However, as I outline in the next paragraphs, these studies have a main advantage and face (at least) two limitations. I will point to how a neoclassical realist model that combines insights from the FPA and neoclassical realism literatures may help addressing these limitations.

#### Limitations of works specifically on the US-China case

A main advantage of the above studies is that they see possibilities for change in how US decision-makers viewed China. This literature seems to offer a partial answer to the research question. It suggests that decision-makers disagreed about the appropriate strategy and therefore created China policies at odds with structural realist expectations. Since this literature proposes that decision-makers’ views on China were a relevant factor, the present

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<sup>47</sup> When China obtained MFN status, it enjoyed the best trade terms that the US provided. The US needed to extend this MFN status annually. This allowed China to continue benefitting from normal trading relations with the US and preserved US exports (Broder and Mann, 1994; Hugh and Taylor, 1997, p. 737; Ross, 2001, p. 28).

thesis pursues a similar track by looking at decision-making intricacies. However, the present thesis includes an approach that shows not just that but also when decision-making processes influenced the US's China strategy, so that it was at odds with structural realist expectations. The above studies focus on micro-processes in decision-making and tend to become foreign policy rather than grand strategy-oriented (Kaarbo, 2015, p. 191). Grand strategy is central to the present thesis. Grand strategy differs from foreign policy, as the working definition outlined earlier, because the former implies a longer-term thinking that takes structural factors into account but also purposefully disregards matters of everyday change (Ripsman, Taliaferro and Lobell, 2016).

This problem in the literature is perhaps best exemplified by Garrison's work. She first explains how the Clinton administration arrived at a policy of engagement with China. She examines how decision-making occurred between key foreign policy executive members, Anthony Lake, Madeline Albright, Warren Christopher and the President. They disagreed but united regarding the engagement and enlargement strategy. Garrison develops a separate argument to show that the Bush administration's officials competed for influence. Because of this competition, she argues, the Bush administration developed a pragmatic policy of alliance with China to fight terrorism (2005). This China policy departed from what structural realism expects (balancing China's rise). Finally, Garrison develops a different argument to show how the Obama administration's decision-making structure and leadership style explain his foreign policy decisions (2013). However, these explanations seem only applicable on a case-by-case basis. Its insights are not easily transposed to other cases. How, then, can they explain why the more positive perceptions about China which consistently prevailed during 1991-2011 became more negative and focused on balancing during 2011-2015?

This is where the need to include decision-making processes in a model that expounds the conditions under which they changed becomes clear. Garrison (2007) and Brown (2018) successfully demonstrate, as discussed above, that US decision-makers sent



competing policy messages about China. But their analyses fail to explain the way in which changes in the international material environment (that is, China's rapid growth) affected when decision-makers' disagreements influenced America's behaviour. Their analyses hold "contingent view[s] of the relationship between domestic and international politics" (Kaarbo, 2015, p. 204). They lack propositions about the conditions under which the US decision-makers' consistently more positive China perceptions of China (1991-2011) changed to more negative (2011-2015).

A satisfactory explanation of these changes in perception, however, necessitates a focus and conceptualisation of the conditions under which decision-makers' views are likely to change. The literature suggests that decision-making dynamics adopted in FPA US-China studies can be incorporated into an environment-based model. Indeed, the FPA literature starts to look to neoclassical realism and vice versa to better understand the international conditions about when decision-making dynamics interfered with China strategy (Kaarbo, 2015, pp. 204-5; Ripsman, 2009; Rose, 1998, p. 147). Yet these conditions have not been developed in the literature (Ripsman, Taliaferro and Lobell, 2016). I argue that a conceptualisation of these conditions is advantageous, because it shows not simply *that* decision-making dynamics matter, but also under which *conditions* they matter. The development of such an explanation is the object of the present thesis's enquiry and is developed in the next chapter.

In the following paragraphs, I will review studies that stress domestic factors of domestic politics and sectoral interests to explain the US-China case. I will discuss strengths and weaknesses and point to how an alternative framework can help explain the US-China case.

### 2.2.2 Domestic politics and sectoral interests

A fourth dominant group of US-China studies stresses domestic politics and sectoral interests. Therefore, it can be considered an Innenpolitik approach. It examines how grand strategy results from domestic politics and societal interests in a causal mechanism.<sup>48</sup>

This approach argues that if we want to explain change and continuity in grand strategy, then we must look at what states want, and to know what states want, we must look at societal interests. Most proponents of this approach acknowledge that international factors such as the distribution of power matter, but they maintain that societal interests trump them. Some advocates advance purer reductionist arguments; they argue that it *suffices* to look at domestic factors and they exclude changes in the material international environment (such as China's rise).<sup>49</sup> For example, proponents of commercial approaches argue that change in grand strategy results primarily from how state leaders appease domestic societal interests by finding export markets for domestic production surpluses (Moravcsik, 1998, pp. 84,177,86-87,225; 2008). In the following paragraphs, I will discuss existing studies that explain the American grand strategy and the US-China case with domestic politics and sectoral interests, before I point to limitations.

#### Works specifically on the US-China case

The argument that domestic politics and sectoral interest approaches explain America's grand strategy has been strongly influenced by Narizny (2007, 2017, 2018) and Snyder (1991). Narizny developed his argument in *The Political Economy of Grand Strategy*. He argues that the US's grand strategy is driven by electoral and domestic financial coalitions' interests - not systemic incentives, as structural realism maintains. He reasons that America's

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<sup>48</sup> See Gvosdev, Blankshain and Cooper (2019, pp. 284-333), Moravcsik (2008), Narizny (2018), Papayouanou (1996), Ripsman, Taliaferro and Lobell (2016) and Russett (1993).

<sup>49</sup> See Moravcsik (1998, pp. 23, 6,86-158, 473-8, especially 157-158, 474; 2000, p. 34) and Trachtenberg (2000). In his earlier work, Moravcsik argues that single-level theoretical approaches are insufficient to understand foreign policy and world politics and that IR theorists must combine domestic and international explanations (Moravcsik, 1993, pp. 9, 33). Nevertheless, he later developed his new liberalism with the claim that domestic factors suffice in explaining state behaviour.

strategy changed when domestic coalitional interests changed, because America's elected leaders shared dominant domestic groups' policy priorities (see also Cox, R W, 2012).

Unlike Narizny, other studies zoom in on America's China policies. For example, Fordham (1998; 2011), Dumbaugh (2001) and Sutter (1998) examine America's China strategy and US-China trade. Sutter demonstrates how the US administration and Congress were influenced by special interest groups related to trade opportunities. He finds that after the Cold War ended, interest groups (business and labour organisations) gained more influence over the US's decision-making process. He examines interest groups' role in extending China's MFN status under the George W. Bush and Clinton administrations. Within this context, these scholars emphasise that the US business lobby (which advocated unconditional extension of China's MFN status) had greater influence in the Clinton White House. This is evidence, they argue, that domestic politics drove America's policies to liberalise trade with China (Sutter, 1998), departing from structural realist expectations (here, balancing China's rise and reducing US-China trade). These scholars see evidence in Clinton's decision in 1994 to delink questions regarding China's human rights record from US-China trade; that is, Clinton no longer required China to make progress on its human rights record as a condition for its MFN status.<sup>50</sup> These observations, the argument goes (Sutter, 1998, pp. 47-65), show that America's China strategy appeased the business lobby groups rather than balanced security threats from China's rise.

Similar interpretations are provided by Hathaway, Yang and Noland. Hathaway's study (2008), *US Domestic Politics and the China Policy Rollercoaster*, and Yang's analysis (1999) in *Beyond the Water's Edge: Domestic Politics and Congressional Intervention in US China Policy, 1989-1996* adopt a pluralist view of America's China strategy-making process (see also Fergus, 2011). They reason that after the Cold War ended, room expanded

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<sup>50</sup> Clinton initially said that China could only keep its trading status with the US if China made sufficient human rights progress.

for domestic interest groups to shape the US's decision-making process regarding Taiwan and Mainland China (Noland, 1998).

I argue that a main advantage of these studies is that they occupy analytical ground uncovered by previous studies. Namely, they examine causal chains between the US's sectoral interests and its China strategy. One area of commonality with my argument in the present thesis is that these studies consider dynamics within states. However, I argue that this literature's explanatory value to explain America's China strategy is limited, because of reasons that I will discuss in the following section. I will suggest how a novel model that avoids reductionism may help address these limitations.

#### Limitations of works specifically on the US-China case

The argument regarding domestic politics and sectoral interests in the US-China case is problematic, because it tends to overlook how the international environment conditioned the timing by which China strategy was influenced by domestic factors. This limitation is acknowledged by Narizny (2007) and Sutter (1998), who concede that their argument for the US's strategy only applies because the US operated absent of international threats. That is, when international threats were absent, room expanded for China strategy to be shaped by sectoral interests. The domestic politics and sectoral interests thesis thus seems to commit an analytical fallacy similar to that of structural realism, but 'in reverse': structural realism's systemic approach downplays individual and domestic factors; approaches that focus on domestic politics and sectoral interests tend to underplay system-level variables (Ripsman, Taliaferro and Lobell, 2009, p. 294; Taliaferro, Lobell and Ripsman, 2018; Trubowitz, 2011). Indeed, the literature points out that these studies are "sensitive to systemic ... constraints," "often have a realist ring" and are a complement to system-level explanations rather than a refutation of it (Levy and Thompson, 2010; quoted from Liberman, 2009, p. 152; Ripsman, Taliaferro and Lobell, 2016).

The problem is exacerbated by these studies' conceptualisation of decision-makers' role in strategy making. These studies tend to disregard that when US decision-makers decided on China strategy, they played an active role. They suggest instead that US decision-makers merely acted as transmission belts or managers between sectoral interests and China strategy.<sup>51</sup> It has, however, been argued that American decision-makers played a more active role in the US-China case. Their perceptions often differed about which China strategy was appropriate and they decided on policies in ways that contradicted sectoral interests (Garrison, 2005; Ripsman, Taliaferro and Lobell, 2016). As Lilley (2000, p. 305) writes, when Sutter employs domestic factors in the US-China case, he misses "the flesh and blood humans ... who fought ... bureaucratic turf battles over strategic issues."

A closely linked problem is that this literature tends to overlook how the US's China strategy was hindered by resource constraints. Scholars point out, in line with the present thesis's working definition (outlined in the previous chapter), that the US's China strategy always related to resource constraints (Friedberg, 2011; Liberman, 2009, p. 152). These resource constraints were, as I will elaborate upon later, one of the US-China case's most salient features. In the 1990s the US faced fiscal constraints. In the 2000s, the aftermath of 9/11, America's Middle Eastern wars and the 2008 economic crisis drained US resources and budgets. During 2011-2015, military procurements were cancelled, budget increases were requested but declined and cut. These resource dynamics tend to be overlooked by US-China studies that stress sectoral interests. Integrating these dynamics is necessary to address the present thesis's research puzzle; that is, why the US balanced underactively versus China from what a structural realist account expects. I will argue in Chapter 3 that neoclassical realism lends itself to incorporate resource dynamics because it considers "domestic intervening variables that condition whether and how states respond to the international systemic pressures" (Ripsman, Taliaferro and Lobell, 2016, p. 58).

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<sup>51</sup> See also the various studies by Moravcsik (1997, p. 518; 1998, p. 485; 1999, pp. 282, 4, 93; 2003, p. 5; 2008, p. 237).

In the next paragraphs, I proceed with the final group of US-China studies. This group seeks to explain the US-China case using two-level game theory. I will discuss strengths and weaknesses, before concluding the chapter by encapsulating the research gap and how the thesis addresses it.

### **2.3 Two-level game explanations**

The final argument advanced to explain US-China relations employs a two-level game approach. This is widely influenced by Putnam (1988)'s two-level game theory (see also Campbell, K, 2016; Gvosdev, Blankshain and Cooper, 2019, pp. 284-333). It is one of the principal approaches that combines international and domestic factors (Alons, 2010, pp. 6-8; Rathbun, 2008; Wendt, 1995, p. 81). Unlike the studies discussed so far in this chapter, the two-level approach maintains that "it is fruitless to debate whether domestic politics really determine international relations, or the reverse" (Putnam, 1988, p. 427). It positions state officials between international and domestic factors in an "Integrative Approach" (Evans, 1993, p. 397). It finds that system-level or Innenpolitik approaches are "misleading and inadequate" (Alons, 2010; Chakma, 2012, p. 6; quoted from Pastor, 1993, p. 327; Schultz, 2013, p. 49). Putnam asserts that:

each political leader appears at both game boards. Across the international table sit his foreign counterparts ... And around the domestic table behind him sit party and parliamentary figures, spokesmen for the great domestic ministries, representatives of key domestic interest groups, and the leaders' own political advisers (Putnam and Henning, 1989, pp. 110-1).

Therefore, this approach responds to the system-level literature that underplays the individual and domestic factors, and to the Innenpolitik literature that underemphasises international factors. In the following section, I will discuss how this approach is used in existing studies to explain the US-China case, before elaborating on limitations.

### Works specifically on the US-China case

A prominent proponent adopting this approach to US grand strategy is Trubowitz. He develops his argument in *Politics and Strategy: Partisan Ambition & American Statecraft* (2011). Trubowitz acknowledges that the international system matters in explaining the US's strategy, but reasons that domestic variables are "just as important" (2011, p. 128). He writes that America's strategy resulted from how the President thought about international threats and how resource constraints and party politics affected his decisions. This combination of factors explains, Trubowitz argues, why President Clinton underbalanced, slowed military spending and why he remained committed to free trade (see also Campbell, K, 2016, pp. 328-30).

While Trubowitz examined US grand strategy, others focused on the US's China policies. Ka (2015) employs a two-level approach to analyse US-China trade disputes. He examines how domestic opposition groups limit US trade negotiations with China. Jayakar (1997) argues that US foreign policy towards China resulted from trade-offs. One concern was China's trade practices; the other was that US sanctions against China would disadvantage America's domestic interest groups. This trade-off explains, according to Jayakar, why during the 1990s the US was reluctant to sanction China for trade disputes and copyright piracy. Similar interpretations are provided by Li's (1994) two-level US-Taiwan study.

Other parts of the literature consider how America's policies are affected by public opinion and the President's electorate. Yu argues that the end of the Cold War and China's rise on the one hand, and US public opinion and Congress on the other, combined to shape America's China policy (1993). Pastor argues that American foreign policy depended on whether the President's constituents accepted international treaties (1993, pp. 326-7).

This literature seems to offer a partial answer to the present thesis's question. It suggests that domestic factors played a role in why the US underbalanced against China, favoured free trade and was reluctant to sanction China on trade disputes. In proposing

domestic and international factors as relevant, I pursue a similar track. However, I argue that this literature's explanatory value regarding the US's China strategy is limited, as I will discuss in the following section, before pointing to how a novel model theoretical model that prioritises system-level factors may address these limitations.

#### Limitations of works specifically on the US-China case

When these studies explain the US-China case with a two-level approach, they fail to capture how decision-makers (mis)perceived China's rise.<sup>52</sup> It has been pointed out, however, that from 1991 to 2015, within each US administration, decision-makers held different views regarding China (e.g. Garrison, 2005) and fought for influence in the decision-making process. The two-level game approach thus seems less suitable for capturing some of the US-China case's salient features.

A closely linked problem is that these studies disregard how the domestic and international levels interact. It has been widely acknowledged that the two levels in the two-level game explanations do not interact but 'add' one to the other.<sup>53</sup> This approach maintains that the chief state representative who negotiates international agreements links the different levels (Odell, 2013; Putnam, 1988, p. 456). This means that it tends to explain individual negotiators' behaviour as Janus-faces *on behalf* of the state; but that it overlooks the decision-making processes at the heart of America's China strategy.<sup>54</sup>

This lack of understanding of how different levels interact creates another problem in the literature: these studies fail to clarify when domestic variables matter more, and when they matter less. They seem unclear about the conditions of when domestic variables affected US-China relations more and less. As I will elaborate on, in the US-China case, the US's decision-makers' perceptions that favoured US-China cooperation (thus at odds with

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<sup>52</sup> Two-level game accounts only explain that a negotiator creates the perception of a small set of agreements from international negotiations (Level I) that is acceptable by the negotiator's constituents and domestic base (Level II). Putnam referred to this as the "Level II win-set" (Putnam, 1988, p. 437).

<sup>53</sup> See Boukhars (2001), Evans (1993, p. 402), Snyder (1993, p. 105) and Stein (1993, p. 79).

<sup>54</sup> See Jayakar (1997), Li (1994), Miller (2010), Odell (2013), Putnam (1988, p. 436) and Schultz (2013).



structural realist expectations) were highly influential during 1991-2011. They were more influential in Clinton's engagement policies and Bush's US-China cooperation to fight terrorism (Garrison, 2005; Lampton, 2003). These perceptions that favoured US-China cooperation seemed less influential during the Obama administration, which focused more on balancing China's rise. As discussed earlier, a new debate has started over what US foreign policy scholars suggest as a novel variable of the permissiveness of the strategic environment.<sup>55</sup> In the next chapter, I argue that this identified but un-theorised variable holds much promise in explaining when America's underactive China strategy was shaped by individual and domestic factors. I argue that America's China strategy can only be understood with reference to these conditions, and that neoclassical realism is well equipped for that task.

## **2.4 Research gap**

This review of the literature has demonstrated that the US's strategy towards China has triggered considerable debate over the past 25 years. The literature focuses on system-level and Innenpolitik approaches and has also developed two-level game approaches. Yet they disregard the conditions of when individual and domestic factors interfered more with the US's China strategy and when they interfered less. Consequently, it remains unclear when China strategy was influenced more by decision-makers' perceptions and resource constraints and when it was driven by systemic incentives.

This means that a significantly unaddressed question remains: when the US responded to China's rise during 1991-2015, when and how did individual and domestic factors interfere? Or, put differently, how can we explain the mediating role of individual and domestic factors under permissive strategic environment conditions? These questions matter because the literature suggests that a novel variable of the permissiveness of the

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<sup>55</sup> Copeland (2012, p. 145), Elman (2009, p. 73), Lobell (2009, pp. 54-6, 68-70), Meibauer (2017), Ripsman, Taliaferro and Lobell (2016), Silverstone (2012, p. 85), Taliaferro (2012, pp. 197-8) and Trubowitz (2011).

strategic environment holds much potential for advancing the analysis. Yet this variable remains un-theorised. I go vastly beyond existing treatments by developing this critical variable. Furthermore, the US-China case's two salient features are how US foreign policy elites perceived China and faced increasing resource constraints. These features are widely studied in the US-China literature; but the causal chains, propositions and conditions under which they interfered with America's China strategy remain undeveloped. Indeed, Ripsman, Taliaferro and Lobell (2016, p. 176) write that the distinct mission in neoclassical realist literature is "to generate a set of clearly specified propositions regarding exactly when political and leadership variables will have greater causal effect and when policies and outcomes are determined primarily by systemic variables" (see also Edelstein, 2012, p. 333; Ripsman and Levy, 2012, pp. 173-4; Taliaferro, Lobell and Ripsman, 2018).

The existing gap in extant scholarship is substantial. It shows that scholarship fails to go beyond merely demonstrating *that* individual and domestic variables matter without explaining *when* they matter. Simultaneously, this omission obfuscates a more satisfactory explanation of America's underactive China strategy. A common response is simply that the unipolar system (where the US is the only superpower) expanded room for domestic variables to interfere with the decision-making process. This fails to account for how individual and domestic variables' influence on China strategy varied over the 25 years after 1991.

It is important to fill this gap and extend the earlier work. If we cannot explain America's sub-optimal state behaviour towards China from 1991-2015 more satisfactorily, then we fail to fully grasp the US's strategy towards China and how great powers interact. If we cannot demonstrate how and when individual and domestic variables of perception and resource constraints were likely to interfere with the US's China strategy in a permissive strategic environment, then neoclassical realism remains impeded in explaining change and continuity in the US's China strategy. Furthermore, if we cannot demonstrate how neoclassical realism can explain change and continuity in America's China strategy more

satisfactorily than alternative US-China explanations, then neoclassical realism's added value versus alternative explanations remains unclear. Addressing these issues helps to fill the research gap, extend knowledge and address the present thesis's research question of why the US pursued an underactive grand strategy towards China from 1991-2011, but a more optimal strategy from 2011-2015.

To fill this gap in the literature and extend the academic discourse it is necessary to develop a model that captures these observations. This requires articulating the novel variable of the permissiveness of the strategic environment in a model that demonstrates when America's China strategy was influenced by decision-makers' perceptions and resource constraints. It is only by doing this that the thesis can develop the variables hierarchy, causal mechanisms and propositions which have underpinned the strategy. In consideration of this, along the lines of the approaches adopted by He (2017), Friedberg (2010, 2011), Zakaria (1998) and Brawley (2010a), and suggestions of an additional independent variable of the permissiveness of the strategic environment by Ripsman, Taliaferro and Lobell (2016), Silverstone (2012, p. 85) and others, the necessity to develop a model which includes these dynamics becomes clear. Furthermore, the thesis contributes by developing the causal chains between these selected variables. Additionally, the thesis develops a set of clear propositions and demonstrates their applicability to the US-China case: another contribution which cannot currently be found in the literature. To the task of developing this theoretical model, Chapter 3 will now turn.

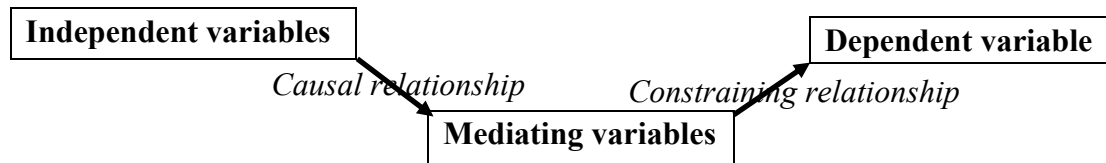
### **Chapter 3 - Theoretical model**

The imperatives of structural realism would lead one to expect, as I argued in the previous chapters, that from 1991-2015, the US would have focused and augmented its strategy against China's rise. Yet consecutive US administrations failed to do so. Certainly, structural realism still has some relevance in explaining state behaviour over the longer term. Indeed, American strategy eventually turned its attention again on China during 2011-2015.

But structural realism remains mute about those short-to-medium strategic adjustments at odds with those longer-term structural realist expectations. It says little about why states in the short to medium term may adjust their strategy in ways that seem irrational in terms of what structural realism would lead one to expect. In theoretical terms, the observed underactive American behaviour towards China stems from the structural realist assumption that state behaviour is the product of changes in the distribution of capabilities. It raises questions precisely for the system-level of analysis that these studies tend to employ. If structural realist incentives did not dictate America's China strategy, then this raises the question of why the US continually strategised sub-optimally. This is especially relevant when the US (the sole superpower) frequently chose an underactive, indeed seemingly irrational strategy towards China. Because alternative explanations are often grounded in Innenpolitik, constructivist and two-level game approaches, they cannot, as the previous chapter elaborated, easily account for the US's sub-optimal China strategy.

In this chapter, I articulate a neoclassical realist model that seeks to explain America's China strategy in a more satisfactory fashion than the selected alternative explanations. I argue that the independent variables (distribution of capabilities and permissiveness of the strategic environment) are the primary drivers of America's strategy towards China. These independent variables are the putative cause of the dependent variable (US grand strategy towards China). But when a rising power accumulates vast amounts of material power, this does not automatically lead the hegemon to balance against it. Mediating

variables (perception and state power) come to the stage to help explain America’s deviant behaviour towards China (Figure 5). That is, how the foreign policy executive perceives the international system and how levels of state power (the available resources) vary, mediates between incentives from the independent variables and America’s China strategy.



**Figure 5.** Variables in neoclassical realist model

This thesis’s proposed model seeks to contribute to the debate on neoclassical realism and US grand strategy towards China in the following three ways. First, the model proposed in this thesis further establishes the importance of the permissiveness of the strategic environment as an additional independent variable in grand strategy. The permissiveness of the strategic environment is here understood as the intensity of systemic constraints. When systemic constraints are weak, rather than narrow the menu of strategic options to focus on China’s rise, they leave more room for deviant state behaviour. Conversely, when systemic constraints are strong, they provide clearer guidance as to the optimal strategy and leave less room for deviant strategies. This means that it is clearer what the optimal policy is, and that little leeway exists for alternative strategies.

Various neoclassical realists have acknowledged the importance of this suggested variable. When the strategic environment is more permissive (the international threat is distant and small), states have greater leeway for mediating variables (perception and state power) to shape alternative strategies. This means that mediating variables interfere more with state action and influence America’s China strategy that moves closer to being underactive. Conversely, when the strategic environment becomes less permissive (the international threat nears and enlarges), it is clearer what the optimal policy is (focus on the

nearing and enlarging threat). This means that less leeway exists for alternative strategies or for mediating variables to interfere with state behaviour.

At the same time, however, extant neoclassical realist scholarship remains unclear about how exactly and comprehensively we can measure the permissiveness of the strategic environment. Consequently, scholars adopt different criteria, leading to an ad hoc usage of this suggested variable. Equally important, extant scholarship remains vague about the consequences of the permissiveness of the strategic environment. For example, Edelstein emphasises the need to specify the consequences of a permissive strategic environment for a state's international trade relationships (2012, p. 333). The model proposed in this chapter helps to rectify conventional wisdom by providing deeper insights into the systemic conditions under which the mediating variables affect state behaviour. Below, I will discuss and build off extant neoclassical realist scholarship in order to present a set of criteria for gauging this variable, and the consequences for America's China strategy. By providing deeper insights about the role of the permissiveness of the strategic environment, I will point to the conditions under which the selected mediating variables influence America's China strategy and move it towards underactive.

Second, the proposed model in this thesis adds two mediating variables: perception and state power. This helps to demonstrate that neoclassical realism explains specific strategic adjustments in the US-China case more satisfactorily than the selected alternative explanations. The perception mediating variable helps to show that when decision-makers' perception of the international environment differs from reality, states are likely to strategise sub-optimally. When the foreign policy executive perceives its main international threat to be elsewhere than what structural incentives would suggest, then it is likely to strategise underactively towards its actual main international threat. Also, when decision-makers do correctly perceive their international environment (as in line with structural realist incentives) but lack sufficient state power (that is, domestic resources), they are likely to strategise underactively towards their main international threat. Thus, even when decision-makers

have access to large amounts of resources from society but extract and use them for a misperceived threat elsewhere, they are likely to strategise underactively towards the main international threat. Thus, the proposed model in this thesis expects the US to focus on China's rise only when the US both correctly perceives it as its main international threat and has sufficient state power to act. American grand strategy towards China was thus caught up in this matrix of variables. What it then produced externally in its grand strategy towards China was the very outcome that structural realism would say to avoid: an underactive strategy that aided the rise of China. US grand strategy towards China is best understood as a blended product rather than a careful and pure rational response to externally given incentives.

Third, the proposed model establishes a set of clear propositions, which has been pointed out as one of the main challenges in the literature on neoclassical realism (Ripsman and Levy, 2012, p. 174; quoted from Ripsman, Taliaferro and Lobell, 2016, p. 176). In doing so, the proposed model in this thesis contributes interrelatedly by demonstrating the applicability of this thesis's proposed neoclassical realist model and its propositions for the subsequent case study in Chapters 4-5. This further helps to demonstrate how neoclassical realism can contribute to analyses of the grand strategies of states, with the US's China strategy as its case. The proposed model can, therefore, extend the literature on neoclassical realism, America's China strategy and IR more generally.

The following sections will unfold this dynamic and articulate a theoretical model for US grand strategy towards China. I will first elaborate on the assumptions in the literature on structural and neoclassical realism, then present the assumptions for the proposed model in this thesis. Then, I select and define the variables for the model. I specify how they combine to explain the dependent variable and I present the set of propositions.

### 3.1 Realist assumptions in the literature and in the proposed model

If the proposed neoclassical realist model seeks to explain the US-China case more satisfactorily than structural realism, which realist assumptions should it maintain? Extant neoclassical realist scholarship maintains but also refines four structural realist assumptions (Table 2).<sup>56</sup> In the following paragraphs, I will first outline relevant assumptions in structural and neoclassical realism. I will then specify the assumptions for the model proposed in this thesis to help explain the US-China case.

#### 3.1.1 Assumptions in structural realism and neoclassical realism

Structural realism assumes that *states* are the international system’s most important actors.<sup>57</sup> They assume that the major states are the major actors (Waltz, 1979, p. 94) and specifically “great powers are the main actors in world politics” (Mearsheimer, 2007, p. 73). Realists “focus on the most powerful (most resource-rich and influential) groups at any given time” (Wohlforth, 2008, p. 134, original parentheses).

**Table 2.** Assumptions in structural realism and in proposed neoclassical realist model

Structural realism	The thesis’s proposed neoclassical realist model
- Major states central actor	- Major states central actor, epitomised by foreign policy executive
- Anarchy	- Anarchy
- Relative power	- Relative power
- Substantive rationality	- Procedural rationality

Neoclassical realists maintain that focusing on these states masks the particulars of decision-making processes. Neoclassical realists seek to explain such state behaviour as grand

<sup>56</sup> Taliaferro, Lobell and Ripsman (2009, p. 14) emphasise that “scholars compile different lists of realism’s ... core assumptions.” For alternative enumerations of assumptions in neoclassical realism, see Juneau (2015, pp. 17-34), Ripsman (2009, p. 176), Schweller (2009, pp. 237-9) and Taliaferro, Lobell and Ripsman (2009).

<sup>57</sup> Some refer to the central actor assumption as *groupism* (Wohlforth, 2008) or the conflict group (Schweller, 2009, p. 237), which are notions that Waltz also uses (1979, e.g. pp. 75-76). That is, individuals create social groups in varying shapes and forms in history such as “tribes, city states, empires, or nation states” (Wohlforth, 2008, p. 134); and “today the most important human groups are nation states” (p. 133). For more on this groupism assumption, see Gilpin (1984, pp. 290-1), Schweller (2009, pp. 237-8), Sterling Folker (2009, pp. 103, 9-16) and Taliaferro, Lobell and Ripsman (2009, pp. 14, 24-6).



strategy adjustments; and focus on those few officials in the executive branch, namely, the *foreign policy executive*. Thus, neoclassical realists explain states behaviour from inside the state's black box. The foreign policy executive assumption emphasises that "statesmen, not states, are the primary actors in international affairs."<sup>58</sup> Therefore, "the essence of the state consists of the foreign policy executive, comprising the head of state or government and the key ministers and officials charged with the conduct of foreign and defense policy."<sup>59</sup> This foreign policy executive is assumed to be "a unified central decision-maker ... primarily committed to advancing the security or power" of the state (quoted from Lobell, 2009, p. 56; 2012, p. 154). The executive links domestic and international factors and is "Janus-faced, existing at the intersection of the international and the domestic" (Lobell, 2009, p. 43). These decision-makers meaningfully impact foreign policy, have access to privileged information and expert advice, and devise strategies to advance the state's interests (Lobell, 2009, p. 56; 2012, p. 154; Ripsman, Taliaferro and Lobell, 2016, pp. 61-2, 124). They link the executive with the legislative branch to pass legislation (such as taxation bills) to increase the resources available for strategy. Thus, in neoclassical realism, the foreign policy executive, not the whole state, "is the most important actor to focus on when seeking to explain ... grand strategic adjustment" (quoted from Ripsman, Taliaferro and Lobell, 2016, pp. 61-2; Zakaria, 1998, pp. 8-9, 35, 41).

This assumption and the focus on the foreign policy executive members (rather than the state) helps neoclassical realists examine specific strategic decisions. To explain specific adjustments in grand strategy, neoclassical realists look into the decisions of those officials charged with foreign policy. Parsimonious structural realist accounts centre on longer-term systemic outcomes but do not investigate the shorter-term particulars of decision-making.

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<sup>58</sup> Quoted from Zakaria (1998, p. 42). See also Brawley (2009, pp. 43-4), Christensen (1996, p. 14), Lobell (2009, p. 43), Ripsman (2009, p. 171) and Ripsman, Taliaferro and Lobell (2009, pp. 280-1; 2016, pp. 124-5, 61, 66).

<sup>59</sup> Quoted from Ripsman, Taliaferro and Lobell (2016, p. 166). For this definition in neoclassical realist literature, see also Brawley (2009, pp. 43-4), Christensen (1996, p. 14), Lobell (2009, p. 43), Ripsman (2009, p. 171), Ripsman, Taliaferro and Lobell (2009, pp. 280-1) and Zakaria (1998, pp. 8-10, 35-41).

Neoclassical realist explanations consider multiple levels and look into decision-making of the foreign policy executive, opening new pathways of inquiry as to why a particular state adjusted its strategy at a certain moment.

Structural realists and neoclassical realists assume that these states' foreign policy executives operate in an *anarchical* system of states. No overarching government produces hierarchy and order. States are equal; none has formal authority over others.<sup>60</sup> Waltz's third image best summarises this in its observation that nothing prevents one state from fighting another (1959, p. 234). States always have military capabilities and cannot be sure about others' intentions. Some structural realists argue that great powers always have aggressive intentions (Mearsheimer, 2003, 425 fn. 14); others contend that whether states also *act* offensively depends on the offensive-defence balance; namely, the balance between defensive and offensive capabilities. Sometimes keeping the status quo is better; and at other times, the environment may suggest advantages for offensive behaviour (Quester, 2004, p. 51). So, although some states are more ambitious and may seek territorial expansion, at the least they all seek self-protection (Telbami, 2002, p. 160).

Like its structural realist predecessors, neoclassical realists see anarchy as a permissive condition for state behaviour: a condition which permits or enables the use of conflict.<sup>61</sup> A constant risk of the use of conflict exists, and no overarching authority provides strategic guidance for states (Sterling-Folker, 2002, pp. 70-2). Hence, states are inescapably uncertain and rely on themselves when facing potential threats to their interests.

This assumption of anarchy from structural realism is helpful in explaining conditions under which states' environments are conducive to self-help (Delury and Moon, 2014; Mearsheimer, 1998, 2003; Waltz, 1959, pp. 203-4). Whenever the US faced threats to

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<sup>60</sup> This anarchy principle goes back to Dickinson (1916, Chapter 1); and was subsequently used by the main structural realists including Mearsheimer (2003, pp. 3, 32) and Waltz (1959, pp. 159-86; 1979, pp. 81-9; 2000, p. 38), before neoclassical realists adopted it (Taliaferro, Lobell and Ripsman, 2009, p. 7)

<sup>61</sup> For recent articulations, see Ripsman, Taliaferro and Lobell (Ripsman, Taliaferro and Lobell, 2016, p. 43; Taliaferro, Lobell and Ripsman, 2009, p. 7).

its interests in East Asia, it could be expected over the longer term to put in a great deal of effort in securing its interests against China. This is so because no overarching actor helps secure American interests.

But when states seek to secure their interests, the anarchy assumption itself does not tell us much about specifically when and how states adjust their strategy. Moreover, contemporary realists remain unclear as to how this anarchy-permissive-cause assumption from Waltz's third image in the 1950s (and those who followed his steps) relates to neoclassical realism's additional variable of the permissiveness of the strategic environment since the 2000s. This ambiguity in extant neoclassical realist scholarship is clarified in the variables discussions for the proposed model later in this thesis.

Following from the anarchy assumption, neoclassical realists assume that decision-makers consider the *relative distribution of capabilities*. If states want to survive or protect their geostrategic interests, they must consider their power capabilities relative to others and maintain some defensive and offensive military forces. States are ranked by factors which, to some extent, are observable and gaugeable by external observers: population size, territory, economic power and military capabilities, "we need only rank them [states] roughly by capability" (Onea, 2012, p. 143; quoted from Waltz, 1979, p. 131). States focus on the great powers in the system: those with the largest capabilities generate the structure of the international system (Waltz, 1979, pp. 71, 91).<sup>62</sup> States must consider relative gains from free trade and respond to dangerous power accumulations elsewhere in the world (e.g. Schweller, 1996, p. 91; Taliaferro, Lobell and Ripsman, 2009, p. 7; Telbami, 2002, p. 106). Neoclassical realism maintains that although states do not necessarily expand but can be saturated (defensive realism), in a general sense they want more relative power which at least

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<sup>62</sup> Waltz and Mearsheimer have what Levy calls a "great power bias" (2004, p. 39) in balance of power theory. They state that their respective theories are based on the great powers because great powers shape the international environment wherein smaller states operate (like alliance formation, bandwagoning and buck passing). For example, Waltz (1979, p. 72) notes that "the units of greatest capability set the scene of action for others as well as for themselves."

allows them protection. This helps when others seek territorial expansion or threaten one's geostrategic interests. Since all states have relative power highest on their agenda, they participate in a race for security.<sup>63</sup> States should thus be expected to take cognisance of the balance of power; how power capabilities are distributed amongst states in the system. States' decision-makers permanently assess systemic incentives (Lobell, Ripsman and Taliaferro, 2009, p. 32; Taliaferro, Lobell and Ripsman, 2009, pp. 29-30). When the balance of power changes unfavourably, and other states gain relatively more capabilities), states should be expected to strategise accordingly.

But even when the relative distribution of capabilities remains in the hegemon's favour, the system incentivises states to act. Specifically, when a rising power's behaviour changes (for example, if it moves military capabilities near contested territory, claims international waters, and votes unfavourably in international organisations), it incentivises and directs the hegemon to adopt certain strategies. This is further developed in the thesis's proposed model later in this chapter.

Finally, neoclassical realists commonly maintain that states act *rationally*. On the one hand, structural realists assume a substantive rationality. That is, they evaluate state behaviour based on their response to the international environment. With substantive rationality, structural realism evaluates state behaviour as optimal responses to constraints from the international environment. It expects states to automatically react to major threats in the international environment, obey structural imperatives and choose a strategy that best serves their geostrategic interests and survival chances (Ripsman, Taliaferro and Lobell, 2016, pp. 22-4). In these ways, structural realists view actors as 'like states', that is, they perform the same task (Mearsheimer, 2003, pp. 3, 425 fn. 14; Ripsman, Taliaferro and Lobell, 2016, p. 38; Waltz, 1979, pp. 94-6, 104-5). Structural realists maintain that states consider how their actions affect other states' interests and how, in turn, other states' actions affect

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<sup>63</sup> This is elaborated on in Grieco (1993, p. 734), Mearsheimer (1998; 2003, pp. 36, 424) and Waltz (1959, pp. 105, 203-4).

their own interests (Mearsheimer, 2003, p. 31). Some realist scholars treat rationality as a core assumption, but no consensus exists. Waltz's theory "requires no assumptions of rationality" (Waltz, 1979, p. 118). Structural realism's purely systemic or third image analysis of international politics renounces first and second image analyses and could be said to miss (or deem unnecessary) a concept that a state behaves appropriately for its specified goals. In response, Mearsheimer writes that one cannot explain state behaviour without assuming rationality (2009). Mearsheimer includes rationality as one of his offensive realist theory's five assumptions: "great powers are rational actors. They are aware of their international environment and they think strategically about how to survive in it" (quoted from Mearsheimer, 2003, p. 31; Taliaferro, 2009, p. 214). This substantive rationality assumption expects that states, such as the US towards China, act appropriately when the distribution of capabilities changes.

Neoclassical realism, however, maintains a rationality assumption which acknowledges that states strategise more sub-optimally from a structural realist viewpoint. Substantive rationality in structural realism considers the international environment but understates states' internal characteristics. It is inflexible in terms of adding mediating variables such as perception and state power. Substantive rationality is thus more parsimonious: it only considers the international environment, as structural realism does.<sup>64</sup> Structural realism uses substantive rationality as a vessel in which it fulfils specific assumptions about state behaviour. But state behaviour expectations derived from structural realism are, as in the US-China case, defective exactly because the theory disregards such internal characteristics as decision-makers' perceptions and the resources at their disposal.

To rectify this, neoclassical realism departs from the substantive and approximates procedural rationality. Procedural rationality describes decision-making given any number

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<sup>64</sup> On this point, King, Keohane and Verba note that parsimony is an "assumption, about the nature of the world: it is assumed to be simple ... but we believe it is only occasionally appropriate ... theory should be just as complicated as all our evidence suggests" (1994, p. 20).

of preferences. Neoclassical realism defines specific interests; that is to say, national interests. Neoclassical realism's procedural rationality relates to state behaviour that adapts to constraints from the international environment and domestic constraints that decision-makers face (Glaser, 2010, pp. 2-3; Keohane, 1988, p. 381; Simon, H A, 1976; 1985, p. 294). By assuming procedural rationality, neoclassical realism's criticism targets structural realism's plainest or substantive rationality. In this thesis's research puzzle, US grand strategy towards China is seen as 'irrational' because a (substantively) rational response to structural incentives would, given structural realism's assumptions on state preferences and that leaders maximise those rather than other goals like wealth, have expected American decision-makers to focus and augment their China strategy.

By assuming procedural rationality, neoclassical realism acknowledges that states do not always respond optimally to structural incentives from the international environment in the way that would be expected from a structural realist perspective (see also Christensen, 1996, p. 15; Ripsman, Taliaferro and Lobell, 2016, p. 12; Zakaria, 1998, pp. 179-80). Neoclassical realists expect that the foreign policy executive deduces interests from the international environment. But they expect that states may act untimely and ineffectively because of factors such as the perception of the foreign policy executive. Neoclassical realists, thus, grasp what would appear as "delayed, inefficient, and arguably inappropriate balancing" (quoted from Lobell, 2009, p. 46; Schweller, 2006), or what from a structural realist view seems "reckless behavior" (Mearsheimer, 2009, p. 244).<sup>65</sup> With the procedural rationality assumption, neoclassical realism sheds light on why grand strategy adjustments proceed in a surprisingly rational way (Taliaferro, Ripsman and Lobell, 2012, p. 35). Neoclassical realists maintain that interests deduced from the international environment

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<sup>65</sup> Extant scholarship refers to "bounded rationality" (quoted from Keohane, 1988, p. 381; Simon, H A, 1985, p. 294) and "confined rationality" (Juneau, 2015, p. 220). Brands, in his work on American grand strategy, speaks of "bounded rather than perfect rationality" (2014, p. 11). Another formulation comes from Lobell, who writes that mediating variables like perception and state power can "impede states from behaving in the rational manner that balance of power theory ... suppose[s]" (2009, p. 63).

drive decision-makers primarily. But they appreciate that domestic constraints affect when and how they seek to secure those interests.

Overall, neoclassical realism seeks to move from parsimony (general trends and systemic outcomes) to specificity (grand strategy adjustments). They assume that the foreign policy executive acts rationally and considers the distribution of capabilities in the anarchical system. The following section specifies the assumptions for the proposed model in this thesis.

### *3.1.2 Assumptions in the proposed neoclassical realist model*

The proposed model maintains that the *foreign policy executive* is the central unit of analysis. Certainly, major states are the chief, most consequential actors in the international system. This means that the US is assumed to focus on them. But to understand how and when these major states adjust their grand strategy, the proposed model zooms in on the foreign policy executive: those few people charged with America's strategy towards China are the central actors. These people are the President, his key advisors, relevant Secretaries and others occupied with or influential in US decision-making in strategy and foreign policy, charged with America's strategic and foreign policy decisions.<sup>66</sup> This means that their perception of international threat matters. They are also the link between state level dynamics (such as the level of resources that they can extract from society) and the state's strategic response to international threats.

Next, the proposed model assumes that these states operate in an *anarchical* system. No higher authority creates hierarchy or is able to prevent China from infringing on America's geostrategic and geo-economic interests. Therefore, the US should be expected to focus and augment balancing against a rising China that threatens these interests. But this structural rule of anarchy does not mean that the *intensity* of an international threat from

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<sup>66</sup> To evaluate which members of the executive branch were involved and influential in strategic planning and decision-making processes, the case study in Chapters 4-5 uses, amongst other sources, memoirs of Presidents, published interviews, reports, meeting transcripts and writings (see also He, 2017, pp. 134-48; Ripsman, Taliaferro and Lobell, 2016, p. 129).

China's rise to US interests is constant. The anarchy assumption that permits conflict does not, by itself, explain why the US balanced China belatedly (it refocused on China only during 2011-2015). The anarchy principle leaves pathways for inquiry into how the US strategised in the short to medium term. Hence, the proposed model in this thesis maintains the anarchy principle. But it also opens the inquiry for refinements and additional variables to examine specific strategic decisions.

Following the anarchy assumption, the proposed model assumes that primarily, states' position and *relative power* in the international system drives their behaviour. When the US is expected to respond to unfavourable shifts in the relative distribution of power in the system of states, then more relative power improves their security. When the US engages in free trade with a rising power and potential adversary such as China, it helps to consider the balance of power and how benefits are distributed. States are compelled to focus on these relative power gains and eventually strategise to redress losses in relative power. But in the shorter term, they may not. For example, they may maintain trade with a rising power and potential adversary knowing that it yields absolute but not relative gains. In the short term, they may forego strategies that reverse his trend. This opens pathways of enquiry into why in the face of significant relative power losses, the US strategised belatedly, inefficiently or irrationally towards China's rise. It opens pathways of enquiry into why the US strategised in an untimely manner against significant losses from US-China trade and unfavourable changes in the distribution of power.

Following the above three assumptions, the proposed neoclassical realist model maintains a rationality assumption closer to *procedural rationality*. This includes constraints from the international environment and also considers the US's internal characteristics. Therefore, the proposed model in this thesis remains realist. In other words, it adheres to the core assumptions that states are the chief actors, anarchy and relative distribution of capabilities. The international environment conditions American state behaviour towards China and pressures the US to strategise to serve its own geostrategic interests and survival



chances over the long term. The procedural rationality assumption opens pathways for the proposed model to include mediating variables of perceptions and state power. These mediating variables affect the timing and efficiency with which decision-makers adjust strategy.

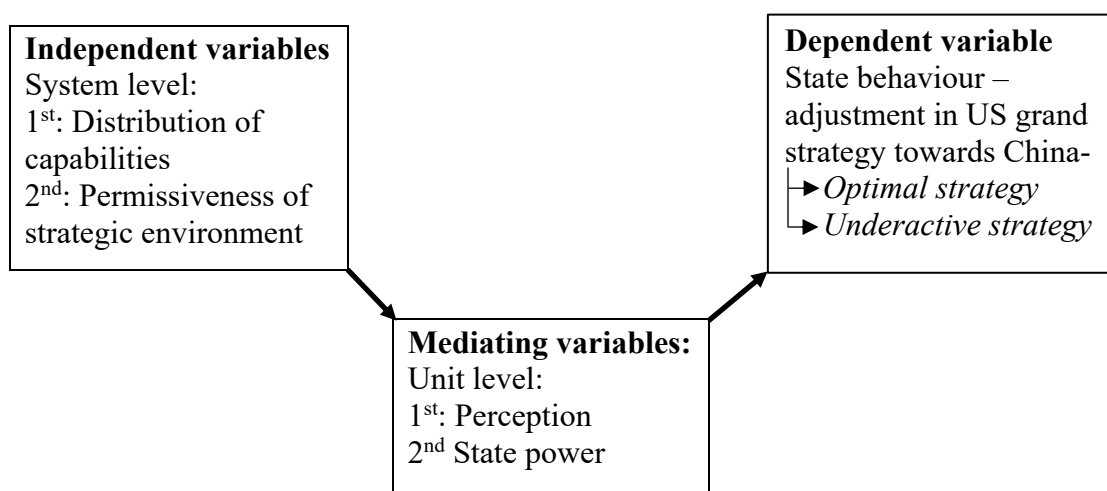
With interests deduced from the international environment, American decision-makers might adjust strategy in what from a structural realist and substantive rationality viewpoint would appear a belated and underactive manner. But when we incorporate constraints for decision-makers in the proposed model, we open pathways for strategies that look more rational from a procedural rationality point of view. What is then produced externally in American grand strategy towards China is the very outcome that structural realism would say to avoid: an underactive strategy that facilitated the rise of China. This outcome was thus not because of irrationality or foolishness. US grand strategy towards China should then not be understood, as this chapter elaborates on later, as a careful and purely rational response (in the structural realist sense) to externally given systemic conditions. Instead, US grand strategy vis-à-vis China is then best described as a blended product of systemic conditions and domestic characteristics that produces sub-optimal state behaviour.

With the proposed model's assumptions in mind, in the remainder of this chapter I will first select the variables and then interrogate how these add value for the proposed model in the thesis. Then, I will define the selected variables for the proposed model and specify how they combine to produce the outcome in US grand strategy towards China. Finally, I will present the model's set of propositions.

### **3.2 Selecting the variables in play**

Neoclassical realism moves away from structural realism's parsimony of one independent variable and no mediating variables and adds variables to examine specific strategic decisions. But this also poses a challenge: selecting the variables. In the following section, I will outline, as illustrated in Figure 6, how neoclassical realist literature covers the selected

variables. I will interrogate whether they hold promise in more satisfactorily explaining why the US responded belatedly and inappropriately to China's rise. This helps to further establish the importance of the permissiveness of the strategic environment as an additional independent variable for grand strategy. It adds two mediating variables (perception and state power) to move nearer to specificity. Finally, it helps the proposed model to establish a set of clear propositions.



**Figure 6.** The thesis's neoclassical realist model

### 3.2.1 *Selecting the independent variables*

The baseline for neoclassical realism is the independent variable of how states' international environment changes (Table 3). Some neoclassical realists posit one independent variable, such as the relative distribution of material capabilities (Taliaferro, 2009, pp. 206, 8). Other neoclassical realists suggest as many as 4 independent variables (Lai, 2008, p. 60; Ripsman, Taliaferro and Lobell, 2016, pp. 33-57; Tziarras, 2014). Of these, the most relevant for the proposed model in this thesis is the permissiveness of the strategic environment. This variable is more specific about the timing and shape of international threats. Moreover, the permissiveness of the strategic environment specifies exactly when mediating variables are likely to interfere with state behaviour. It can help deepen our understanding of systemic incentives. It helps to explain the conditions under which mediating variables are expected

to shape America's China strategy. In the next section I will discuss how extant works employs the distribution of capabilities and the permissiveness of the strategic environment.

**Table 3.** Variables in selected extant neoclassical realist models and in this thesis’s proposed model

	<b>Structural realism</b>	<b>Extant neoclassical realist models</b>	<b>Variables in the proposed neoclassical realist model in this thesis</b>
<b>Independent variable</b>	- Distribution of capabilities (Mearsheimer, 2003; Waltz, 1979)	- Distribution of capabilities (Schweller, 2018a; Taliaferro, 2009) - International economic interdependence (Tziarras, 2014)	<ul style="list-style-type: none"> <li>• Distribution of capabilities</li> <li>• Permissiveness of strategic environment</li> </ul>
<b>Mediating variables</b>		<ul style="list-style-type: none"> <li>- Perception (Brawley, 2010a; He, 2017; Marsh, K, 2012; Walt, 1987; Wohlforth, 1993)</li> <li>- State power (Brawley, 2010a; Taliaferro, 2006; Zakaria, 1998)</li> <li>- Domestic interest groups (Ripsman, 2009)</li> <li>- Ideology, ideas and nationalism (Dueck, 2006; Kitchen, 2010; Meibauer, 2017; Schweller, 2009, 2018a; Walt, 1987)</li> </ul>	<ul style="list-style-type: none"> <li>• Foreign policy executive perception</li> <li>• State power</li> </ul>
<b>Dependent variable</b>	- Systemic outcomes (Mearsheimer, 2003; Waltz, 1979)	<ul style="list-style-type: none"> <li>- Crisis decision-making - short term (Devlen and Özdamar, 2009)</li> <li>- Foreign policy decision-making – short to medium term (Meibauer, 2017)</li> <li>- Grand strategy adjustment – medium term (Brawley, 2009; Lobell, 2003; Taliaferro, 2012)</li> <li>- Systemic outcomes – longer term (Ripsman, Taliaferro and Lobell, 2016, pp. 85-6)</li> </ul>	<ul style="list-style-type: none"> <li>• Grand strategy adjustment</li> </ul>

### Distribution of capabilities

The distribution of capabilities remains an important starting point for analysing grand strategy adjustments because of its theoretical simplicity. Its clear advantage lays in its applicability and measurability, and the likely outcomes that it produces in the system. For example, the distribution of capabilities has often been used for cases like the Peloponnesian War, World War II and American grand strategy in the Cold War. That is, whenever a great power rises and amasses more capabilities relative to other states that (may) threaten others' interests, those other states are expected to strategise appropriately against the rising power. However, this first independent variable leaves the analysis vague for the US-China case and is limited for reasons that I will emphasise in the next paragraphs. I will suggest that the distribution of capabilities is a first (but not sole) independent variable. I will suggest that the second independent variable of the permissiveness of the strategic environment has much potential to address these insufficiencies.

### *Distribution of capabilities and the structure*

The way in which capabilities are distributed generates the international system's structure (Waltz, 1979, pp. 71, 91), whereby states rank according to the "usual measures" (Ripsman, Taliaferro and Lobell, 2016, p. 44). These measures include gross domestic product (GDP), defence spending, size and composition of armed forces, military research and development and population size and demographic trends. With regard to such measures, it suffices to know the structure (Waltz, 1979, pp. 93, 131). Over time, the structure changes when states' capabilities increase and decline.

These changes in the distribution of capabilities condition behaviour. They set the broad contours for state behaviour in the long term. States derive their interests from the environment in which they find themselves (Waltz, 1979, p. 134). These conditions, and the interests derived from them, are exogenously given. Changes in the distribution of capabilities result from a material reality that can be known, and in that sense are not constructed (Hall and Taylor, 1996, pp. 943-5). A rising great power changes the structure,

can jeopardise others' geostrategic interests and incentivises others to check the rising power. In this way, the survival imperative is expected to drive all states: they are pressured to work hard to enhance their security and survival chances. That is, states evaluate how economic and military power is dispersed in the system of states. Then they strategise appropriately to (at least) maintain their position vis-à-vis other states.

#### *Distribution of capabilities and trade*

A great part of these changes in the distribution of capabilities revolve around international trade. Some neoclassical realists discuss international trade as a separate independent variable (e.g. Lai, 2008; Tziarras, 2014). But the first independent variable of the distribution of capabilities provides ample scope for the role of trade. Trade is the "first way" in which structure and the distribution of capabilities constrain state behaviour (Waltz, 1979, p. 106). Structural incentives such as a rising power compel states to pay attention to the risks and security losses that come with free trade (Grieco, 1990; Waltz, 1979, pp. 129-60). Keohane and Nye's seminal work on trade does not ignore realist security and power concerns. Their work integrates trade interdependence with realist perspectives in an "integrated analysis" (1987, p. 730). The authors maintain that states consider relative gains and tensions arising from trade. They write, "the problem is how to generate and maintain a mutually beneficial pattern of cooperation in the face of competing efforts by governments ... to manipulate the system for their own benefit" (Keohane and Nye, 1977; quoted from 1987, p. 730). When a state's trade deficit worsens, then its position in the system worsens and it is incentivised to strategise appropriately.

Many of these concerns about gains from trade in the distribution of capabilities relate to the security externalities that trade produces. When trade flows to allies, it "increases an ally's income, increasing its potential power and therefore the power of the alliance as a whole" (Gowa and Hicks, 2013, p. 450). Hence, this is referred to as positive security externalities of trade. Conversely, high trade levels with adversaries weaken the alliance, hence this is referred to as negative security externalities of trade (Gowa, 1994, pp.

38-9; Gowa and Hicks, 2013, p. 440). Clearly, trade is central in the first independent variable of the distribution of capabilities. After all, states, like the US in the US-China case, “expect to get about one-half of the benefits of a bargain made” (Waltz, 1979, p. 135). If states get less than half of the benefits from trade, then they are “better off if it trades with its ally than with an adversary” (Gowa and Hicks, 2013, p. 450). The first independent variable of the distribution of capabilities and the role of trade therein provides broad incentives to states to pursue particular strategies. It leads states to check a rising power and to turn negative security externalities from a trade deficit into positive ones. This produces a more favourable distribution of capabilities.

This first independent variable of distribution of capabilities thus has much potential to help explain US grand strategy towards China. The US-China case featured a rising power, changes in the distribution of capabilities and a vast trade deficit with large security externalities. But if we limit the analysis to changes in the externally given structure as measured in aggregate changes in the distribution of capabilities, then we only explain general trends in state behaviour over the longer term. This first variable’s theoretical simplicity for explaining America’s China strategy confounds the specificity of when and how states adjust strategy. Namely, since 1991, China’s rise continued and changed how capabilities were distributed in the system. But this says little about when, how and under which conditions the US was expected to respond.

In the next paragraphs, I will turn to how some neoclassical realists introduced an additional independent variable of the permissiveness of the strategic environment. This second independent variable deals with rising powers’ precise manoeuvres and developments. It clarifies when and how the international environment incentivises states to adjust their strategy. However, as I will argue below, extant neoclassical realist work remains unclear as to how the permissiveness of the strategic environment relates to the anarchy assumption and how it is measured. If we can understand how to gauge the permissiveness

of the strategic environment more comprehensively, then we better understand the systemic conditions of American grand strategy towards China.

### The permissiveness of the strategic environment

The proposed model seeks to deepen the analysis of the permissiveness of the strategic environment. This helps to clarify the conditions under which America's China strategy is likely to be underactive. In this section, I build off extant neoclassical realist scholarship. This helps to interrogate how the permissiveness of the strategic environment can help explain the US China case and neoclassical realism's added value.

Recent neoclassical realist literature emphasises that strategic adjustments are influenced by systemic incentives beyond simply the distribution of capabilities (e.g. Lobell, 2012, 2018; Ripsman, Taliaferro and Lobell, 2016, pp. 33-57; Smith, K, 2016, p. 316). A rising power's aggregate economic and military power says little about precisely when it presents a great and imminent threat to others. Changes in aggregate power capabilities also remain vague about when states are incentivised to check China's rise and with which strategies. The additional independent variable of the permissiveness of the strategic environment points to the magnitude and imminence of an international threat. Although China's aggregate capabilities grew significantly after 1991, it lacked advanced capabilities that would pose a greater and more imminent threat until the mid-to-late 2000s. This left greater leeway for the US to adopt alternative strategies. When American grand strategy towards China repeatedly deviated over a quarter-century under several US administrations, permissiveness of the strategic environment holds much promise to help better explain America's China strategy.



*Models referring to the permissiveness of the strategic environment*

Related notions of permissiveness were already touched upon in the 1990s. Recently, the permissiveness of the strategic environment was more frequently suggested as an additional neoclassical realist independent variable.<sup>67</sup>

One recent neoclassical realist study that employs the permissiveness of the strategic environment is that of Meibauer (2017). In his work, Meibauer argues that in a more permissive strategic environment, greater leeway exists for decision-makers to choose their strategy. He argues that foreign policy executive members take their ideas into foreign policy deliberations. The competition of strategic ideas that ensues, Meibauer argues, leads to sub-optimal foreign policy decisions. To measure the level of permissiveness of the strategic environment, he refers to criteria like adversary states' behaviour in international organisations (for example how they vote in the UN) (Meibauer, 2017, p. 87).

The best articulation to date of the permissiveness of the strategic environment is by Ripsman, Taliaferro and Lobell (2016, p. 52). They write that it “relates to the imminence and the magnitude of threats and opportunities that states face” (p. 52). “The more remote ... and the less intense the threat ... the more permissive the strategic environment is” (p. 52). This means that greater leeway exists to pursue alternative strategies and for mediating variables to interfere with state behaviour. Conversely, the more imminent and the more dangerous the threat, the less permissive the strategic environment is. This means that little leeway exists for alternative strategies and for mediating variables to interfere with state behaviour. To evaluate the level of permissiveness, these neoclassical realists refer to criteria such as the size of conventional forces, whether an invasion is imminent and whether adversary states launch or test new missiles (Ripsman, Taliaferro and Lobell, 2016, pp. 52-6).

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<sup>67</sup> See Brawley (2009), Simón (2013, p. 42), Wirtz (2000, p. 10), Wylie, Markowski and Hall (2006, p. 266) and Zakaria (1998, pp. 76, 8-9, 99-100, 19). See also Lobell (2012), Copeland (2012), Silverstone (2012), Crawford (2012), Meibauer (2017), Ripsman and Levy (2012), Ripsman, Taliaferro and Lobell (Lobell, Taliaferro and Ripsman, 2012; Ripsman, Taliaferro and Lobell, 2016, pp. 52-6), Edelstein (2012) and Taliaferro (2012).

Approaching the permissiveness of the strategic environment in this way has advantages for moving nearer specificity with (at least) two limitations. I will discuss the limitations, with an important refinement, below. A main advantage is that the permissiveness of the strategic environment focuses on particular state behaviour. It specifies when the environment becomes less permissive and contracts decision-makers' leeway to pursue alternative strategies.

*Placing the permissiveness of the strategic environment within realist models*

Some neoclassical realists have started to refer more frequently to the additional independent variable of the permissiveness of the strategic environment. But confusion arises from misidentifying the conceptual difference between structural rules of anarchy and the permissive cause for behaviour (Waltz's structural realism) on the one hand and systemic incentives in the permissiveness of the strategic environment on the other. This is because the introduction of the variable of the permissiveness of the strategic environment (including how it has been used in case studies) confuses notions from structural realism, not least because realist terminology is confusing. Waltz's explanation since the 1950s refers to the anarchy-permissive-cause. Neoclassical realists have, since the 2000s, referred to the permissiveness of the strategic environment. Generations of realists have not made it easy for themselves in both terminology and use. Debates on neoclassical realism have yet to clarify how both notions relate to one another. Neoclassical realist work that addresses these concerns is hard to find.

This thesis seeks to further establish the permissiveness of the strategic environment as an independent variable for grand strategy. In doing so, the proposed model in this thesis seeks to help demonstrate how neoclassical realism can contribute to analyses of grand strategies of states, with the US's China strategy as its case study. The following paragraphs, therefore, clarify the relationship of the permissiveness of the strategic environment with structural realism's anarchy-permissive-cause. This helps to remedy some of the limitations,

addresses problems inherent in existing models and, more cautiously, combines the permissiveness of the strategic environment with the first independent variable.

The notion of anarchy and *permissive cause* is borrowed by structural and neoclassical realists from Waltz's third image. This notion is about an assumption of the international system. It is defined by Waltz as follows: "the permissive cause is the fact that there is nothing to prevent a state from undertaking the risks of war" (1959, p. 234). Some structural realists after Waltz have maintained this anarchy-permissive-cause notion. This permissive cause is, in line with Waltzian structural realism, a factor that creates opportunities, constrains states and incentivises state behaviour. This permissive cause does not decide specific state behaviour like strategic adjustments.<sup>68</sup> Defensive realists also emphasise that the permissive cause principle may incentivise states to seek more than just defence. But they argue that America's geographic size, large population and deterrence capabilities present international conditions that allow the US to be very secure in the face of China's rise (e.g. Adams, 2004, pp. 436-7; Glaser, 2015, p. 53). Other post-Waltz structural realists argue that the balance between offensive and defensive military operations explains state behaviour in the system (e.g. Glaser and Kaufmann, 1998; Jervis, 1978; Van Evera, 1999, pp. 117-23). Yet others suggest that with the system's permissive cause, hegemons initiate conflict when they confront changes in the distribution of capabilities (e.g. Copeland, 2000). Others suggest that the US should be expected to balance against threats rather than aggregate capabilities as measured according to geographic proximity, perceived intentions and offensive capabilities (Walt, 1987). These realists' usage of the notion of permissive cause is derived from the anarchy principle, which is seen by these realists to be constant.

This structural realist baseline would say to expect that the hegemon wants to remain

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<sup>68</sup> Hudson specifies that the permissive cause and system-level variables set a probability distribution over particular foreign policy choices (2007, pp. 143-4).

a unipole.<sup>69</sup> After all, an anarchical system of states permits conflict. Remaining the most powerful state helps in fending off threats. Therefore, structural realism expects the hegemon to focus and augment its balancing against a rising power. If the hegemon deprioritises or untimely balances a rising power, as in the US-China case, then room exists to explain such state behaviour more satisfactorily. In the US-China case, a system that permits conflict itself is unclear about why the US balanced China so belatedly (it re-focused on China only during 2011-2015).

To explain specific state behaviour more satisfactorily, some neoclassical realists started to refer to the concept of *the permissiveness of the strategic environment*. Neoclassical realists have suggested this notion as an additional independent variable only over the past ten years.<sup>70</sup> They define the permissiveness of the strategic environment as a threat's imminence and magnitude. Neoclassical realists evaluate it against observed state behaviour. That is, whether states develop particular capabilities that harm others' interests, claim contested territory, launch new missiles and vote unfavourably in international organisations. And these criteria vary the strategic environment along a continuum of very permissive (small and distant threat) to less permissive (larger and nearer threat). Waltz's anarchy principle that permits conflict (the permissive cause), however, remains constant.

The additional independent variable of the permissiveness of the strategic environment thus holds much promise for examining specific strategic adjustments in the US-China case analysis in Chapters 4-5. When the anarchical system and permissive cause (as understood by structural realists) remains constant, the permissiveness of the strategic environment changes on a continuum.

When a rising power refrains from developing modern capabilities and manoeuvring near contested territories, then the strategic environment is more permissive (or lenient) for

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<sup>69</sup> This is elaborated on in Chapter 1.

<sup>70</sup> This is not to say that this is only discussed in neoclassical realist analyses. For example, Trubowitz (2011, p. 6) refers to "geopolitical slack." But he departs from neoclassical realism and the proposed model here in that he does not prioritise the system level and does not further develop it as an independent variable.

alternative strategies. This means that the rising power incentivises the hegemon less to focus on balancing the rising power in the short term. Neoclassical realists say that the permissive strategic environment has a less intense threat (Ripsman, Taliaferro and Lobell, 2016, p. 53). In the anarchical system a possible threat always exists (this principle remains constant), but the threat's intensity varies.

But a rising power may develop modern capabilities and manoeuvre near contested territories that threaten the hegemon's strategic interests. Then the strategic environment becomes less permissive for alternative strategic options. That is, the hegemon's focus must be to check the rising power. This means that the hegemon has fewer strategic options, because it is incentivised to immediately focus on the rising power. This less permissive (or more restrictive) environment is referred to as a more intense threat. Again, in the anarchical system, a possible threat always exists (this principle remains constant), but the threat's intensity varies. When we include this additional independent variable, we move beyond appraising aggregate distributions of capabilities and we can explain more specifically why and when the US adjusted its China strategy.

#### *Criticising the permissiveness of the strategic environment*

But when we accept the additional variable of the permissiveness of the strategic environment, as the authors above have, its distinct role remains underspecified if we measure it incomprehensively. Specifically, it remains unclear what criteria are used to gauge the level of permissiveness of the strategic environment. For example, various models refer to the permissiveness of the strategic environment and use it for their analysis, but without specifying it (e.g. Brawley, 2009; Crawford, 2012; Lobell, 2012, pp. 156-7; Silverstone, 2012, pp. 70-1; Taliaferro, 2012, pp. 197-200). According to these authors, no clear and comprehensive understanding exists. This risks that scholars cherry-pick evidence to assert that the environment becomes more or less permissive. Some suggest that the permissiveness of the strategic environment depends on adversary states' power components (Lobell, 2009, pp. 54-6, 68-70), state officials' speeches that challenge the status quo

(Silverstone, 2012, p. 85), or whether a state is included in free trade initiatives (Copeland, 2012, p. 145).<sup>71</sup> This complicates a satisfactory analysis based on a clear set of criteria, rather than an ad hoc selection of evidentiary support based on the case at hand.

Moreover, extant work remains unclear about the permissiveness of the strategic environment's consequences. For example, Taliaferro (2012) suggests that in a less permissive strategic environment, decision-makers focus more on short term concerns. Edelstein (2012, p. 323) directly challenges this and suggests that in a less permissive strategic environment, decision-makers focus more equally on short term and long term concerns. Furthermore, extant models overlook the effect of the level of permissiveness of the strategic environment on trade. Trade, as outlined earlier, is central in the distribution of capabilities (first independent variable) and to the US-China case. Little (if any) extant neoclassical realist scholarship that employs the permissiveness of the strategic environment has addressed these deficiencies.

Thus, the proposed model employs two independent variables: the distribution of capabilities and the permissiveness of the strategic environment. These independent variables set grand strategy's broad contours but do not dictate grand strategic adjustments' specifics. To move nearer specificity (examining specific strategic adjustments), I will now turn to the selection of mediating variables.

### *3.2.2 Selecting the mediating variables*

The proposed model adds mediating variables and refines the conditions under which these mediating variables are expected to influence America's China strategy. In doing so, the proposed model can contribute to the literature on neoclassical realism, US's China strategy and IR more generally. But when we seek to explain state behaviour more precisely in this way, we face the challenge of selecting the mediating variables. Mediating variables are here

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<sup>71</sup> More diverging criteria exist in the literature, see Brawley (2009, p. 81), Dueck (2009, p. 149), Haas (2012, pp. 302-3), Lobell (2012, pp. 150-7), Lobell, Taliaferro and Ripsman (Lobell, Taliaferro and Ripsman, 2012; Ripsman, Taliaferro and Lobell, 2009, pp. 282-7) and Ripsman (2009, pp. 186-91).

understood as additional factors, be they individual or domestic, that intervene in the causal chain between systemic incentives and strategic choice and that influence the form of strategic choice (Dueck, 2009, p. 139; Lobell, Taliaferro and Ripsman, 2012, p. 25). The independent variables (distribution of capabilities and permissiveness of the strategic environment) remain the primary causative influence on strategy adjustments. The foreign policy executive infers from systemic stimuli the state's core interests and strategises accordingly over the longer term. But these independent variables do not configure the mediating variables that decision-makers face. The independent variables are too imprecise to shape strategic adjustments to only one feasible plan of action. The independent variables also cannot forecast the specific shape and timing of strategic adjustments (Rose, 1998, p. 147).

When neoclassical realists select mediating variables, some posit one mediating variable (Taliaferro, 2006, p. 486) and others present up to three (Lai, 2008) or four (Schweller, 2004, p. 169) (Tables 3 and 4). Fewer mediating variables, as in Taliaferro's model, move nearer parsimonious, systemic and generalisable explanations, but they explain American strategy imprecisely. More mediating variables, as in Schweller's work, nears reductionism and reduces parsimony and generalisability.<sup>72</sup> Since the thesis aims to analyse the US-China case, the proposed model seeks more precision and less generalisability.

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<sup>72</sup> For a discussion about reductionism in neoclassical realist models, see Lobell, Ripsman and Taliaferro (2009, pp. 13-4, 21-2); reductionism is understood as "the tendency to explain the whole with reference to the internal attributes and the individual behaviour of the units" (pp. 13-14).

**Table 4.** Extant neoclassical realist models with mediating variables

<b>Author</b>	<b>Mediating variables</b>
Jeffrey Taliaferro (2006)	1) Variation in the level of state power
Mark Brawley (2010a)	1) Rate of transforming societal resources into capabilities 2) Assessment of time horizon of threats
Yew Meng Lai (2008)	1) Nationalism 2) State institutions 3) Domestic politics
Randall Schweller (2004)	1) Elite consensus 2) Government or regime vulnerability 3) Social cohesion 4) Elite cohesion

The proposed model employs, as presented in Figure 6, two mediating variables. These mediating variables are foreign policy executive perceptions and state power. The foreign policy executive might track material changes in the system inaccurately. It might be ambiguous about which interests are jeopardised and which strategic response is apposite. The independent variables only set the conditions under which mediating variables affect when and how states respond to systemic incentives. This opens the examination of American strategy towards China to include foreign policy elite perceptions and resource constraints variables that hinder timely and efficient responses.

The primary variable of foreign policy executive perception filters the international environment through which decision-makers view China's rise and East Asia. The second variable, state power, matters because economic resources availability (or the lack thereof) affects how decision-makers adjust grand strategy when they respond to structural incentives. This helps to explaining the timing and shape of American grand strategy towards China. When the proposed model employs these two mediating variables, it increases precision and explanatory power yet maintains a sufficient degree of parsimony.

Some neoclassical realist models have previously sought to explain variation in grand strategy by examining domestic embedded ideology (e.g. Dueck, 2006). Particularly, they



complement unit level analyses and explain active, interventionist and overbalancing strategies. Dueck examines American grand strategy of containment in Eurasia in the early Cold War years (pp. 82-85). He argues that structural realism would expect a more restrained American grand strategy in the Cold War. Dueck argues that domestic embedded liberal ideology explains American active strategy in Eurasia. Other scholars have advanced models that focus on ideology that facilitates the mobilisation of domestic support for grand strategies (Schweller, 2009, p. 228). Some scholars focus on the ideological roots of foreign policy elite perceptions. Such models clarify how historically developed ideology affects state leaders' views about the world but say little about changes in foreign policy elites' forward-looking perceptions. They also reveal little about constraints from the domestic American economy on grand strategy. Moreover, the puzzle in the above studies was why the US developed overly active and interventionist strategies (see Dueck's study), or why the US sought novel grand strategies (as per Schweller's model).

Other models attribute variation in grand strategy to state leaders' worldviews. These analyses centre on the views of Presidents Clinton, George W Bush and Barack Obama, and present first image analyses (Waltz, 1959, pp. 42-79). But these analyses remain silent about the domestic situation and available resources. Moreover, these approaches focus on adjustments in grand strategy when government leadership changes. The first assumption of the proposed model is that the foreign policy executive (not just the incumbent President) is the central unit of analysis. Members of the foreign policy executive take their perceptions of the international environment into the decision-making process. They arrive at a shared, established, perceived international environment, which does not necessarily correspond with the perception or worldview of the President. Changes in grand strategy are therefore unlikely to be driven chiefly by the worldview of the President. Furthermore, the proposed model demonstrates, as discussed later in the thesis, that American strategy towards China was adjusted when foreign policy executive perceptions changed. These perception changes differed from when Presidential leadership changed. More critically, focusing on individual

state leaders' worldviews ignores important state dynamics like the varying levels of resource constraints that shape grand strategy. Indeed, as the proposed model aims to demonstrate, the form and timing of America's China strategy was primarily shaped by the perceptions of the officials in charge of it. Additionally, it was constrained by changing amounts of resources available to them.

Yet other models employ a variable that looks at domestic interest groups. Such models examine how free trade and protectionism-oriented groups compete to influence the foreign policy executive to pursue military and economic strategies that serve their respective free trade and protectionist interest (e.g. Ripsman, 2009; Steinsson, 2017). However, such models underplay how resource extraction hurdles or elite perceptions affect how decision-makers change strategy.

From this perspective, complementing the proposed model in this thesis with a perception and a state power mediating variable seems appropriate. These variables fit with extant neoclassical realist literature. They are relevant at a time of economic and fiscal constraints in the US. And they move the proposed model nearer specificity (examining specific strategic decisions) whilst maintaining a sufficient degree of parsimony.

#### Perception variable in extant models

Perception has long been acknowledged as an important unit-level factor within neoclassical realist literature and beyond that affects grand strategy. This perception variable in neoclassical realism builds on extant scholarship on perception, that is, Wohlforth (1993), Kai He (2017), Marsh (2012) Walt (1987), Schweller (1998, pp. 15-38) and Brawley (2009, 2010a) who all extend research on perceptual variables; these models tend to draw on the work of one of the most prominent scholars on the topic of perception: Robert Jervis (1976).

Jervis argues that "it would seem hard to explain international politics, let alone the foreign policy a state follows, without investigating its decisions, which presumably rest in part on its perception of the environment" (1976, p. xviii). He refers to the "psychological

milieu” (the world as decision-makers see it) as opposed to the “operational milieu” (the world in which they carry out strategic adjustments) (1976, p. 13). Building on his work, the influence of the selected independent variables (distribution of capabilities and permissiveness of the strategic environment) is “substantial but capricious” because elite perceptions affect outcomes (Cha, 2000, p. 270; Leffler, 1992; quoted from Wohlforth, 1993, p. 100).

Jervis emphasises that foreign policy elites may twist incoming information that contradicts their perceptions (e.g. Brands, 2014; Jervis, 1976). Decision-makers may twist alternative views and dissenting information and cherry-pick incoming stimuli (Jervis, 1976; 2005, pp. 117, 21). They may discredit or disregard sources of discrepant information, or interpret new information and find other data which suits their established perceptions (Edelstein, 2012, p. 329). For example, Brands’ (2014, pp. 17-58) work on the US’s strategy argues that decision-makers may twist contrary systemic incentives to fit perceptions, and Yang’s (2010, p. 425) study on US foreign policy towards China finds that leaders “tend to ignore information that threatens their existing belief systems and have limited ability to adjust their beliefs in light of new information.” Decision-makers start from “predispositions that lead actors to notice certain things and to neglect others” (Christensen, 1997; quoted from Jervis, 1976, p. 145; Rose, 1998, p. 152; Van Evera, 1999). The foreign policy executive merely absorbs a selection of the material world.

Jervis refines his perception variable. He explains that after decision-makers establish their perceived international environment, they implement their strategy in the real world. Their perception of the environment affects the shape and timing of grand strategy in the real world. The perception of a hostile adversary in a particular region interferes when leaders adjust grand strategy in response to that perception and implement their strategy in the real world. When leaders implement their strategy adjustments, they take the actual course of events as proof that their initial thesis about the perceived international

environment was correct (Jervis, 1976; 2006, pp. 651-7; 2012, pp. 398-9; Merton, 1949, pp. 422-3; Walt, 1985, p. 26).

This perception variable does not mean, however, that it becomes the cause of strategic adjustments, because the causal role remains with the independent variables (distribution of capabilities and permissiveness of the strategic environment). The independent and causal variables set the broad contours for state behaviour and states are expected to focus on the independent and causal structural incentives over the long term. However, in the shorter term and especially under conditions of a more permissive strategic environment, the mediating variable of foreign policy elite perceptions can interfere and distort how state leaders adjust their grand strategy.

This mediating variable of perception holds much promise to clarify how incoming incentives from China's rise were perceived during 1991-2015. In most of these years, American perceptions of the international environment deprioritised China. It became less plausible among American foreign policy elites to argue that China was America's main international threat. Moreover, the US adjusted its grand strategy towards China in discrete chunks when its perception changed, rather than as a continuous stream of small adjustments (Friedberg, 1988, p. 17). States respond to international pressures from the first and second independent variables (distribution of capabilities and permissiveness of the strategic environment). But their perceptions of the international environment intervene in the causal chain between systemic incentives and strategic choice.

Some neoclassical realist models like those of Kai He, Marsh and Friedberg develop forward-looking perception models for US-China relations. They do not investigate their roots but suggest that we identify changes in foreign policy elites' perceptions (Brawley, 2009; Friedberg, 1988; He, 2017; Marsh, K, 2012). Others focus on the role of ideas to better understand the roots and creation of foreign policy elite perceptions (e.g. Meibauer, 2017). The authors in the former group examine how decision-makers' forward-looking perceptions of the international environment, once established, change and affect US-China relations.

They investigate not the ideational roots of perceptions but observe changes in perceptions as expressed by the foreign policy executive. This allows them to evaluate how changes in the US's China strategy are the blended product of independent variables (such as the distribution of capabilities) and the mediating perception variable.

One of the neoclassical realist models that seriously considers forward-looking perceptions specifically in US-China relations is that of Kai He (2017). He details how a perceptual variable helps to explain US-China relations. He argues that how elites perceive the East Asian security structure helps to explain changes in American state action towards China. He argues, "perceptions can dilute or enhance (rather than simply transmit) the influence of other variables on the choices to cooperate or conflict by US and Chinese leaders" (2017, p. 138, original parantheses).

But because this model mainly focuses on perception, it underplays the effect of varying levels of available resources on American state behaviour towards China. Because Kai He adds perception, he moves a step away from general explanations, but he remains hard pressed to account for particular US foreign policy or strategy towards China. To better understand specific strategic adjustments, it seems necessary to consider how additional mediating variables help. This is especially relevant when the US faced economic and fiscal constraints.

Another neoclassical realist model that employs a perception model for the study of contemporary US strategy towards China is that of Marsh (2012). In his model, Marsh details how both elite perceptions and domestic politics help to explain America's China strategy. Marsh adds, unlike Kai He's model, an additional mediating variable of domestic politics to near specificity (examining specific strategic adjustments). But his model falls short of explaining or theorising either variable before he presents his empirical analysis on the 2012 US Defense Strategic Guidance. Even when we accept additional mediating variables, as in Marsh's model, their added value remains underspecified when we do not theorise them. This risks that we generate more precise but ad hoc accounts of US-China relations.

### Strengths and limitations of existing models on perception

These perception approaches to the study of US-China relations have a main advantage and face (at least) two criticisms. One advantage is that these approaches sit well with the literature on neoclassical realism and US grand strategy towards China, like Lieber (2011, pp. 515-6), and specifically the observation that US decision-makers' perceptions may differ from the material distribution of capabilities. They point out that although the forward-looking China perceptions sometimes differ from the given external environment, they matter because in permissive strategic environments decision-makers' perceptions have more room to affect America's China strategy. These debates ask how forward-looking perceptions about China affected US state action. Moreover, this fits with Jervis's understanding, along with others like Schweller, that decision-makers may perceive threats as minor or secondary that others might see as greater. Decision-makers may deprioritise real dangers that others see as grave threats (Jervis, 1976; 1988, pp. 675-6; 2006, pp. 653, 9; Schweller, 1998, pp. 59-92). The perceived international environment may differ from the external environment, but the US foreign policy executive can be susceptible to them. This forward-looking perception variable holds much promise for explaining American deviant state behaviour towards China. For much of 1991-2015, the American perceived international environment deprioritised China as the main international threat and allowed the trade deficit with China to linger. The US's strategy towards China was underactive and for some years it perceived another region in the world to be its main threat - one that others considered minuscule.

One complication is that various different actors observe the international environment. When we employ the American foreign policy elite's perceptions of China's rise in this way, we could also go beyond the foreign policy executive and also consider other actors. In particular, we could include American perceptions about US-China relations in the American media (e.g. the study of Yu, Y, 1998) or the American public's China

perceptions (e.g. the study of Su et al., 2015, pp. 23-40). But “while [such] societal actors within a state may express many views, these views may not represent the decision-makers’ attitudes or their rationale for policy decisions” (Ripsman, Taliaferro and Lobell, 2016, p. 123). This variety of perceptions on behalf of actors such as the media undermines a central assumption of the proposed model in this thesis: the foreign policy executive is the most important actor. Examining the foreign policy executive suffices to infer how decision-makers have perceived their international environment and impacted adjustments in US grand strategy towards China.

One could also argue that neoclassical realism is not unique in the realist tradition in being equipped to engage with forward-looking perceptions on the part of states. Some structural realists also refer to perceptions. Walt (1987) improves Waltz’s balance of power theory when he incorporates perceptions of intentions. Schweller (1998) develops a structurally informed analysis with reference to the interests within states. Mearsheimer mentions how decision-makers view the international material environment. Because states cannot trust in the stability over time of others’ intentions, they must predict future concentrations of capability and respond accordingly. Yet he concludes that “one need *not* focus on perception of power to explain how states behave” (Mearsheimer, 2003, pp. 432, fn. 2, emphasis added). He explicitly *excludes* a mediating variable of perception to explain deviant state behaviour from what a structural realist account would say to expect. Conversely, the proposed model in this thesis adopts a perception variable to more satisfactorily explain the US-China case than these structural realists do.

To remedy some of these limitations, and to build on extant neoclassical realist scholarship, the proposed neoclassical realist model in this thesis adds a perceptual variable. Later in this chapter, the proposed model outlines and operationalises this variable. It specifies under which conditions perception is expected to affect America’s grand strategy towards China and interferes with simple obedience to structural incentives.

As illustrated in Figure 6, after decision-makers have established their perception of the international system, their response also depends on the resources or state power available to them. In the ensuing paragraphs I will interrogate whether the state power variable as discussed in neoclassical realist literature has potential to explain the US's strategy towards China. This second mediating variable of state power holds much promise for the case study in subsequent Chapters 4-5, which helps to explain why the US responded untimely and inappropriately to its international environment. Thereby, the analysis moves nearer specificity.

#### State power variable in neoclassical realist models

To rectify some of these limitations and to move nearer to explaining specific strategic adjustments, the proposed model in this thesis also employs a state power variable. State power has long been recognised as a mediating variable that affects grand strategy.<sup>73</sup> Some existing models analyse whether states can mobilise and extract sufficient societal resources to implement their strategy. For example, Cusumano's model considers how domestic resource mobilisation constraints from military privatisation affected American and British operations in Iraq and Afghanistan between 2003 and 2011. This fits with Brawley (2010a), Friedberg (2000) and Zakaria (1998) that external state action in American grand strategy depends on the resources available to the executive.

Such a state power variable can reinforce the proposed model. This is because studies that only include perception as a mediating variable, such as Kai He's model (He, 2017), miss the specificity that this thesis aims for, that is, explaining specific strategic adjustments. After foreign policy elites perceive the international environment, they can only implement the optimal strategy contingent on the available resources. Thus, during 2011-2015, America's perception shifted towards China and East Asia again. But this was followed by

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<sup>73</sup> For example Brawley (2009, 2010a), Cusumano (2016), Dyson (2010), Friedberg (2000), Taliaferro (2006, 2009, 2012) and Zakaria (1998). Other neoclassical realist models add state power as a mediating variable to explain internal balancing (Taliaferro, 2009).



American military budget decreases that negatively affected the US's forward posture against China.<sup>74</sup> When we include state power as a mediating variable, then foreign policy executive perceptions “are merely preconditions for states to undertake timely balancing strategies” (Ripsman, Taliaferro and Lobell, 2016, p. 144). In this way, this thesis can contribute to literature on neoclassical realism. It adds relevant mediating variables to move the analysis nearer specificity. In doing so, the proposed model in this thesis seeks to help to demonstrate how neoclassical realism may contribute to studies of grand strategy, with the US's China strategy as its case study.

One of the most well-known and frequently used examples is Zakaria's influential work. In his study of US grand strategy in the late nineteenth century, Zakaria argues that President McKinley already aimed to take Puerto Rico, Guam and the Philippines, already years before the 1890s. But, he argues, the US only did so when the American executive could extract more resources. Zakaria examined the effect from American government reforms on US foreign policy in the late nineteenth century. He emphasised that the late nineteenth century US lacked state power, because America's decentralised state had “a tiny bureaucracy that could not get men or money from the state governments” and with the power of the presidency at a historical low (1998, p. 11). Zakaria argues that when among other things US federal debt changed to a surplus, President “McKinley used America's enhanced power position at the end of the [Spanish-American] war to achieve objectives he had outlined earlier” (1998, p. 161). Zakaria argues that the system provided the US with incentives and opportunities to expand. But American strategy remained underactive (from a structural realist view) because, he argues, American foreign policy elites were unable to extract the resources required for their preferred strategy. When state leaders face opportunities or threats in the international system, they must extract domestic resources effectively if they want to adopt their strategy.

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<sup>74</sup> Changes in perception and the budget decreases during 2011-2015 are discussed in the case study in Chapter 5.

Other frequently used models are Taliaferro's and Friedberg's state power models. They refer to factors like domestic institutions to explain varying levels of state power (Friedberg, 2000; Taliaferro, 2009, p. 218). They explain that the foreign policy executive may fail to convince the public or secure institutional support to make sacrifices for grand strategy.

These extant models distinguish all resources of a nation (national power) from the resources available to a state's foreign policy executive (state power). The general economic activity represents the overall pool of resources that the foreign policy executive draws from (Dyson, 2010; Friedberg, 2000; Zakaria, 1998, pp. 45, 77-9, 99-100). This general level of economic activity also includes trade: businesses outsource production and that affects the American trade balance (Zakaria, 1998, pp. 45, 77-9, 99-100). When national economic activity is low, the executive also devises legislative policies to foster economic growth or lessen the effects of an economic crisis. Whether the executive can maintain or increase tax levels indicates the level of government income that it can extract from society (Christensen, 1996, p. 25; Friedberg, 2000; Taliaferro, 2009, p. 216). These tax levels enhance or reduce the foreign policy executive's ability to implement strategic adjustments (Zakaria, 1998, pp. 61, 75). Following Zakaria's logic, state power intervenes with simple obedience to structural incentives when a state cannot easily extract national resources (1998).

Although Zakaria's case dealt with reforms in the US in the late nineteenth century, the state power variable remains relevant for America's China strategy since 1991. Some neoclassical realists suggest that in recent years the state power variable's domestic resource constrictions on US grand strategy worsened again. For example, the US faced a time of high federal debt, slowing economic activity, heightened partisanship in Congress and record federal budget deficits (Lobell, 2009, p. 63; Ripsman, Taliaferro and Lobell, 2016, p. 152; 2000, p. 66; 2011). This state power variable thus has great potential to help explain specific strategic adjustments and to clarify how mediating variables hindered America's response to China's rise. In doing so, the thesis can contribute to showing how neoclassical realism

explains the US-China case and does so more satisfactorily than the selected alternative explanations.

Of the qualifications made in neoclassical realist literature, two are especially important for the proposed model in this thesis. First, decision-makers compare their state power to other states' economic activity (Zakaria, 1998, p. 46). Second, the executive-legislative branch relationship matters in gauging the level of state power. Some existing models emphasise that this relationship affects whether the foreign policy executive can extract the state power that they need for their strategy (Friedberg, 2000; Zakaria, 1998, p. 61). The House of Representatives and Senate can accept, reject and make changes to bills. For example, the House Appropriations Committee matters for analysing American appropriation bills during the 2000s (Xie, 2008).

In this section, I interrogated how two independent variables and two mediating variables add value to the thesis's proposed model. I will now turn to the selection of the dependent variable.

### *3.2.3 Selecting the dependent variable*

Structural realism explains general trends over the longer term in the system of states. Waltz's balance of power theory suggests that states "at a minimum, seek their own preservation and, at a maximum, drive for universal domination" (1979, p. 118). Mearsheimer posits two main strategies for a great power to check a rising power: balancing and buckpassing (Mearsheimer, 2003, pp. 155-62; Parent and Rosato, 2015). In these structural realist generic explanations, many see balancing behaviour as the principal and common strategy that a great power uses when a rising power threatens to upset the balance of power (Mearsheimer, 2003, pp. 13, 155; Walt, 1987, p. 5). When states balance, they "seriously commit themselves to containing their dangerous opponent" (Mearsheimer, 2003, p. 139). This strategy means that the US would band together with others in alliances to prevent China rising to a dominant position in East Asia (Brawley, 2010a; Silove, 2016).

With this strategy, the US could check and balance China externally, that is, to form alliances. Alternatively, without powerful allies, or when decision-makers expect allies to cost more than they contribute, the US is expected to extract additional resources and deploy its capabilities forward. Rather than these generic expectations, the proposed neoclassical realist model in this thesis explains specific state action.

#### Optimal and underactive strategies

The proposed model in this thesis centres on external state action and American strategy towards China. Various existing models account for external balancing. Christensen (1996, pp. 13-4) distinguishes preferred from underactive balancing strategies. Schweller's work (2004) differentiates between balancing and underbalancing behaviour. Lobell distinguishes between optimal and underactive strategy (2009, pp. 58-9). For example, Lobell argues that policy preferences of nationalist and inward-looking societal coalitions can constrain grand strategy towards underactive strategies and less international involvement (2009, pp. 58-9). Because the proposed model in this thesis addresses the thesis's research puzzle of American underactive strategy towards China, it seeks to explain how American strategy towards China varied on the values of *optimal* and *underactive* strategies and the sub-categories that it entails.

#### Strategies beyond the thesis's purview

Four other strategies in the literature are less relevant or beyond this thesis's purview. *First*, some existing models also include buck-passing strategies. They ask why the US did not restrain itself or withdraw from the world after the Cold War (Anderson in Anderson and Silove, 2016/17; Gholz, Press and Sapolsky, 1997, pp. 5-6; MacDonald and Parent, 2011). Buck-passing is an underreaction to international threats. This is because a state tries to get another great power to check the rising power, while it remains on the side and escapes the

cost.<sup>75</sup> Some refer to this as new isolationism: military withdrawal without economic protectionism (Gholz, Press and Sapolsky, 1997, p. 5). This could seem relevant for the proposed model in this thesis: a realist strategy of “nonexpansion” for the US that refrains from active foreign policy and relies on capable East Asian states to check China’s rise (Posen and Ross, 1996, pp. 7-11; quoted from Trubowitz, 2011, p. 14). But for both buck passing and new isolationism in the US-China case, the US lacked, as discussed earlier in the thesis, powerful allies to which to pass the buck of balancing China.

*Second*, when states bandwagon, they subordinate to a stronger power (whether for defence or for profit) (Kawasaki, 2012; Parent and Rosato, 2015, pp. 57-8; Schweller, 1994, p. 74 fn. 11; Trubowitz, 2011, p. 13)). This strategy matters less for the US-China case. The US lacked sufficiently strong regional allies. The US also repeatedly proclaimed its leadership role. This precludes bandwagoning from being a value on the dependent variable.

*Third*, a recently discussed strategy is “soft balancing”, which examines why China and other “second-ranked powers” did not (yet) balance in the traditional sense against the US since 1991 (Paul, 2005, p. 46). Soft balancing suggests that these states allied diplomatically (for example at the UN) and on a limited scale against the US “with the implicit threat of upgrading their alliances if the United States goes beyond its stated goals” (Paul, 2005, pp. 10, 47). This strategy better explains China’s and second-ranked East Asian powers’ behaviour when they deal with an expansionist hegemon (Pape, 2005, pp. 15-6). This is beyond the scope of this thesis.<sup>76</sup>

*Fourth*, other strategies include waging war, blackmail and “bait and bleed” (Mearsheimer, 2003, p. 153). These strategies entail respectively that states conduct warfare, threaten to use force, or “caus[e] two rivals to engage in a protracted war, so that they bleed each other white, while the baiter remains on the sidelines, its military strength intact”

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<sup>75</sup> See Brawley (2010a), Lind (2016), Mearsheimer (2003, p. 139), Parent and Rosato (2015, pp. 57-8) and Schweller (2004, p. 166).

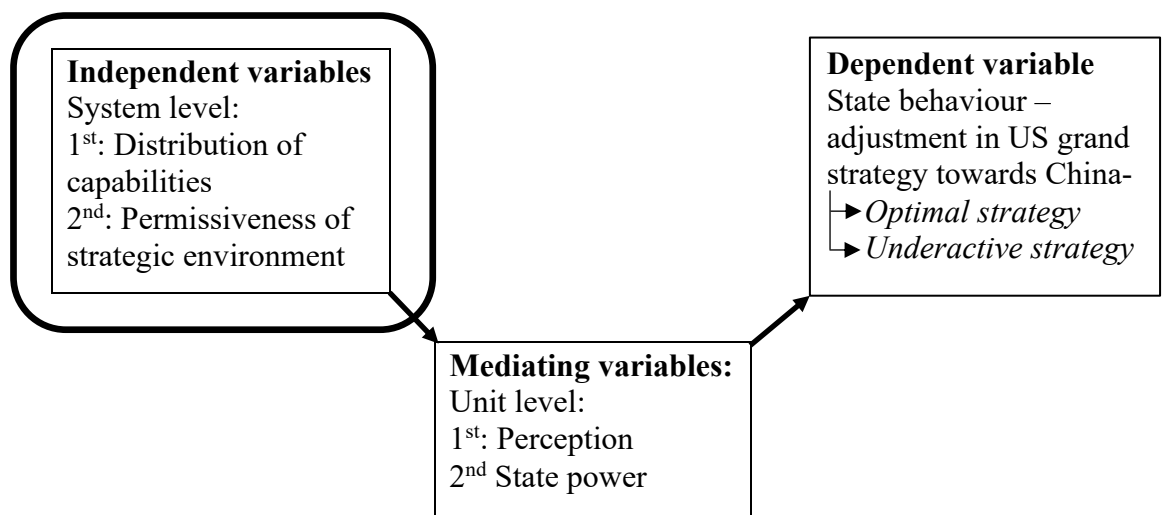
<sup>76</sup> For analyses of soft-balancing for China-US relations, see He and Feng (2008) and Lanteigne (2012). For a criticism: Brooks and Wohlforth (2005).

(Mearsheimer, 2003, p. 153). These strategies aim to shift the balance of power in the victor’s favour. However, the US already vastly overpowered China throughout 1991-2015. Moreover, the American foreign policy executive in these years did not consider China as a threat at the level that would require a preventive war. Some existing neoclassical realist models address such overactive or overexpansion strategies. But that is beyond this thesis’s purview, centring as it does on underactive American grand strategy towards China.

### 3.3 Defining the variables in the proposed model

#### 3.3.1 First independent variable - Distribution of capabilities

The proposed model in this thesis prioritises, as presented in Figure 7, the independent variable of the distribution of capabilities. This section first defines this variable, how it sets the broad contours for state behaviour and presents criteria to measure it in the case analysis in Chapters 4-5.



**Figure 7.** The thesis’s neoclassical realist model and selected independent variables

The distribution of capabilities indicates how power is dispersed in the system of states. When a rising power accumulates more capabilities than the hegemon, then it incentivises the hegemon to respond. After all, the rising power may use its increased power capabilities for defence against the hegemon (defensive realism of the Waltzian type) or seek expansion (offensive realism of Mearsheimer’s type). Namely, when rising China accumulated more

power during the past 25 years, it challenged American leadership. China claimed new territory via its nine-dash-line, built islands in the South China Sea, and infringed upon America's East Asian geostrategic interests. In this sense the first independent variable presents a strong structural incentive (significant increases in aggregate power capabilities) because of the fear it instils in other states. Much of this independent variable's explanatory and analytical value is thus lies in its straightforwardness to measure (GDP, defence spending, armed forces' size and composition, military research and development and the population's size and demographic trends) and explain how the system incentivises US grand strategy towards China. The distribution of capabilities provides broad directions for state behaviour and is a primary causal variable in the proposed model in this thesis.

These capabilities are affected by the level of international trade. The higher a state's trade deficit, the more it may facilitate unfavourable changes in the distribution of capabilities. From this perspective, state behaviour and strategy should be expected to take into account the risks and security losses that come with free trade. When a trade deficit and its associated security losses worsens (strengthening a rising power), states are incentivised to consider their relative gains from free trade and respond accordingly.

Because states seek relative gains in the first independent variable of the distribution of capabilities, the US is expected to continuously compare its aggregate capabilities with others, and especially China. Status quo great powers may seek to simply keep the balance of relative power constant (defensive realism), but in the US-China case, China is rising, which means that the US should be expected to adapt by increasing relative capabilities through external or internal balancing. This is because if the US seeks to defend its identified interests against a rising power, having more aggregate capabilities than the rising power helps. When American leaders observed that China was continuously growing at higher rates and narrowing the gap in capabilities with America and its allies, rising China started to challenge American interests and incentivised Washington to act.

What does this first variable tell us about state action in the US-China case? China developed economically and militarily and emerged as a medium-to-large power. When the US expanded US-China trade imbalances after 1991, this contributed to China's rise and changed the system's structure that raised relative gains concerns. The US expected at least half of the gains from US-China trade. It established the WTO Accession Working Party in 1995 for China's eventual accession in 2001. Yet, the resulting US trade deficit and associated negative security externalities skyrocketed and worried the US. After all, if the US gained less from US-China trade then it would be better off to reduce the US trade deficit with China and increase trade with its own allies. This would shape the distribution of capabilities more favourably.

This distribution of capabilities presents the broad contours for US grand strategy to check China's rise over the long term. It follows that the proposed model in this thesis expects that, over the long term, states strategise accordingly and aim to address the rising power. They are expected to turn negative security externalities from trade into positive ones that lead to a more favourable balance of power. From that perspective, when we first examine the distribution of capabilities and the role of international trade therein, the proposed neoclassical realist model in this thesis helps to answer the research puzzle on American underactive grand strategy towards China.

### *3.3.2 Second independent variable - Permissiveness of the strategic environment*

When we only look at the first independent variable, we fall short of explaining particular observed state action. The variable of the distribution of capabilities is unclear as to when and how states respond to a rising power and negative externalities from trade. Is it when the rising power's capabilities are thirty percent of the hegemon, or fifty percent? Or only when the aggregate balance of power shifted against the hegemon? Or alternatively, in any such scenario, is it when the environment threatens others because the rising power develops specific components of power, manoeuvres near contested territories, launches rival



international institutions and threatens the hegemon's geostrategic interests? For example, although the distribution of capabilities changed, the US failed to focus and augment its China strategy for much of 1991-2015. When and how states balance depends on the strategic environment they inhabit. Therefore, in the following paragraphs, I will introduce the second independent variable of the permissiveness of the strategic environment (Figure 7). I will define it as far as the thesis is concerned and establish a comprehensive set of criteria to measure it. In doing so, the proposed model seeks to further establish the importance of the permissiveness of the strategic environment variable; and to provide deeper insights into the systemic conditions under which mediating variables affect state behaviour.

#### Defining permissiveness of the strategic environment

The variable of the permissiveness of the strategic environment explains that to understand systemic incentives, we must do more than rank states based on aggregate criteria like population size, and economic and military power. The permissiveness of the strategic environment demonstrates that a rising power may score high on these criteria, but the rising power does not necessarily immediately or gravely threaten others. An example is when a rising power accumulates vast amounts of aggregate power but lacks technologically advanced capabilities or refrains from offensive state behaviour. This results in "short-term ambiguity over immediate threats and power trends, anticipated power shifts, the short-term intentions ... with no clear and present danger" (Lobell, Taliaferro and Ripsman, 2012, p. 24). When we include the permissiveness of the strategic environment, we move the analysis of grand strategy adjustments nearer specificity. This indicates the conditions under which mediating variables are expected to affect grand strategy adjustments.

The permissiveness of the strategic environment is understood here as a function of the intensity of systemic constraints. When systemic constraints are weak, they scarcely guide states to an optimal policy. This means that greater leeway exists for alternative

strategies and domestic constraints to interfere with decision-makers. Conversely, when systemic constraints are strong, they provide clearer guidance for the optimal strategy. This means that it is clearer what the optimal policy is, and that little leeway exists for alternative interpretations. Gauging this level of permissiveness relates to an international threat's imminence and magnitude. This means that an international threat varies along a continuum of more permissive (distant and small threat) to less permissive (or more restrictive) (nearer and greater threat). When the strategic environment is more permissive (the international threat is distant and small), greater leeway exists for alternative strategies and domestic constraints to interfere with decision-makers. When the strategic environment becomes less permissive (the international threat nears and enlarges), it is clearer what the optimal policy is (that is: focus on the near and large threat). This means that states' range of available strategic choices contracts and little space exists for domestic constraints to interfere with state behaviour. The permissiveness of the strategic environment thus varies (as the criteria to gauge the permissiveness of the strategic environment show later in this chapter), even when the distribution of capabilities (first independent variable) holds or changes only slightly.

During 1991-2011, the US faced a rising China. But this rising China lacked advanced capabilities, refrained from claiming much territory and refrained from launching new economic and security initiatives.<sup>77</sup> For example, Yang Yi observes that despite China's impressive development during the 1990s, tripling its GDP, "[its] military forces lag far behind those of developed nations" (2006, p. 18). Thus, despite changes in the distribution of capabilities (first independent variable), China remained a distant and small threat to the US until the mid-to-late 2000s. This means that the strategic environment was more permissive and flexible for strategic choices other than to focus on China.

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<sup>77</sup> The criteria are indicative. The more elaborate discussion later in this chapter outlines a comprehensive set, with which to gauge the level of permissiveness of the strategic environment.

Conversely, since the late 2000s, the environment has become less permissive. China has developed advanced capabilities, claimed new territory and launched new international organisations that rivalled American-led ones. For example, in the 2010s, China developed advanced military means including A2AD capabilities and new aircraft carriers. In this period, China placed its first aircraft carrier *Liaoning* into service in 2012, and became better equipped to pursue naval ambitions in the East and South China seas (Erickson and Collins, 2012; Jianfen and Ligao, 2009). Launching Chinese-led organisations such as the Asian Infrastructure Investment Bank (AIIB) in 2015 attracted traditional American security allies like South Korea, Japan and Australia.<sup>78</sup> This means that the US's strategic environment became less permissive and less flexible for strategies other than checking China.<sup>79</sup>

In these instances, which present a strong structural incentive from a neorealist viewpoint and the first independent variable (significant increases in aggregate power capabilities), we refine these when we add the additional independent variable of the permissiveness of the strategic environment. The foreign policy executive balances “against the particular components of power that threaten specific geostrategic interests” (quoted from Lobell, 2012, p. 150; 2018).<sup>80</sup> Therefore, “the permissiveness ... of the strategic environment is not merely an artefact of the polarity of the international system; all possible distributions of power can be either permissive or restrictive for states” (Ripsman, Taliaferro and Lobell, 2016, p. 53). The suggestion relevant for the proposed model in this thesis is that the strategic environment can become less or more permissive, even though the distribution of capabilities in the structure already changed years earlier. China's rise had already

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<sup>78</sup> South Korea and Australia joined the AIIB (a development bank headquartered in Beijing that entered into force in 2015), and Japan and South Korea joined the Chiang Mai Initiative Multilateralization (a financial initiative that originated in the 1997-1998 Asian financial crisis, started in 2000 and multilateralised in 2010 between ASEAN, China, Japan and South Korea with a financial reserve of \$120 billion) (Grimes 1997, p. 82).

<sup>79</sup> This chapter on the proposed model in this thesis develops the theoretical contribution and variables. Chapters 4-5 elaborate on the empirical case study in greater detail, including exactly when, according to the proposed model, the strategic environment relevant to US policy towards China was more permissive or less permissive.

<sup>80</sup> In a recent study, Lobell argues that states do not “balance against shifts in aggregate material capabilities” (2018, p. 593) but “target-balance against the threatening elements of a potential adversary” (2018, p. 594).

unfavourably shifted the distribution of capabilities during 1991-2011, but the international environment that the US inhabited only became less permissive after the mid-to-late 2000s. The American foreign policy executive was, in the US-China case, tasked to adjust grand strategy based on particular components and manoeuvres of Chinese state behaviour and power, rather than aggregate changes in the balance of power.

Evaluating the permissiveness of the strategic environment depends on the state and region under scrutiny. Each region has its own security and trade dynamics (Lobell, 2009, pp. 49-51). In one region of the world, states face a permissive strategic environment (for example, the US in Europe since 1991). In another region, they face a less permissive strategic environment that problematises security externalities from trade (for example the US in East Asia in the late 2000s and during 2011-2015).

This permissiveness of the strategic environment not only depends on the region, but also varies over time. It changes within sub-periods, because the imminence and magnitude of threats change over time. If a region's strategic environment is permissive today, it can become less so tomorrow and non-permissive thereafter. For example, the strategic environment surrounding the US changed on a continuum from less permissive in the later Cold War years to more permissive in the 1990s (Ripsman, Taliaferro and Lobell, 2016, pp. 54-5, 159; Taliaferro, 2012, p. 197).

The permissiveness of the strategic environment remains, as the proposed model's selected mediating variables of perception show below, vague about the timing, shape and efficiency of grand strategy adjustments. The permissiveness of the strategic environment explains neither how changing American perceptions deprioritised China in the 2000s, nor how changing American perceptions prioritised China again in the years of 2011-2015. For example, Walt's work to explain the US's foreign policy in the 1990s focuses only on system-level factors (specifically America's unipolar moment and the absence of an international threat) (2000). He argues that this environment expanded leeway for the US to choose alternative strategies and for domestic factors to interfere. But he does not elaborate

on when or how the domestic level has more room to interfere with the decision-making process. The permissiveness of the strategic environment also fails to show how worsening American state power levels affected the shape of grand strategy adjustments. Similarly, decreasing American national economic activity, economic crises and high debt levels are expected to have affected the much-branded American ‘pivot’ to East Asia. Specifically, America’s strategy against China, as the case study chapters analyse, stagnated and in some measures even declined over the period 2011-2015. The proposed neoclassical realist model seeks, as discussed in the previous chapter and in line with neoclassical realist literature, to explain the research puzzle of a case that appears empirically anomalous and underspecified in terms of timing and style (Ripsman, Taliaferro and Lobell, 2016, p. 103). But the permissiveness of the strategic environment does show when leeway contracts to pursue alternative strategies and for mediating variables to interfere with state behaviour.

#### A comprehensive set of criteria to gauge the permissiveness of the strategic environment

Certainly, the permissiveness of the strategic environment is an important additional independent variable for the proposed model in this thesis. But it remains superfluous if it continues to be vague on how we gauge it exactly and comprehensively. A refinement is in place to address problems inherent in existing models.<sup>81</sup> This allows for a precise examination of how permissive the international environment is and cautiously employs it as an important additional independent variable.

To gauge the level of permissiveness, the proposed model in this thesis presents a comprehensive set of relevant criteria. The strategic environment is more permissive when a rising power makes few or no assertive claims or stances in international waters, refrains from manoeuvring its military near borders or contested territories and lacks sufficient advanced military equipment required to challenge major powers. The strategic environment

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<sup>81</sup> This chapter earlier discussed that existing models lack a comprehensive appraisal of how to measure the level of permissiveness.

is more permissive also when the rising power refrains from statements that indicate a threat and when it joins existing economic and security institutions. Table 5 outlines these criteria.

The consequence of a permissive strategic environment is that the foreign policy executive has more leeway to choose between strategic pathways. This leeway enlarges and increases the US's room for action. Strategic leeway exists since the system provides "little information about the immediate foreign threats and scant information about the types of strategies that states should pursue to address both short-term and longer-term challenges" (quoted from Lobell, Taliaferro and Ripsman, 2012, p. 24; Silverstone, 2012, p. 70). This means that states have multiple strategic options when a threat is more remote and harmless, because the international environment is unclear on how states best respond. They enjoy considerable leeway when they adjust grand strategy. The foreign policy executive can make trade-offs between economic prosperity and military security and disregard the future (Taliaferro, Lobell and Ripsman, 2009, p. 34). They may engage rising powers through more trade, even if that generates negative security externalities for the rising power's economic and military development, so that it presents a traditional threat later. For example, the US was able to engage China in the 1990s because it inhabited a more tolerant environment. Such is "the behavior of states during periods of relative peace and stability, when great powers have the 'luxury' of choosing their interests and goals" (Taliaferro, Lobell and Ripsman, 2018; quoted from Zakaria, 1998, p. 186, original single quotation marks). Greater leeway indicates more room to choose alternative strategic adjustments.

**Table 5.** Permissiveness of strategic environment

	← <b>More permissive strategic environment</b>	<b>Less permissive (or more restrictive) strategic environment</b> →
<b>Indicators:</b>	<p><b>Threat/danger is remote, small and vague when rising power (and allies):</b></p> <ul style="list-style-type: none"> <li>- makes little or no assertive claims or stances in international waters</li> <li>- refrains from deploying/using military near borders and contested territory</li> <li>- lacks sufficient advanced military technology</li> <li>- gains little military power and security benefits through from international trade</li> <li>- refrains from statements that indicate threat or more offensive intention</li> <li>- joins existing economic and security initiatives</li>   <li>- refrains from integrating American security allies in its economic and military orbit</li> <li>- behaves in international institutions favourably to the hegemon's geostrategic interests (for example voting behaviour)</li> </ul>	<p><b>Threat/danger is imminent, greater and clearer when rising power (and allies):</b></p> <ul style="list-style-type: none"> <li>- assertively claims international waters</li> <li>- manoeuvres/deploys its military near borders and contested territory</li>   <li>- develops military technology that jeopardise geostrategic interests</li> <li>- disproportionately gains military power and security benefits from international trade</li> <li>- expresses threats or more offensive intentions</li> <li>- launches new economic and security initiatives, potentially excluding the existing hegemon</li> <li>- integrates American security allies in its economic and military orbit</li>   <li>- behaves in international institutions in a manner that jeopardises hegemon's geostrategic interests (for example, voting behaviour)</li> </ul>
<b>Consequences:</b>	<p><b>For the hegemon:</b></p> <ul style="list-style-type: none"> <li>- weak incentives to focus on checking rising power in short term</li> <li>- multiple pathways to respond to international environment beyond augmenting balancing efforts</li> <li>- trade deficit and associated security externalities are more tolerable</li> </ul>	<p><b>For the hegemon:</b></p> <ul style="list-style-type: none"> <li>- intense incentives to focus on checking rising power in shorter term</li> <li>- fewer pathways to deal with international environment other than augmenting balancing efforts</li> <li>- trade deficit and associated security externalities are more worrisome</li> </ul>
<b>Mediating variables</b>	<ul style="list-style-type: none"> <li>- interfere more with grand strategy</li> </ul>	<ul style="list-style-type: none"> <li>- interfere less with grand strategy</li> </ul>
<b>In US-China case</b>	<b>1990s early-to-mid 2000s</b>	<b>late 2000s, 2011-2015</b>

*Note:* This table compiles, as outlined in this chapter, criteria from this chapter and from neoclassical realist literature discussed in this chapter.

Conversely, a less permissive strategic environment arises when the rising power assertively claims territory in international waters and manoeuvres or uses military capabilities near borders and contested territory. This less permissive strategic environment also results when the rising power develops or deploys advanced military technology and capabilities that jeopardise others' geostrategic interests, and when it expresses offensive intentions or plans. For example, when Chinese President Hu Jintao in 2004 raised the call to "prepare for war" (2004 quoted in Wang, V W-c, 2007, p. 133) over Taiwan and to resolve the Taiwan question by 2020, the strategic environment became less permissive even though the balance of power remained overwhelmingly in the US's favour (People's Daily, 2016). Thus, the strategic environment becomes less permissive (or more restrictive) when a rising power's threat to the existing hegemon's geostrategic interests worsens and nears.

The strategic environment also becomes less permissive when the rising power joins or creates new economic and security initiatives. The rising power can use new economic and security initiatives to lure the hegemon's security allies into its orbit. New trade and economic initiatives can also affect trade patterns more favourably for the rising power. When, during 2011-2015, traditional American security allies' trade increased with China and decreased with the US, this contributed to the strategic environment becoming less permissive.<sup>82</sup> In a similar vein, Copeland argues that "whether a state faces a restrictive or permissive international system ... depends not only on traditional geostrategic factors, but also on the underlying economic system and the expectations it generates about the future" (2012, p. 146).

The consequence of a less permissive strategic environment is that fewer viable strategies exist for the hegemon to redress the threat. The American foreign policy elite's leeway to choose strategic adjustments, though still existing, narrows and constrains its space for strategic action. The strategic options narrow because the less permissive strategic

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<sup>82</sup> How these trading patterns changed was analysed in greater detail by Solis (2014) and the case study in Chapters 4-5 elaborates on this.



environment provides “more clarity as to the identity and magnitude of the threats to a state’s interests” (Taliaferro, 2012, p. 198). The pathways to confront a rising power are limited to focusing and augmenting balancing efforts and to checking the approaching threat, since in “a less permissive environment ... the international system provides clearer information about foreign threats and clearer guidance about the optimal response” which “translates into ... a more limited range of options” (Lobell, Taliaferro and Ripsman, 2012, p. 24). So, when China became a more imminent and greater threat after the mid-2000s, the US was incentivised to focus and augment its balancing efforts. After all, when states deviate from systemic incentives, the price may be high.

In this less permissive strategic environment, few options remain but to worry more about relative losses from trade and states are incentivised to reduce their trade deficit with adversaries and redirect those negative security externalities to themselves and their allies. As Ripsman, Taliaferro and Lobell write, in a less permissive strategic environment, “all great powers are more concerned about the security externalities associated with free trade” (Gowa and Mansfield, 1993; quoted from Ripsman, Taliaferro and Lobell, 2016, p. 153). This means that trade and associated security externalities with a rising power are more tolerable in a more permissive strategic environment but pose an increasing intense traditional security threat when the strategic environment becomes less permissive (or more restrictive). Many argue that the US was surrounded by a permissive strategic environment in the 1990s (Simón, 2013) with no short-term need to increase balancing efforts to fend off a threat, to reduce the trade deficit with adversaries and to increase trade with allies or augment its China strategy. Alternative strategies were available, such as the Clinton administration’s engagement strategy to expand US-China trade and push as early as 1995 for China’s eventual accession to the WTO in 2001. In the late-2000s and 2011-2015, however, the China threat neared, and narrowed the strategic options down to augment

America's forward posture and to internalise negative security externalities from its trade deficit.<sup>83</sup> Little leeway indicates less room for alternative strategies.

The proposed model in this thesis thus seeks to deepen the analysis of the additional variable of the permissiveness of the strategic environment in order to better explain the greater leeway that exists for alternative strategies and for mediating variables to interfere with America's China strategy. It suggests that the permissiveness of the strategic environment varies within sub-periods. This elucidates and refines the systemic incentives that the US faced. It shows that in a less permissive strategic environment, there is less room for any alternative but to worry more about relative losses from trade and to promote trade with allies. This permissiveness of the strategic environment variable does not explain, as discussed earlier in this section, precisely when and how the US adjusted its China strategy, but it does show when the leeway to pursue alternative strategies, and for mediating variables to interfere with state behaviour, contracts.

In this section, I argued that the proposed model's second independent variable of the permissiveness of the strategic environment clarifies how and when decision-makers' leeway for alternative strategies narrows. In doing so, the proposed model seeks to provide deeper insights into gauging the level of the permissiveness of the strategic environment. The case study in subsequent Chapters 4-5 examines how the strategic environment in the US-China case was more permissive during 1991-2011 and less permissive (or more restrictive) thereafter. As the US confronted an ever less permissive strategic environment, its menu of strategic options narrowed down to focus on China's rise, to reduce relative losses from trade and to promote trade with allies. But when the menu of strategic options

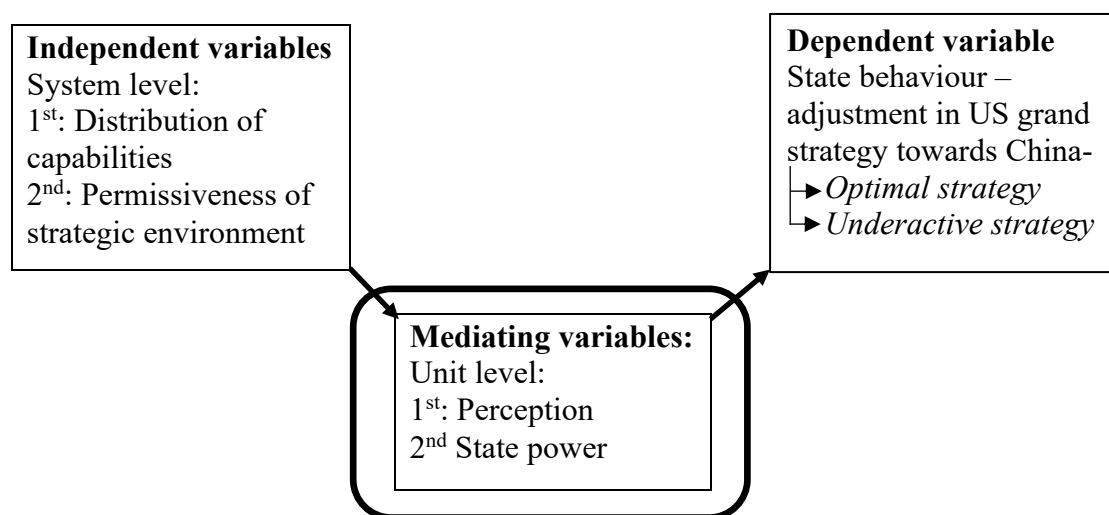
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<sup>83</sup> In more extreme cases, the strategic environment is highly restrictive. A highly restrictive strategic environment relates to contexts where invasions are near and states withdraw from the international trading order. So, Ripsman, Taliaferro and Lobell note that the "ultimate" strategic environment follows after severe situations like an attack (Ripsman, Taliaferro and Lobell, 2016, p. 159; Taliaferro, 2012, p. 198). The proposed model in this thesis excludes such environments. In the US-China case of 1991-2015, the strategic environment was not this restrictive strategic one. Rather, the strategic environment became less permissive during the period of 2011-2015 because China challenged US leadership in East Asia, risking the US being pushed out of the region and intra-Asian economic integration.

for American foreign policy elites narrowed, how did they respond? The two independent variables say little about the timing, shape and efficiency of grand strategy adjustments. One implication of the two independent variables is that it leaves leeway for decision-makers to adjust strategy in the short term. In the following paragraphs I will discuss how the proposed model's selected mediating variables of perception and state power affect behaviour and interfere with simple obedience to structural incentives.

### 3.3.3 First mediating variable - Foreign policy executive perception

Whilst the proposed model in this thesis starts with the two independent variables, their influence is filtered through the perception of those officials in charge of foreign policy. Therefore, the proposed model employs, as illustrated in Figure 8, first the mediating variable of foreign policy executive forward-looking perceptions. In this section, I will first specify the systemic conditions under which perception is expected to affect grand strategy in the proposed model. Then I will define this perception variable and outline its main features.



**Figure 8.** The thesis's neoclassical realist model and selected mediating variables

#### When perception affects American strategy towards China

Under conditions of a more permissive strategic environment, the main international threat is unclear and provides little guidance for the optimal strategy. Under these conditions,

leeway for deviating perceptions of international threats expands. In these circumstances, the foreign policy executive has more room to adjust strategy in ways that appear underactive from a structural realist viewpoint. In these circumstances of more strategic leeway, the foreign policy executive might deprioritise structural realist incentives and instead perceive a region of lesser strategic interest as its main threat. For example, during 1991-2011, the more permissive strategic environment was open to alternative perceptions that deviated from China's rise.

On the other hand, under conditions of a less permissive strategic environment, perception interferes less with simple obedience to structural incentives. In a less permissive (or more restrictive) strategic environment, a threat from a rising power becomes greater and more imminent. This means that it is clearer what the optimal policy is and the leeway contracts for alternative perceptions. For example, during 2011-2015, the environment was clearer about the more imminent, greater threat from China's rise to American interests. This meant that there was less room for perceptions that deviated from China's rise.

#### Main features of perception

When perception interferes with American state behaviour towards China, three main steps can be distinguished: decision-makers perceive regional international systems, then they ignore contrary information and finally they implement strategy adjustments within this perceived environment's limits.

In the first step, decision-makers *perceive regional international systems*. In this step, foreign policy elites perceive systemic stimuli from discrete regions, not just the global international system. In this first step, they perceive a particular regional international system to include the main international threat, even though a structural realist view would suggest otherwise. For example, American foreign policy elites in the 2000s perceived East Asia as only a secondary region and deprioritised China. They focused on another region in its stead (the Middle East) and observed no immediate threat in yet another (Europe).

Once American foreign policy elites establish their perception of systemic stimuli from the regional international system, they may *bend contrary information*. In this second step, foreign policy elites tend to adopt incoming information when it supports their perception of systemic stimuli, at the expense of more valid stimuli that undermine it. In this second step, they disregard dissenting information and instead find data that suits their established perception of systemic stimuli. In this way, foreign policy elites may interpret feedback from the system differently when it undermines their perception of systemic stimuli. Even when US decision-makers receive information which contradicts their established perception of systemic stimuli, they may interpret it as compatible with their perception. Their perception of systemic stimuli leads them to discern certain things but to neglect others. For example, when American decision-makers' perception of systemic stimuli deprioritised China in the 2000s, it was more difficult for policymakers to argue that China was America's main threat. Consequently, China remained a secondary strategic issue in this decade even when the system incentivised the US to focus on China's rise.

When decision-makers establish their perception of systemic stimuli, this perception interferes with the decision-making process regarding strategies. In this third step, American decision-makers' views for alternative strategies interfere with decision-making and grand strategy adjustments that differs from what a structural realist account would say to expect. For example, in the more permissive strategic environment of the 2000s, the US's perception that China was only a secondary power contradicted what a structural realist view would say to expect; that is, to focus on China's rise. Consequently, the US adjusted its China strategy to one of stagnation, rather than augmenting strategy against China.

We can then clarify a missing link between foreign policy executive perceptions and grand strategy. The perception mediating variable shows that in a more permissive strategic environment, there is more room for perceptions of the international environment to interfere when the foreign policy executive adjusts grand strategy. The perception variable shows that a version of the externally given environment is external to the state and binds over the

longer term (the two independent variables). But a perceptual layer at the level of decision-makers affects how decision-makers operationalise that international environment. The systemic stimuli are perceived, but they are ambiguous enough to allow multiple different interpretations and alternative strategic adjustments. The perception variable leads foreign policy makers to suggest strategic adjustments that are hard to explain as the outcome simply of structural realist incentives. This perception variable remains committed to rationalism.<sup>84</sup> This perception variable more sharply distinguishes between foreign policy executive perceptions and the given international material environment. It shows that agents are subject to pressure from the externally given international environment, but their perception of it affects how they strategise. This means that changing decision-makers' perceptions can interfere in the grand strategy decision-making process. What matters, then, is not what states have to do because structural incentives compel them so (as structural realism would want us to believe). Rather, how do states strategise when in a more permissive environment, foreign policy executive perceptions interfere in the decision-making process?

By this interpretation, decision-makers adjust US grand strategy towards China not because it is essentially an appropriate or the most effective response to systemic incentives (the two independent variables). US grand strategy towards China is then best understood as a blended product rather than a careful and purely rational response to externally given systemic conditions. American grand strategy towards China is a process of perception that interferes between the material international environment (independent variables) and state action. Decision-makers perceive the systemic stimuli, but they do not always quite know what to make of it when in a permissive environment the stimuli are unclear, and thus sometimes they get it wrong. The perceptions that decision-makers hold result in a publicly expressed established perception that can provide sub-optimal strategic guidance for the

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<sup>84</sup> As noted in the earlier sections on the assumptions in the neoclassical realist model, the proposed model in this thesis assumes procedural rationality. Models that maintain procedural rationality consider states' internal characteristics when they evaluate behaviour.

foreign policy executive. American grand strategy towards China deviates from what a structural realist account would say to expect, unless perceptions overlap with material changes in the international environment (independent variables).

### Evaluating perception

When perception is investigated in the subsequent case study in Chapters 4-5, the above perception process is likely to be internally incoherent. That is, different perceptions may exist within the foreign policy executive. Different foreign policy officials may challenge the President's perception of the international environment, and they bring their views to the decision-making process. Different US foreign policy executive members express their time-specific perceptions of what American interests are and the strategies they consider apt. Ultimately, they arrive at a common intra-foreign policy executive position on their perceived environment.

To identify these decision-makers' perceptions, one must infer how decision-makers perceived their international environment based on evidentiary sources. With such evidentiary sources, one can first analyse the President's view and how the NSS reflects it. Evidentiary sources can then show perceptions of other foreign policy executive members via relevant documents and data. If foreign policy executive members perceive the international system as being relatively coherent around the President's view and the NSS, then we establish a more comprehensive understanding of the perceived international environment.

In this section, I argued that the first mediating variable of perception interferes more with American state behaviour under conditions of a more permissive strategic environment. By this interpretation, the American foreign policy executive adjusts US grand strategy towards China not because it is essentially an appropriate or effective strategy to systemic incentives. Rather decision-makers perceive the systemic stimuli, but when in a permissive environment the stimuli are unclear, they may get it wrong. The proposed model thus

specifies the variables as well as the systemic conditions under which they affect America's China strategy. In doing so, the proposed model aims to contribute to the literature on neoclassical realism, America's China strategy and IR more generally. But after decision-makers have established the boundaries of their perceived environment, their adjustment of strategy is also affected, as Figure 8 shows, by varying levels of state power (that is, resource constraints). In the next section I will discuss this second mediating variable of state power.

#### *3.3.4 Second mediating variable - State power*

Extant neoclassical realist models that rely only on perception clarify how elites (mis)perceive international threats. But they remain relatively silent on how economic resource constraints affect grand strategy. Such extant perception-only models perhaps consider economic resources as not that important. But if higher levels of economic resources were available to the US foreign policy executive, then American grand strategy towards China might have looked very different. The US might have augmented its forward posture more in line with expectations derived from a structural realist account. In other words, because extant perception-only models look at how decision-makers perceive the environment, they reveal little about how varying levels of economic resources affect grand strategy. In the following paragraphs, the proposed model employs, as presented in Figure 8, the second mediating variable of state power.

One prominent feature of American grand strategy towards China is, as discussed in the literature review Chapter, the means-ends relationship, namely the link between strategic goals and the resources available to the decision-makers. This means-ends relationship indicates that whether and how the US was able to adjust grand strategy is also affected by domestic economic resource constraints. Indeed, many observers wonder how worsening domestic economic constraints in the areas of national economic activity, government revenues and the trade deficit affected American grand strategy towards China (e.g. Ripsman, Taliaferro and Lobell, 2016, p. 152; Walt, 2011). In the 2000s the US used very large



amounts of resources for strategy outside East Asia (especially in the Middle East). This affected the pool of resources available for its China strategy. And when decision-makers' perception centred on China and East Asia again during 2011-2015, American decision-makers could only draw from this smaller pool of resources to execute their strategy of checking China's rise. In parts of 1991-2015, the US had various international commitments on the one hand and faced domestic resource constraints on the other. US decision-makers confronted slowing American economic growth (for example after the technology bubble burst in 2001 and the economic crisis of 2008) and mounting federal debt levels. The question is then not just what systemic incentives from the independent variables compel states to do (independent variables). The question is also not how states respond to their perception of it (first mediating variable). Rather, what *can* states do after resource constraints have intervened between systemic incentives and state action?

When decision-makers misperceive the main threat to be in a region of less grand strategic interest, they might still extract and use much state power from society, but for strategy in the 'wrong' region. Using these resources for the wrong region also depletes the available resources for strategy against the real chief international threat. Namely, during the 2000s, American decision-makers perceived the US's chief international threat to be in the Middle East, a region of less grand strategic interest from a structural realist perspective. In these years, the US foreign policy executive extracted vast amounts of additional resources through appropriation bills. In the American-perceived environment in these years, China was already deprioritised. The additional state power which US decision-makers extracted was neither because of China's rise nor for use in East Asia. Under conditions of a less permissive strategic environment (when the international threat enlarges and nears), leeway for alternative strategies contracts. There is less room to perceive a main threat other than what the structure indicates. But even then, low levels of state power can produce an underactive strategy. For example, even when, as in 2011-2015, the US perceived China as its main threat again, low levels of state power prevented it from augmenting its forward

posture against China. This means that first perception filters the international environment, and then state power affects strategic adjustments.

### Evaluating state power

Having considered how and under which conditions state power interferes with state behaviour, the next section defines it as far as it concerns the proposed model in this thesis. State power intervenes with simple obedience to structural incentives when a state cannot easily extract national resources. State power shows that the foreign policy executive cannot access, following neoclassical realist terminology, all resources of a nation (national power). The foreign policy executive can only access the amount of resources it can draw out (state power). When the US foreign policy executive confronted China, it had only restricted access to American economic and financial resources to adjust grand strategy. To understand how much national power the American government was able to extract for its China strategy, more factors matter. These factors include economic crises, federal debt levels, the executive's relationship with Congress, and varying levels of taxation of the national income.<sup>85</sup> State power is thus a function of the general level of economic activity, the ability to generate revenues and the level of Congressional support. The next paragraphs present the three main areas for gauging the amount of state power that US decision-makers had at their disposal.

- The first area relates to the *general level of national economic activity*. This includes GDP and economic growth rates, employment, federal debt, economic crises, budget surpluses/deficits, performance of main industries, population and demographic changes, and share of world manufacturing output. Decision-makers compare this to other states' economic activity.

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<sup>85</sup> This corresponds with existing neoclassical realist work on US grand strategy in other periods. Friedberg found that these domestic constraints (state power) shaped US grand strategy in the Cold War (2000).

- When general national economic activity is low, the executive can extract more resources with *measures and policies* to foster economic growth or lessen the effects of economic crises. Whether the executive maintains or increases tax levels indicates the level of government income it extracts from society. These tax levels enhance or reduce the government's income and budget, and the foreign policy executive's ability to implement strategic adjustments. Equally, when American decision-makers ratify favourable free trade agreements, they can reverse a trade deficit and increase state power. The case study in subsequent Chapters 4-5 pays special attention to relevant budget and taxation acts, appropriation bills, monetary policy and free trade agreements.
- *Congressional support* affects whether the foreign policy executive can extract the state power required to implement strategic changes. The House of Representatives and Senate can accept, affecting the financial basis for American grand strategy. Hence it matters for gauging the level of state power. In order to evaluate state power and examine the timing and shape of the US's strategy towards China it is useful to look at the executive branch's legislative support (or lack thereof).

These indicators suffice to evaluate the level of state power at the disposal of the American foreign policy executive. Most, like US federal debt levels and national economic activity, as discussed in the case study in Chapters 4-5, worsened after 1991, bearing on the domestic resources available to the US foreign policy executive. As a result, some argue that when the American pivot towards Asia started in 2011, the US would unavoidably lack the resources for its grand strategy (Walt, 2011, p. 12). Thus, employing this second mediating variable has much potential to help in explaining specific adjustments in underactive American state behaviour towards China.

Thus far, I have argued that the selected independent and mediating variables help to move the analysis nearer specificity (explaining specific strategic adjustments). In doing so,

the proposed model helps to provide deeper insights into the systemic conditions and mediating variables that produced America's underactive China strategy. These variables combine to produce the outcome on the dependent variable. The thesis now proceeds to outline variations on the dependent variable.

### 3.3.5 *Dependent variable - Grand strategy adjustment*

In the proposed model in this thesis, the interplay of the selected variables produces the variation in the dependent variable. The dependent variable is defined as the strategic adjustments and behaviour of a state to its international environment. The scope of the dependent variable concerns cases of adjustments in grand strategy that are underactive, untimely and inefficient according to what a structural realist account would say to expect. The dependent variable in the proposed model in this thesis is relevant to shifts in external balancing. This external balancing refers to state behaviour to form alliances to check a rising power (offshore balancing); namely, in the absence of powerful allies, states augment their forward deployment of capabilities (onshore balancing).<sup>86</sup> This largely restricts the scope of the dependent variable to external balancing of grand strategic adjustments by an established hegemon against a rising power. The class or universe of potential cases that meet these measures is relatively small. The proposed model asserts conditional propositions (not universal ones) that apply to the specific context of the analysis in this thesis.<sup>87</sup>

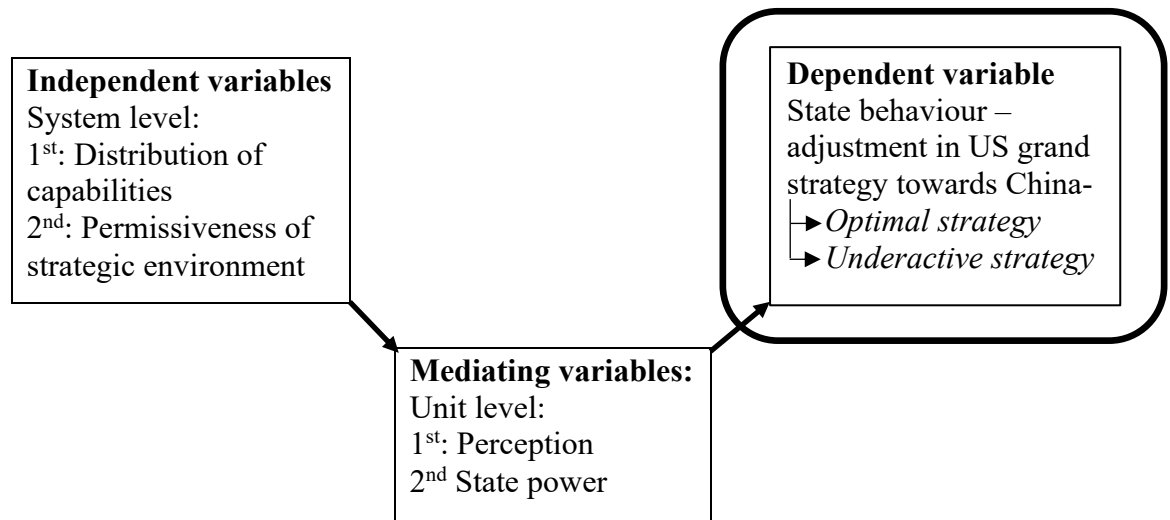
The dependent variable looks at how US grand strategy towards China varied in terms of *optimal* and *underactive* balancing behaviour. It seeks to stipulate when American strategy is optimal or underactive, which causal chains exist, and which factors contribute to the outcome. The remainder of this section does not elaborate on all strategies found in realist

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<sup>86</sup> As this chapter discusses later, various neoclassical realist models focus on external balancing. Others focus on internal balancing. Taliaferro's resource extraction model illustrates this: he "treats states' external alignments as exogenous [and] does not address debates about the prevalence of balancing" (2009, p. 199).

<sup>87</sup> An example of a neoclassical realist model that also narrows the scope to grand strategy adjustment of existing hegemonies is provided by Lobell (2003, pp. 14-7). One neoclassical realist best captures the spirit of these scope conditions: Christensen writes, "No single theory explains all cases of ... underreaction that black-box realism misses" (1996, p. 14).

literature.<sup>88</sup> The discussion of strategies in the next section is not exhaustive but covers, as presented in Figure 9, variations in *optimal* and *underactive* strategies. This includes the sub-categories these strategies entail that are relevant to this thesis.



**Figure 9.** The thesis’s neoclassical realist model and selected dependent variable

### Optimal strategy

The *optimal* US grand strategy on China is defined as the state behaviour that should be expected to result from structural incentives. This strategy entails that because structural realist incentives are primary drivers of state behaviour, a state best checks a rising power. This strategy means that the US was expected to focus and augment balancing efforts when China’s rise continued and threatened American geostrategic interests, such as East Asian sea-lanes and allies. US foreign policy executive rhetoric suggests, as the case study in Chapters 4-5 elaborate on, that during parts of 1991-2015 the US aspired to pursue an optimal strategy, that is, to maintain its leadership position, augment its forward deployment of capabilities and redress negative security externalities from trade.<sup>89</sup> If the foreign policy

<sup>88</sup> This chapter earlier discussed how existing models employ dependent variables. It also covered the wider range of possible strategies for states and possible values on the dependent variable which are beyond the scope of this thesis.

<sup>89</sup> For a discussion that strategic adjustments also manifest themselves in rhetoric, see Dueck (2006, pp. 12-3) and Kitchen (2009, pp. 64-5).

executive deviated from the optimal strategy, then it damaged American geostrategic interests and jeopardised its leadership role.

The optimal strategy is expected to manifest itself in observable military, economic and rhetorical features. In the military realm, this means competition with a rising power to deter it from threatening geostrategic interests. States compete when they balance externally and form alliances (offshore balancing) or augment their forward posture (onshore balancing).<sup>90</sup> They deploy sizeable capabilities to the region and form powerful alliances to counterbalance dangerous accumulations of power in the system or against a common perceived international threat (Walt, 1987, p. 5; Waltz, 1979, p. 118). States spend more on defence for use against the rising power, husband and retrench their resources from regions of less interest, participate in collective security arrangements, intensify arms races in order to maintain their position, deploy their army's land, naval and air forces to a forward position vis-à-vis the rising power and protest offensive territorial claims (Delury and Moon, 2014; Mearsheimer, 1998, pp. 225-6; 2003, p. 157; 2011b, p. 33; Mearsheimer and Walt, 2016, p. 81; Waltz, 1979, pp. 118, 24). They would aim to prevent China from achieving regional hegemony. Thus, when the US moves towards the optimal strategy, it would be expected to adjust its strategy to (at least) maintain its position against China in the East Asian system of states. It should be expected to balance actively in an early stage, contain a potential threat and prevent a peer competitor from achieving regional hegemony.

Equally important is the economic realm. An optimal strategy entails that the state undertakes steps to reduce its trade deficit and negative security externalities with the rising power. Namely, states can increase tariffs and restrict trade and negative security externalities with adversaries, and instead enhance trade and positive externalities within their own alliance networks. In the US-China case, this means that the US would undertake steps to reduce its trade deficit and negative security externalities with China, doing so by

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<sup>90</sup> See Anderson in Anderson and Silove (2016/17), Parent and Rosato (2015, p. 56) and Schweller (2004, pp. 159-60).

increasing tariffs for Chinese imports and restricting trade and negative security externalities with China. The US could instead promote trade and positive security externalities within its own hub-and-spokes alliance network.<sup>91</sup>

Another significant aspect of the optimal strategy relates to the executive's strategic rhetoric. The executive's strategic rhetoric manifests decision-makers' strategy. Publicly expressed views by American decision-makers should prioritise China and emphasise their efforts to check China's rise. This executive's strategic rhetoric is examined in the case study in Chapters 4-5 through, amongst other sources, speeches and published interviews of foreign policy executive members, security and strategic documents and press releases.

### Underactive strategy

The other side of the dependent variable is an *underactive* US strategy on China. An underactive strategy deviates from the state behaviour that a structural realist account would say to expect. This strategy means that a state's focus strays, or that it stagnates (or reduces) balancing efforts when a rising power threatens its geostrategic interests. The state's perceived environment and government rhetoric deprioritises the rising power or even fails to mention it at all in strategic documents. Additionally, decision-makers fail to extract more state power to check the rising power, or, they extract additional resources, but use them in regions of lesser strategic interest.

This underactive strategy is expected to manifest itself in military, economic, and rhetorical features. In the military domain, an underactive strategy fails to maintain and augment its forward military posture. This entails that a state fails to effectively form powerful and effective alliances (external balancing through offshore balancing) or fails to augment its forward position of capabilities (onshore balancing). The underactive strategy

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<sup>91</sup> See Ripsman, Taliaferro and Lobell (2016, pp. 111-2) and Yates (2017, pp. 2, 8). Literature on American strategy in East Asia commonly uses a metaphor of "hub-and-spokes," referring to the American alliance system in East Asia. This refers to Australia, Japan, South Korea, the Philippines, and Thailand (spokes) around the central American role (hub) (e.g. Cha, 2014; Hughes, C, 2014, p. 387; Rice, 2011, p. 523; Shambaugh, 2004/05, pp. 95-6; Silove, 2016).

entails that a state spends less on defence, avoids collective security arrangements, foregoes arms races, stagnates or decreases the forward deployment of land, naval and air forces and allows or fails to protest the rising power's territorial claims.<sup>92</sup>

In the economic domain, an underactive strategy towards China entails American policies that strengthen China's power. An underactive strategy continues to liberalise trade and potentially reduces tariffs that expand the American trade deficit and negative security externalities with China. This strategy means that US decision-makers develop new trade treaties with China that advance absolute gains, rather than prioritise relative gains. This strategy enhances trade with China that disproportionately benefits the latter and allows negative security externalities to linger.

An underactive strategy should also manifest itself in foreign policy executive rhetoric. That is, publicly expressed views should reflect how American foreign policy elites lack focus. These views can be found in speeches and published interviews by members of the foreign policy executive. This rhetoric should also appear in security and strategic documents, such as the NSS and the NMS, and press releases from relevant departments and secretaries. Executive rhetoric in these documents should display a lack of focus on China's rise. For example, the NMS failed to even mention China in 2004, but President Obama touted the 'Pivot to Asia' in his speech before the Australian Parliament in 2011. This shows that the executive perceived China's rise differently.

#### Overlap between optimal and underactive

Of course, it may be inadequate and unproductive to define America's China strategy in the case study (Chapters 4-5) as either optimal or underactive for all sub-categories. Logically,

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<sup>92</sup> See also Ripsman, Taliaferro and Lobell (2016, pp. 111-2) and Trubowitz (2011, p. 44). One could add that appeasement qualifies as an underactive strategy. However, appeasement goes further than an underactive US strategy. Appeasement asks a state to concede power to a rising adversary, "which violates balance-of-power logic and increases the danger to the state that employs [it]" (Brawley, 2010a, p. 11; quoted from Mearsheimer, 2003, p. 162). Appeasement can be a short-term strategy that buys the US time to build a more powerful balancing coalition later. But even then, the US should be expected to prefer to have or build allies or to augment its forward posture, rather than concede power (Brawley, 2010b).



the two categories of *optimal* and *underactive* behaviour can overlap in some of their sub-categories (economics, military, rhetorical) in the real world. This makes the proposed model and case explanation more relevant. American grand strategy towards China can demonstrate features of an underactive strategy at the rhetorical or economic level and undertake more active steps at the military level. American state behaviour is not expected to fit perfectly in either category or meet all the criteria associated with it. The US can simultaneously cooperate with China in one domain and compete in another, and minor adjustments occur within one category. The US can cooperate with China in the economic realm and simultaneously compete militarily (or another combination therein).<sup>93</sup>

For example, American grand strategy towards China under the Clinton administration differed, as discussed in the case study in Chapters 4-5, in the economic and security realm. For example, it is argued that America's China strategy in those years was one that sought to integrate China economically but to hedge it in security terms (Nye, 2013, p. A19). The proposed neoclassical model expects that the dependent variable of US behaviour towards China comprises a varying mixture of economic, military and rhetorical dimensions.

Still, when we distinguish the criteria (economic, military, rhetoric), we can analyse when American policy elites adjusted their China strategy at odds with structural realist expectations. This is because this thesis's primary research puzzle on US grand strategy towards China lies in a mismatch between structural realist expectations and observed state behaviour. The proposed model expects that, overall, American grand strategy towards China in each subcase can be evaluated as nearer optimal or underactive.

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<sup>93</sup> This expectation corresponds with extant neoclassical realist and other work on US-China relations. Indeed, "two states can cooperate economically, but still compete in the security arena. The US-China relationship after the Cold War is a good example in this respect," Kai He writes in his neoclassical realist analysis of US-China relations (quoted from He, 2017, p. 136; Lobell, 2000, p. 88). Similarly, American grand strategy under the Clinton administration differs, Posen argues, in the economic and security realm (1996, pp. 42, 6). Some refer to this as "conengagement": engaging China through trade while also seeking to maintain a favourable balance of power (Friedberg, 2011, p. 59).

In the above sections, I presented how the independent and mediating variables combine to produce the outcome on the dependent variable. The interrelated theoretical contribution derived from this is that the proposed model will establish a set of clear propositions for the subsequent case study in Chapters 4-5. These propositions suggest precisely when mediating variables will have greater causal effect on the dependent variable and when the dependent variable is determined primarily by the independent variables. This helps to demonstrate the applicability of this thesis's neoclassical realist model and propositions for the subsequent case study. The next and final section of this chapter operationalises the variables and presents the propositions.

### **3.4 Operationalising the variables**

The developed model in this thesis seeks to provide deeper insights into how neoclassical realism can explain American grand strategy towards China more satisfactorily than alternative explanations. It serves “the heuristic purpose of identifying the potential causal paths and variables leading to the dependent variable” of adjustments in US grand strategy towards China (George and Bennett, 2005, p. 23). It seeks to do so by adding relevant mediating variables, further establishing the permissiveness of the strategic environment as an independent variable and establishing a set of clear propositions. This helps to demonstrate the applicability of this thesis's neoclassical realist model and propositions for the subsequent case study in Chapters 4-5. In this section, I will operationalise the variables and present the set of propositions to permit case-specific analysis of the outcome in US grand strategy (George and Bennett, 2005, p. 203).

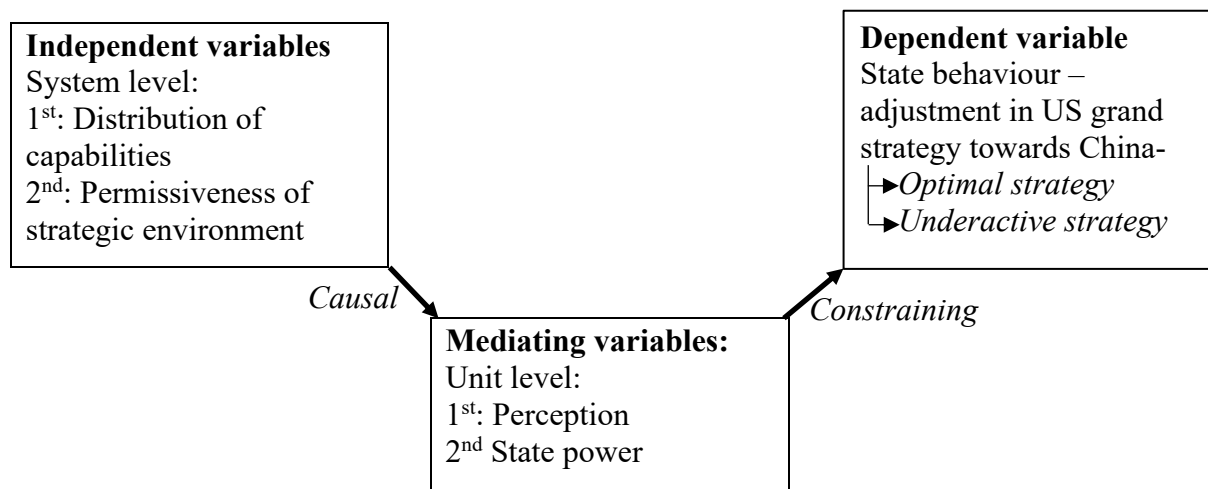
#### Hierarchy of variables

The overall hierarchy of variables in the developed neoclassical realist model in this thesis prioritises the independent variables over the mediating variables. The hierarchy within the independent variables first posits the distribution of capabilities and then the permissiveness

of the strategic environment. The hierarchy within the mediating variables first posits perception and then state power.

The developed model in this thesis expects that perception will have the most influence when decision-makers adjust grand strategy, because decision-makers filter the international environment before they decide on strategy. The model expects that American decision-makers would have adjusted grand strategy when they changed how they perceived the international environment. This differs from how the real international environment changed. The developed model in this thesis expects that, once decision-makers established their perceived environment, state power will have much potential to explain American state behaviour towards China more specifically.

Figure 10 illustrates the neoclassical realist model, the specific variables that the thesis employs and what the relationships are between the selected variables. In this figure, the independent variables (distribution of capabilities and permissiveness of the strategic environment) direct how decision-makers adjust grand strategy over the long term, and how the distribution of capabilities changes, impacts and sometimes parallels changes in the permissiveness of the strategic environment. Perception and state power mediating variables complement the independent variables that influence grand strategy adjustments. Eventually, the connection between the independent and mediating variables shapes variation on the outcome or dependent variable. This dependent variable varies on *optimal* and *underactive* state behaviour.



**Figure 10.** The thesis’s neoclassical realist model and causal relationships

### Propositions

When the proposed model in this thesis operationalises the variables in this way, the propositions help to say when and whether we expect the US to follow an optimal or underactive strategy. Establishing clear propositions is, as outlined earlier in this chapter, one of the main challenges for contemporary neoclassical realists. The propositions model in this thesis relate to how the independent and mediating variables affect the dependent variable.

The propositions present the hierarchy of variables for the independent and the mediating variables. They also propose the significance and role of each independent and mediating variable, propose the weighting of the variables and their impact on US grand strategy towards China. Lastly, they detail the interplay of the variables as visualised in Figures 10 and 11. The variables are ordered first according to the system level, then the unit level and finally in combination to produce the dependent variable’s outcome.

### *System level*

- The hierarchy of variables:
  - *In the overall hierarchy, independent variables at the system level are primary over mediating variables at the unit level.*

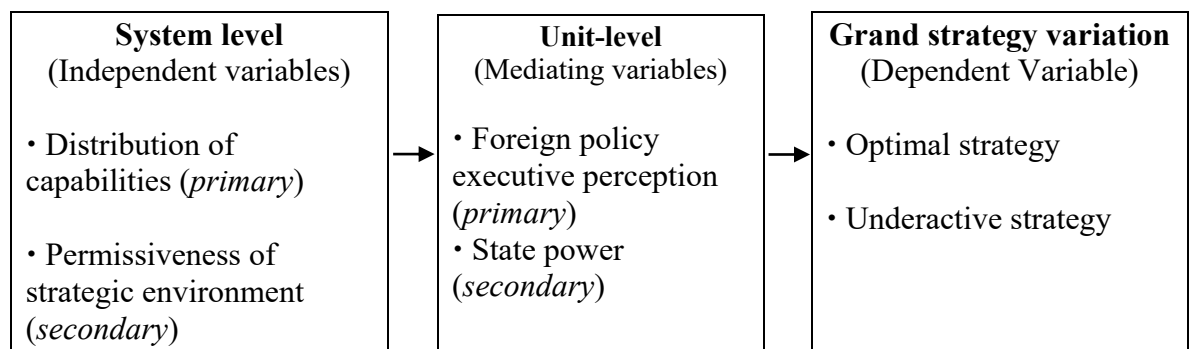
- *Within the independent variables, the distribution of capabilities is first and the permissiveness of the strategic environment second.*
- *Within the mediating variables, foreign policy elite perception is first and state power is second.*
- *The American foreign policy executive adjusts grand strategy primarily and over the long term in response to changes in the distribution of capabilities (first independent variable). This means that US grand strategy towards China is expected to be primarily driven by changes in the distribution of capabilities. The US is, over the long term, expected to focus and augment its strategy towards China.*
- *It is expected that the second independent variable (permissiveness of the strategic environment) is not always produced by variation in the first independent variable. As discussed above, this means that the strategic environment can become less or more permissive, even when the distribution of capabilities (first independent variable) has not tilted unfavourably.*

#### *Unit level*

- *It is maintained that American foreign policy executive perception will be the mediating variable with most influence on grand strategy adjustment. This is because the American foreign policy executive is charged with grand strategy decisions. Foreign policy executive perception (first mediating variable) is the prerequisite variable.*
- *Additionally, it is suggested that state power will be the secondary mediating variable. This is because whenever the American executive extracts more resources, they use these within the limits of their perceived strategic environment.*

*Combining variables to produce the dependent variable's outcome*

- *Under conditions of a more permissive strategic environment, perception and state power (mediating variables) interfere more with state action and America's strategy towards China approximates an underactive strategy. Perception and state power are expected to shape the efficiency and timing of how American decision-makers adjust their China strategy. These domestic constraints are expected to interfere more with American state behaviour under the conditions of a more permissive strategic environment, that is, when an international threat from China is distant and small.*
- *Under conditions of a less permissive strategic environment, perception and state power interfere less with state action and American strategy towards China approximates the optimal strategy. This means that under the conditions of a less permissive (or more restrictive) environment, perception and state power are expected to interfere less. This is because the environment is clearer about what the main international threat is and what the optimal strategy is to deal with it.*



**Figure 11.** Neoclassical realist model and US grand strategy towards China

The relationships between the variables and how the developed model orders them is presented in Figure 11. Based on these schemes, the case study in Chapters 4-5 analyses US grand strategy towards China and examine the variables in play, which should help to reveal

the patterns of adjustments in US grand strategy towards China and to clarify the importance of each variable.

### **3.5 Chapter conclusion**

In this chapter, I articulated a theoretical model to more satisfactorily explain American grand strategy towards China between 1991 and 2015. I argued that the developed model expects perception and state power to interfere to a greater extent and influence America's China strategy that moves closer towards an underactive one, under conditions of a more permissive strategic environment. That is, when an international threat is distant and small, greater leeway exists for alternative perceptions and resource constraints to affect strategic choices. When states are pressured to focus on the rising power but perceive it differently or suffer from low state power levels, they adjust strategy underactively when compared with what a structural realist account would expect. American grand strategy towards China was thus caught up in this matrix of variables.

What was then produced externally in American grand strategy towards China was precisely the result that a structural realist account would say to avoid: an underactive strategy that aided the rise of China. US grand strategy towards China should then not be understood as a careful, purely rational response (in the structural realist sense) to externally given systemic conditions. Instead, US grand strategy towards China is then best described as a blended product of systemic conditions and domestic characteristics that produces sub-optimal state behaviour.

The developed model in this thesis aims to improve debates in three main areas. First, it further establishes the importance of the permissiveness of the strategic environment as an independent variable for grand strategy. It provides deeper insights into the systemic conditions under which the mediating variables affect American state behaviour towards China. Second, it helps to demonstrate that neoclassical realism may more satisfactorily explain specific strategic adjustments in the US-China case. To that end, the developed

model in this thesis adds and refines an additional independent variable (permissiveness of the strategic environment) and adds two mediating variables (perception and state power). Third, the developed model in this thesis interrelatedly contributes by establishing a set of clear propositions. These propositions suggest precisely when the mediating variables intervene in the causal chain between systemic incentives and strategic choice and influence the form that strategic choice takes, and they suggest when the US's China strategy is primarily driven by the independent variables. These propositions help to demonstrate the applicability of this thesis's neoclassical realist model and propositions for the subsequent case study in Chapters 4-5. This thesis is, therefore, a new study, which can extend the literature on neoclassical realism and American grand strategy towards China.

If we can more satisfactorily explain the case in this way, then we will have a more satisfactory explanation of the US's strategy towards China and how great powers interact. And if the developed neoclassical realist model in this thesis succeeds in explaining the US-China case more effectively, then we may be able to demonstrate how neoclassical realism may add value versus alternative explanations. In the next chapter, the thesis turns to an empirical examination of the US-China case. It demonstrates the applicability of the model and the propositions for the thesis's first subcase, covering the period of 1991-2011.



## **Chapter 4 - The US's China strategy of partnership (1991-2011)**

After the Cold War ended, the US was the world's only great power without a state able to challenge it. The US was uniquely equipped to shape the international environment and to prevent the emergence of a peer competitor. A structural realist account explains that China's rise changed the distribution of capabilities (structural realism's single independent variable), and the changing distribution of capabilities incentivised the US to focus on checking China. But structural realism fails to explain, as Chapter 1 discussed, why consecutive US administrations failed to focus on checking China's rise. Indeed, twenty years after the Cold War ended, the US-China balance of power changed unfavourably, China gained influence and the US trade deficit with China skyrocketed. Looking at America's China strategy in retrospect, one wonders why "things have ... not worked out the way most people thought they would work out" (Mearsheimer, 2011a at 1:34-1:43). Clearly, America's China strategy remains unexplained by structural realism's single independent variable of the distribution of capabilities. Since explanations from the literature on US-China relations are often based on Innenpolitik, constructivist and two-level game approaches, they face difficulties, as Chapter 2 elaborated, to account for the US's sub-optimal China strategy.

To more satisfactorily explain this case, in this chapter, I will apply this thesis's theoretical model on America's China strategy for the first subcase (1991-2011). This subcase showed, as Chapter 1 elaborated, that the US pursued a China strategy at odds with structural realist expectations: a China strategy of an economic and strategic relationship, a China strategy of a US-China coalition to fight terrorism, and a China strategy of US-China trade liberalisation. To explain this subcase in America's China strategy, I apply this thesis's theoretical model from left to right (Figure 10). That is, I will first examine the distribution of capabilities (first independent variable) and the strategic environment's permissiveness (second independent variable) between 1991 and 2011. In this subcase, America's China strategy had, as discussed in the introduction chapter's case study design, conditions of a

very permissive strategic environment, meaning that when an international threat from China was distant and small, room existed for mediating variables to interfere with China strategy. I proceed with examining how perceptions (first mediating variable) and state power (second mediating variable) interfered with America's China strategy (dependent variable) first during 1991-2001, before I will examine the period 2001-2011. This should help to explain specific adjustments in America's China strategy.

When the US lacked a focused China strategy (that is, one that centred on checking China's rise as structural realism would expect), this resulted from how, in the very permissive strategic environment, the mediating variables intervened in the causal chain between systemic incentives and the US's strategic choice vis-à-vis China's rise. This, I argue, produced an American grand strategy towards China that contradicts a structural realist account: an underactive China strategy that assisted China's rise. Indeed, decision-makers adjusted US grand strategy in particular ways that risked long-term interests from a structural realist view; that is, the US pursued a luxury China strategy that treated China as a trade companion and strategic partner. I argue that US grand strategy towards China during 1991-2011 should then not be understood as a careful and purely rational response (in the structural realist sense) to external threats from China's rise and changes in the distribution of capabilities. We can best explain the US's China strategy in this subcase as a blended product of systemic conditions and domestic characteristics that produced a sub-optimal China strategy.

The remainder of this chapter will first analyse how the distribution of capabilities changed and how the strategic environment remained very permissive. Then I will examine how perception and state power levels interfered with the US's China strategy first during 1991-2001 and then during 2001-2011.

## **4.1 Distribution of capabilities - First independent variable**

### *4.1.1 End of the Cold War and China's rise*

When the Cold War ended and the Soviet Union dissolved, the distribution of capabilities changed. This meant that the US enjoyed a unipolar moment (Krauthammer, 1990): in 1991, the US's economy exceeded the next two largest economies combined (Japan and Germany) and its military spending exceeded the next 15 largest countries combined (SIPRI, 2018; World Bank, 2018a). The US was at the world's top, without immediate security threats from Europe or Asia.

One implication was that the *raison d'être* disappeared for America's forward deployed military capabilities. US-China relations during the Cold War were founded on shared interests to contain the Soviet Union.<sup>94</sup> America's relationship with China was, as Brent Scowcroft (one of President George H W Bush's key advisers) said, "one of the most important relationships we had ... in putting pressure on the Russians" (2002 quoted in Garrison, 2005, p. 110). America's forward military posture gave "military assistance that had promoted China's strengthening for the common struggle against Moscow" (Tucker, 2013, p. 38). But as Scowcroft says, "when the Soviet Union disappears, then that sort of glue that held us together is gone" (2002 quoted in Garrison, 2005, p. 117).

Some suggested that this American unipolar moment would bring a new era free of great power rivalries (Fukuyama, 1992). Others thought that the West's alliance system would break: without a common Cold War adversary, alliances like the US-Japanese one would be unsustainable (Lester, 1992). Yet others emphasised that the standard balance of power mechanism expects other states in the system to hard balance or soft balance the US (Pape, 2005; Paul, 2005).<sup>95</sup>

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<sup>94</sup> See Albright (2003, p. 466), Dittmer (2005, pp. 25-31), Garrison (2005, p. 107), Mann (1998), Ross (2001, p. 22) and Tucker (2013, pp. 38-9).

<sup>95</sup> Soft balancing was discussed in Chapter 3.

This means that the system incentivised the US to seize opportunities to shape the post-Cold War world. Indeed, America's declared unipolar moment provided it with sufficient capabilities to further its interests abroad (Krauthammer, 1990). When America's position in the system changed, it triggered the US to prevent a rising power such as China from threatening its interests (Brzezinski, 1997).

What this means is that the US was tasked with devising a new China strategy. China remained as the main potential competitor after Japan's economy (which was expected to become the world's largest (Kennedy, 1988)) grew slower for two decades and contracted after the 1997 Asian financial crisis (Bevacqua, 1998, p. 420).<sup>96</sup> Japan's defence spending was limited to 1% of GDP throughout 1991-2011.<sup>97</sup>

Whilst Japan stagnated, the balance of power already started to shift between China and Taiwan. The Taiwanese military was seen as qualitatively superior to China's (Lin, 1996, p. 585). But the Chinese economy's size was twice that of Taiwan in 1991; four times by 2001; 15 times by 2011.<sup>98</sup> China's military in 1991 spent twice what Taiwan's military spent, and China quintupled Taiwan's military spending by 2001 and spent 14 times as much as Taiwan by 2011 (Garrison, 2005, p. 124; SIPRI, 2018; Tucker, 2013, p. 40). Overall, China's GDP tripled in the 1990s and neared \$8 trillion by 2011 (World Bank, 2018a).

Equally important, America's East Asian allies were too weak to check China's rise. Of course, China's GDP per capita was behind American allies (World Bank, 2018b). But the combined economy of ASEAN was smaller than China's in the 1990s; ASEAN's economy was less than half of China's by 2001 (World Bank, 2018a); and ASEAN often

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<sup>96</sup> Paul Kennedy argued in 1988 that he had "considerable substantive reasons why [Japan] is likely to expand faster than the other *major* Powers in the future" and would be the main economy in the early 21st-century (1988, p. 461, original italic and capital). Soon thereafter, Japan's debt infused speculative bubble growth ended, and its economy slowed with lower productivity and lower household consumption. By 2009, the Japanese economy, at \$5.2 trillion was still smaller than it was in 1995 at \$5.4 trillion (World Bank, 2018a). See Callen and Ostry (2003), Fukao and Kyoji (2006), Hayashi and Prescott (2002), Horioka (2006) and Leigh (2010).

<sup>97</sup> The figures in this paragraph are taken from the Stockholm International Peace Research Institute (SIPRI, 2018) and World Bank (2018a).

<sup>98</sup> Taiwan's GDP is not available via the World Bank. The data for Taiwan is taken from the International Monetary Fund (IMF) and calculated at current prices (IMF, 2018). China's GDP data is taken from the World Bank (2018a).

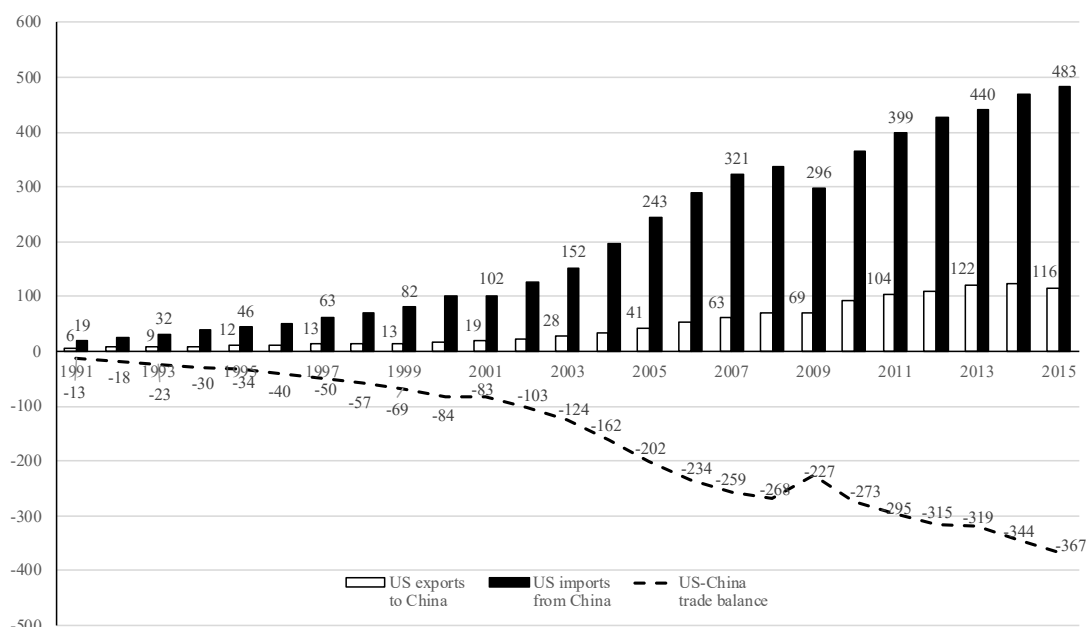
failed to stand united against China's territorial claims in the South China Sea (Goh, 2014; Keck, 2014; Yates, 2017). Moreover, South Korea's economy in the mid-to-late 1990s was only half of China's: by 2001 it was only a third. Japan was America's only East Asian ally with an economy that exceeded China's, but Japan was constrained by its 1947 Constitution's Article 9: Japan was prohibited from maintaining armed forces with war potential (whether land, sea or air).<sup>99</sup> This translated into limited Japanese capabilities and defence spending at around 0.9%-1.0% of GDP throughout 1991-2015 (SIPRI, 2018; World Bank, 2018a). Australia's economy in 1996 was less than half of China's, and Australia's military spending in 1993 was half of China's. Australia's GDP was a mere third of China's by 2001 and only 1/10<sup>th</sup> tenth by 2016, with defence spending at \$13 billion in 1991 and just \$28 billion in 2016. South Korea had a vastly smaller economy than that of China (40% in 2001 and a mere 13% in 2016). South Korea's defence spending was at 3.7% of GDP (\$16 billion) in 1991 and 2.6% (\$37 billion) in 2016 (SIPRI, 2018). By any such measure in the given situation, because America's East Asian neighbours lacked the capabilities to oppose China, the US was unable to buck pass the task to balance China, namely, to rely on American allies in East Asia to check China's rise (Mearsheimer, 2011b, p. 33). This strengthened the incentive for the US to adjust its China strategy and to adopt a more active strategy and increase its capabilities.

Whilst American allies lacked power to balance China, the American trade deficit with China unfavourably changed the balance of power. US-China trade imbalances remained nascent in 1991. But the US trade deficit with China between 1991 and 2011 increased twenty-twofold to \$295 billion (Figure 12). The US trade deficit with China worsened when China devalued the Renminbi in 1994: the Renminbi fell 33% against the US Dollar, and because the Renminbi fell American-made products became less competitive in the international market (Holman, 1994; Wei, 2015). China became the largest importer

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<sup>99</sup> See The Constitution of Japan (1946).

of goods in the American economy by 2007, up from third place in 2002. It became the largest exporter worldwide by 2009.<sup>100</sup> American federal treasuries held by China increased fifteenfold from \$79 billion to \$1.2 trillion during 2001-2011 (US Department of the Treasury, 2015b). By 2011, China received more foreign direct investment inflow than the US (World Bank, 2015).



**Figure 12.** US-China trade in goods, 1991-2015

*Note:* Figures are in \$ billion.

*Source:* US Census Bureau (2018a).

The US trade deficit accelerated China’s rise. The American trade deficit generated negative security externalities: China gained economic and military power and obtained American military technology (Kan, 2001). This incentivised the US to worry about relative losses from US-China trade and to adjust its strategy accordingly. Because the US suffered US-China trade losses, the US was better off to reduce its trade deficit with China and increase trade with American allies. Indeed, more trade with American allies (and less with China) would shape the distribution of capabilities favourably.

<sup>100</sup> The data is taken from Congress of the United States (2006, p. 38), UN Department of Economic and Social Affairs (2015) and US Census Bureau (2015b).

#### *4.1.2 An unfocused American China strategy*

From a structural realist view, when the distribution of capabilities changed, the US would be expected to focus on checking China's rise. Given China's rise, the US was expected to work hard to prevent China from becoming a rival superpower. Structural realist incentives would expect that the US protected or furthered its interests in East Asia. When states ignore structural realist incentives, the alternative to act against a rising power is, Waltz argues, that rising powers may act against one's interests. Indeed, China could use its increased power capabilities to defend itself against the US (Waltzian defensive realism) or expand (Mearsheimer's offensive realism).<sup>101</sup> So, based only on how the capabilities were distributed, structural realism would expect that the US focused on addressing China's rise.

This means that the distribution of capabilities is structural realism's only independent variable. But this variable alone cannot explain why consecutive US administrations failed to focus on checking China's rise. If the system's new distribution of capabilities produced opportunities and freed power capabilities to expand vis-à-vis China, then why did the US facilitate China's rise and jeopardise American interests? Why did the US prioritise short-term goals and absolute gains from US-China trade? And why did the US fail to maintain or increase its forward posture? Indeed, why engage China at all?

To explain when and how the US adjusted its China strategy, we must, in line with this thesis's theoretical model, examine the conditions under which the US adjusted its China strategy. We must look at the strategic environment's permissiveness and mediating variables of perception and state power. When we employ the additional independent variable of the strategic environment's permissiveness, we clarify the conditions under which the mediating variables directed the US away from balancing against China. We can then use the mediating variables and examine how they intervened in the causal chain between systemic incentives and the dependent variable (US grand strategy towards China)

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<sup>101</sup> The American strategy towards China that structural realism expects both in general and in the US-China case was discussed in the thesis's research puzzle in Chapter 1.

in ways unimagined from a structural realist viewpoint. When the distribution of capabilities changed in China's favour, America's strategic environment remained very permissive, and the next section examines precisely how America's strategic environment remained very permissive in 1991-2011 and how this expanded room for mediating variables to interfere with America's China strategy.

## **4.2 Permissiveness of the strategic environment - Second independent variable**

The distribution of capabilities changed, and China rose sharply throughout 1991-2011. But despite these changes, the strategic environment that surrounded the US remained very permissive (Ripsman, Taliaferro and Lobell, 2016; Trubowitz, 2011, p. 124). China's threat was small and distant; for the US, it held no immediate dangers (Boys, 2015, p. 70; Moran, 1989-1991, p. 74). Thus the US enjoyed leeway for strategies other than addressing China's rise; it could pursue other objectives (Walt, 2000, pp. 64-6). There are four main factors about China that contributed to the strategic environment's permissiveness; the fourth is especially telling about North Korea: a Chinese ally.<sup>102</sup>

### *4.2.1 Factors contributing to America's permissive strategic environment*

#### China's limited challenges to American interests

Some factors threatened US interests, but only in a limited way. In 1996, China conducted missile tests in waters near Taiwan, intimidated Taiwan and threatened an important naval sea lane of communication. In 1995, China recalled its Ambassador from Washington after the US administration granted a visa for Taiwanese President Lee; Lee visited Cornell University in 1995 and strained the one-China policy.<sup>103</sup> China was also believed to transfer

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<sup>102</sup> The China-North Korea alliance was cemented in the 1961 Sino-North Korean Mutual Aid and Cooperation Friendship Treaty. In the treaty, China agreed to assist North Korea militarily in case the latter is attacked from outside.

<sup>103</sup> The one-China policy entails that there is only one China: mainland China. China considers Taiwan to be part of China. When the US officially invites the Taiwanese President, it recognises Taiwan as a state and antagonises China. See also Berger (2005, pp. 61-5), Christopher (2001, pp. 243-4), Myers and Shambaugh (2001, p. 7), Sciolino (1995) and Xiang (2001, p. 17).



ballistic missile components and training to North Korea (Byman and Cliff, 1999; Kan, 2003). When in 1999, the US bombed the Chinese embassy in Belgrade, President Bill Clinton immediately apologised via telephone to Chinese President Jiang Zemin, and Madeleine Albright promptly visited Chinese Ambassador to the US, Li Zhaoxing (Albright, 2003, p. 420; Clinton, B, 2004, p. 855; Talbott, 2002, p. 315).

But these challenges were limited. When China claimed South China Sea territory in the early 1990s, Defense Secretary William Perry wrote in his Annual Report to the President and Congress that the US could solve territorial disputes peaceably (Perry, 1996, p. xiii; 2006). In 1996, when China conducted missile tests in waters near Taiwan, Clinton sent a carrier group from the US Navy's Pacific fleet to the Taiwan Strait and the crisis passed; China lacked aircraft carriers (Clinton, B, 2004, p. 703; Risen, 1996). Also, China held a grand Asia tour in 1997 to seduce American allies, namely, Chinese diplomats and military officials asked East Asian states to distance themselves from America. But when China lobbied East Asian states, they observed China's advances unfavourably. China failed to lure American allies in China's economic and security orbit, and America's hub-and-spokes model (that is, America's East Asian alliance system) remained firm (Kagan, R, 2008, p. 37; Shambaugh, 2004/05; Yan, 2014).<sup>104</sup>

Moreover, when China challenged American interests, China lacked advanced capabilities to threaten the US. China lacked aircraft carriers to challenge the US in contested territories. When China in 1996 test-launched missiles in waters near Taiwan and the US sent ships near the Taiwan Strait, China was unable to challenge the Americans. Similarly, China lacked the required capabilities to reverse how America deployed prominent forward military capabilities in East Asia. Indeed, China built A2AD capabilities like anti-ship missiles only in the late 2000s and early 2010s (Kazianis, 2011; Minh Tri, 2017; Rinehart, 2016). China needed these A2AD capabilities to deny the US access to contested areas in

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<sup>104</sup> The 'hub-and-spokes' model was defined in Chapter 3.

the East and South China Sea. Similarly, China lacked the infrastructure that it needed for large-scale military operations beyond its borders (Cumings, 2000, pp. 283-4; Gill and O'Hanlon, 1999).

#### China's Keeping-a-Low-Profile strategy

A closely linked factor which made the strategic environment very permissive was China's Keeping-a-Low-Profile strategy. This demonstrated a continual behaviour pattern from 1992-2011: developing the domestic economy and avoiding foreign commitments and conflict.<sup>105</sup> During that period, China's economy soared. And although China tested nuclear weapons, it joined the NPT in 1992 and it stopped the tests and signed the Comprehensive Nuclear Test Ban Treaty in 1996.<sup>106</sup>

One implication was that China refrained from launching international institutions that challenged American-led institutions. In fact, China opposed the idea to create regional institutions that excluded the US. In 1997, China observed that Japan proposed the Asian Monetary Fund on the heels of the 1997 Asian financial crisis. Japan sought to fund the institution by and for East Asian states to prevent financial crises. But, China failed to support it and opposed the idea to exclude the US (Lipsy, 2003, p. 96). The Asian Monetary Fund proposal was also opposed by the US which believed that it directly competed with the US-dominated IMF and its powerful position in the governance of the international financial system (Grimes, 2014; Hamanaka, 2011). The Asian Monetary Fund proposal was withdrawn.

Of course, some regional international institutions and fora were launched and included China. But these institutions also included the US (unlike during 2011-2015 as the

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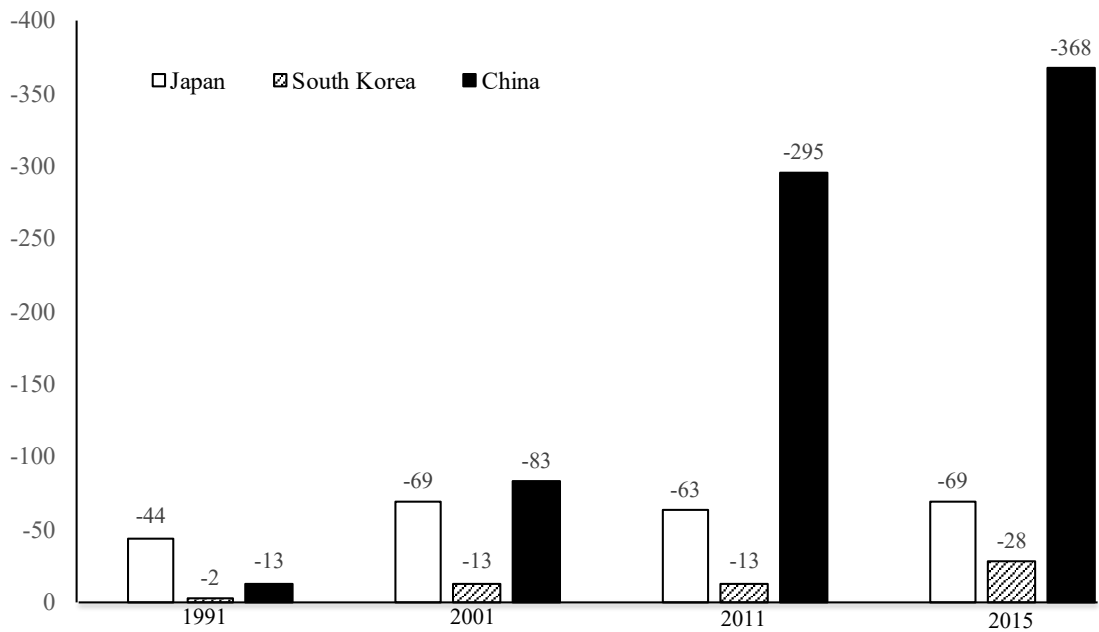
<sup>105</sup> See Mandelbaum (2016), Shambaugh (2004/05), Xiang (2001, p. 13), Yan (2014) and Zheng (2005).

<sup>106</sup> China joined the NPT in 1992. The Treaty was opened for signature in 1968; it recognises China as one of five nuclear weapons states. China's nuclear deterrence policy is considered consistent ever since its first nuclear weapon test in 1964, and in its 2005 White Paper, the Chinese government reaffirmed its 1964 pledge to the no-first-use policy, namely that it would not be the first to use nuclear weapons as a means of warfare (Heginbotham et al., 2017). On the Comprehensive Nuclear Test Ban Treaty, see also Kan (2003), Ministry of Foreign Affairs of the People's Republic of China (1998), Preparatory Commission for the Comprehensive Nuclear-Test-Ban Treaty Organization (2018) and Treaty on the Non-Proliferation of Nuclear Weapons (1968).

next chapter discusses). Indeed, the US participates in the ASEAN Regional Forum; it was established in 1994 and it meets annually along with China, Japan and others. Furthermore, US allies like Japan, South Korea and Australia were firmly entrenched in US-led or dominated institutions like the North Atlantic Treaty Organization (NATO), IMF, or World Bank; while American alliances were tight in America's hub-and-spokes alliance (unlike the period of 2011-2015 when American allies joined China-led institutions and which the US did not join).

#### China's trade with American allies

One element that also made the strategic environment more permissive was that American allies mainly traded with the US. Although China's aggregate capabilities grew and the US trade deficit with China expanded during 1991-2011, the US trade deficit mainly flew to US allies (Figure 13 and Table 6). Because the American trade deficit mainly enriched American allies, they strengthened America's hub-and-spokes alliance model. For example, in 1991, US exports to Japan were \$48 billion and imports were \$92 billion; however, US exports to China were only \$6 billion and imports were \$19 billion (US Census Bureau, 2018a, 2018b). So, although the US trade deficit existed, it mainly flew to allies and strengthened America's alliance against China.



**Figure 13.** Evolution of US trade deficit with selected East Asian states, 1991-2015

*Note:* Figures are in \$ billion.

*Sources:* US Census Bureau (2018a, 2018b, 2018c).

**Table 6.** Evolution of US trade deficit with selected East Asian states, 1991-2015

	1991	2001	2011	2015
Japan	-44	-69	-63	-69
South Korea	-2	-13	-13	-28
China	-13	-83	-295	-367

*Note:* Figures are in \$ billion.

*Source:* US Census Bureau (2018a, 2018b, 2018c).

### North Korea's freeze period

Finally, the strategic environment also remained very permissive because China's ally North Korea was a small and distant threat. At times, North Korea acted against American interests: on 31 August 1998, North Korea launched rockets over Japanese territory before they ended in the Pacific Ocean (Albright, 2003, p. 354). North Korea threatened American interests, such as American troops in South Korea (Clinton, B, 2004, p. 765); it was considered "to traffic in the weapons of mass destruction, support of terrorism" (Lake, A, 1994b, p. A35). Indeed, the US under Clinton declared a list of "aggressive and defiant" states including North Korea (Lake, A, 1994a, p. 45).

But North Korea's challenges were, certainly when compared with later years, limited. In 1994, North Korea announced its withdrawal from the NPT - but North Korea eventually stayed committed, and signed the Agreed Framework to freeze its plutonium production in 1994 and dismantled its old nuclear reactors.<sup>107</sup> In 1995, the NPT parties (including North Korea) extended the Treaty indefinitely.<sup>108</sup> North Korea agreed to receive aid, it limited missiles launches during the 1990s to eleven (unlike the 90 that were carried out during 2006-2015) (Center for Strategic and International Studies, 2018; Clinton, B, 2004, p. 624), and North Korea in 2000 ended its plutonium and missile testing programmes (Clinton, B, 2004, pp. 625, 828, 938). Indeed, when Secretary of State Madeleine Albright in October 2000 met with North Korea's leader Kim Jong-il, she recalls that North Korea desired better relations with the US.<sup>109</sup> Of course, by 2001 North Korea was nuclear armed and two years later it withdrew from the NPT. However Kim Jong-il in 2005 agreed to abandon all nuclear weapons and return to the Treaty commitments (Bush, G W, 2010, p. 424; Cheney, 2011, p. 326). And while North Korea fired missiles in to the Sea of Japan in 2006, the following year Pyongyang agreed to shut down its main nuclear reactor and allowed UN inspectors to verify it (Bush, G W, 2010, p. 425; Cheney, 2011, p. 475; Rice, 2011, p. 473). Overall, after the 1994 Agreed Framework North Korea froze its plutonium programme (unlike from the mid 2000s onwards when North Korea renewed nuclear activities, tested more missiles, and withdrew from the NPT).

#### *4.2.2 The very permissive strategic environment's consequences*

The very permissive strategic environment's consequence was that it constrained US behaviour only a little and failed to guide American decision-makers to one optimal strategy. These weak incentives to check China in the short term expanded leeway for alternative

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<sup>107</sup> See Albright (2003, p. 459), Arms Control Association (2018), Riding (1994) and Tucker (2001, p. 50).

<sup>108</sup> See Baker (1999), Gramer and Tamkin (2018), Harrison (2005), Mazarr (1995), Mundy (2013), United Nations Office for Disarmament Affairs (1968), Walt (2000, p. 65) and Welsh (1995, p. 1).

<sup>109</sup> See Albright (2003, pp. 470-2), Gramer and Tamkin (2018) and The Guardian (2000). Albright served as US Ambassador to the UN from 1993-1997 and Secretary of State from 1997-2001.

strategies. “When the international environment does not present a[n] ... imminent threat, states often have a range of policy options, rather than a clearly optimal policy dictated by international circumstances,” Ripsman, Taliaferro and Lobell write (2016, p. 29). The US had multiple pathways to deal with China’s rise.

An equally significant consequence was that the Americans were less incentivised to worry about their trade deficit and associated security externalities. The US trade deficit was, compared to later decades, lower in the 1990s and contributed less to China’s rise, but they were also less worrisome because security was abundant. “In a more permissive strategic environment ... where security is abundant ... the security externalities of economic exchange are less important” (Ripsman, Taliaferro and Lobell, 2016, p. 153). Thus, the very permissive strategic environment expanded leeway and widened the range of available China strategies. It allowed the US to expand trade with potential adversary China.

As the above sections show, when the system’s distribution of capabilities changed (first independent variable), this reconfigured America’s role and set the broad contours for its China strategy. This helps us to demonstrate the hierarchy and the primary and secondary drivers of America’s China strategy - the independent variables (distribution of capabilities and the strategic environment’s permissiveness) are primary. The strategic environment’s permissiveness (second independent variable) showed that when strategic leeway expanded, security was abundant and American decision-makers could consider a wider range of China strategies. Indeed, the US was able to pursue alternative strategies and the mediating variables enjoyed expanded room to intervene in the causal chain between systemic incentives and America’s China strategy.

Of course, one could argue that the second independent variable of the strategic environment’s permissiveness already explains the time-lapse in America’s China strategy (the US focused on China only during 2011-2015 when the environment became less permissive). But, the strategic environment’s permissiveness during 1991-2011 remains unclear about the timing, shape and efficiency when America adjusted its China strategy.

The strategic environment's permissiveness itself explains neither how the US perceived China as an economic and strategic partner and cooperated regarding security during 1991-2011, nor how the Americans prioritised China again in the early 2010s. For example, the strategic environment's permissiveness fails to explain that when American state power levels worsened (available resources), they affected the shape of America's China strategy. The developed neoclassical realist model seeks to explain, in line with neoclassical realist literature and Chapter 3, America's China strategy that appears anomalous and underspecified regarding timing *and* style (Ripsman, Taliaferro and Lobell, 2016).

To better explain America's China strategy's timing and shape, mediating variables come to the stage. The following - more detailed - decision-making process analysis of America's China strategy examines the theoretical model's mediating variables of perception and state power. These mediating variables intervened when the US chose and adjusted its China strategy and created an environment wherein specific strategic choices, unlikely to be supported from a structural realist view, suddenly became reasonable. When we examine these mediating variables, we can comprehensively conclude on the causal chains that led to American grand strategy towards China (dependent variable). Thereby, we will be able to clarify when and how the mediating variables of perception and state power interfered and led the US to adjust its strategy towards China underactively, that is, underactively in terms of what a structural realist account would say to expect: the US failed to focus on China's rise, to redress the trade deficit with China or to augment America's forward posture in East Asia. In the remainder of the chapter, I will examine these mediating variables of perception and state power, first for America's China strategy of economic engagement during 1991-2001, then for America's China strategy of a war on terror alliance in the 2000s, before I will present the chapter's conclusion.

### 4.3 Mediating variables and the US's China strategy from 1991-2001

*"I hate our China policy! I wish I was running against our China policy. I mean, we give them MFN and change our commercial policy and what has it changed?"*

Bill Clinton, 1994<sup>110</sup>

When the system's distribution of capabilities changed, it incentivised the US to focus on addressing China's rise. But this does not explain why the US developed a China strategy at odds with these incentives. These mediating variables (foreign policy makers' China perceptions and varying state power levels) enjoyed room to intervene in the causal chain between systemic incentives and China strategy because, as the previous sections discussed, the strategic environment was very permissive. If the US in the 1990s was, based on how the distribution of capabilities changed, expected to work hard to check China's rise, then why did the US allow the vast trade deficit and negative security externalities with China to linger? Why did the US fail to augment its posture in East Asia?

In the following sections, I will examine the mediating variables for the America's China strategy during 1991-2001. I will analyse how in the very permissive strategic environment, China perceptions were at play in the US administration and resulted in a view favouring engagement. I will argue that when the US in the 1990s perceived China as an economic partner, this interfered between the independent variables and America's China strategy. The US partnered with China strategically and economically; the US helped China to grow; it downplayed great power tensions and strayed from addressing China's increasing power. This led to an underactive China strategy at odds with a structural realist account. Accordingly, first, I will analyse this thesis's theoretical model's first mediating variable of foreign policy executive perceptions, then I will discuss the second mediating variable of state power and how these variables combined and led to the US's China strategy.

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<sup>110</sup> quoted in Congress of the United States (2000, p. 9099); House of Representatives (1999, p. 7).



### *4.3.1 Perception - First mediating variable*

#### America's China engagement perceptions in the early 1990s

In the 1990s the American foreign policy executive did not perceive China as a main security threat. In President H W Bush's view, the enemy was "instability and unpredictability" (1990 quoted in Apple, 1990, p. 1). Chairman of the Joint Chiefs of Staff Colin Powell noted, "I'm running out of enemies. I'm down to Castro and Kim Il Sung" (1991 quoted in Bandow, 2010, para. 8; Powell, 1995, p. 604). And it was said that "the CIA seemed to have lost its traditional enemy and not yet found a role" (Andrew 1995 quoted in Boys, 2015, p. 169). Bush's 1991 New World Order speech focused on the Gulf War, the American economic recession, US-Soviet relations, and federal spending. But Bush failed to mention China or East Asia (Bush, G H W, 1991a) and the administration did not see China as a strategic threat (Cheney, 2000, p. 149). Strategic documents such as the NMS stated that America faced "no longer a proximate threat of a global war" (quoted from NMS, 1992, p. 16; 1997). In this context, the US could pursue any strategy to prepare for potential threats. Indeed, the 1992 Defense Planning Guidance noted that America's first objective was to "prevent any hostile power from dominating a region" (NMS, 1992, p. 18; Pooley, 1993; quoted from US Department of Defense, 1992, I.B, para. 2).

President Bush and Vice-President Quayle believed that America should engage China constructively and pushed for a wider American role to shape the emerging Asian order and expand American exports.<sup>111</sup> The administration viewed that when the US engaged China, it helped to improve US market access in China, and it helped to prepare China to access the WTO. To engage China, the US perceived that the optimal strategy to secure market access was to continue China's MFN status.<sup>112</sup> When the US extended China's MFN

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<sup>111</sup> See Bush, G H W (1989, 1991b; 1999, pp. 405, 28-30), Bush, G H W and Scowcroft (1998, pp. 100-11), Garrison (2005, pp. 107-8), Quayle (1994, pp. 121-3), Ross (2001, pp. 21-33) and Tellis (2013b, pp. 91-2).

<sup>112</sup> See Boys (2015, p. 188), Bush, G H W (1990), Cheney (2000) and Garrison (2005, pp. 107-10, 16-17, 24).

status, then China continued to benefit from normal trading relations with the US and the US preserved American exports to China (Garrison, 2005, pp. 121-3).

When the US engaged China and expanded American exports to China, it sought to export more American products. But engaging China was also about 'reverse exports.' That is, when the US engaged China, it also expanded American investments in China to outsource the production of American companies' goods that were shipped back to the American market. For example, the computer and electronic products industry was at the centre of the US-China trade imbalances: this industry constituted 41% of US imports from China in 2011 and 42% in 2014.<sup>113</sup> Hewlett Packard, Microsoft and Apple are main American companies in this industry and outsourced production to factories in Changshu City, Dongguang City and Shanghai. By the mid-2000s, Apple produced mainly in factories in China and it closed its last US manufacturing line in 2004 (Apple Inc., 2015; Buckman, 2004; Prince and Plank, 2012; Xing, 2016).

As Bush perceived China as an economic partner, security tensions were downplayed. Security tensions increased when in September 1992 the Bush administration said it would sell 150 F16 planes to Taiwan (Gallucci, 1992; Williams, C A, 1992). When the US announced the sale, it antagonised China and China retaliated: China formally agreed with Iran to cooperate on nuclear energy and China transferred missiles to Pakistan (Ross, 2001, p. 38; Tucker, 2001, p. 51; White House, 1995, p. 2). Despite security tensions, the US renewed China's MFN status annually to continue to benefit from access to China's market.<sup>114</sup> Thereby, Bush aimed to stabilise US-China relations and continue to engage China.

One implication was that when Bush perceived China as a partner, he resisted calls to sanction and pressure China more after the Tiananmen Square crackdown (the main China

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<sup>113</sup> The calculation is based on the trade data from the US Census Bureau (2015a). The calculation uses the product categories electric apparatus, computers, computer accessories, semiconductors, telecommunications equipment, cell phones, televisions and video equipment.

<sup>114</sup> See Broder and Mann (1994), Clinton, B (1996b, 1999c), Executive Order No. 12850 (1993), Hugh and Taylor (1997, p. 737) and Ross (2001, p. 28).

crisis under his administration).<sup>115</sup> Bush feared that when the US stood firm against China, it pushed China towards Russia and harm US-China relations (Garrison, 2005, p. 112).

### America's China engagement and partner perceptions in the later 1990s

#### *Foreign policy team and China perceptions in the Clinton administration*

Bush perceived China as an economic partner and worked to improve US-China relations in the permissive strategic environment. Because the strategic environment remained very permissive in the later 1990s, the American foreign policy executive had leeway for China perceptions also under Clinton; the Clinton administration was dominated by two decision-makers groups' China perceptions.

One decision-makers group perceived China as a security threat. This group included Secretary of Defense William Perry and Assistant Secretary of Defense for International Security Affairs Charles W Freeman. They viewed that China posed a military threat (Gellman, 1998; Perry, 2015, pp. 153-6; Tyler, 1996a; Yester, 2009). They said that the US should pay greater attention to China, because China's military was growing and because nuclear weapons technology was proliferating (Tucker, 2001, p. 50; Walt, 2000, p. 73). They wanted the US to stand firm and sanction China because China violated intellectual property and behaved aggressively in the 1996 Taiwan Strait crisis. They worried about how America's trade deficit with China would negatively affect American security. In 1999 a Congressional Committee investigated how US-China trade affected America's security; the

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<sup>115</sup> Of course, after the Tiananmen crackdown the Bush administration levied some sanctions against China. A first sanctions round was announced on 5 June 1989, just a day after the Tiananmen crackdown. With these sanctions, the US suspended sales of articles on the munitions control list like helicopters and helicopter parts (Baker, 2011, p. 41; McBride, 2011, p. 71; Rennack, 2006, p. 2; Ross, 2001, p. 30). But despite this Bush attempted to retain as good a relationship as possible. Indeed, Bush wrote, in the weeks following the Tiananmen crackdown, two letters to Chinese leader Deng Xiaoping to maintain the US-China relationship (Bush, G H W, 1999, pp. 428-31, 35). (Deng Xiaoping was never President but served as Communist Party of China's Chairman of the Central Advisory Commission from 1982-1987 and Chairman of the Central Military Commission from 1981-1989.) He was seen as the paramount leader. Moreover, Bush sought to lessen Congressional pressure (that asked Bush to stand firmer against China). The Bush administration relied on the President's popularity (it reached 71% in the months after the crackdown and 79% in 1990 (The American Presidency Project, 2018)) and when Bush sanctioned China and thereby conceded to Congress, he sanctioned only limitedly (Ross, 2001, pp. 30-1). Also Vice-President Quayle and Scowcroft preferred that the US engaged rather than isolated China (Quayle, 1994, p. 121; Scowcroft, 1999, p. 54).

Committee's report said that China gained American military secrets from its access to the US space launch market (Congress of the United States, 1999; Tyler, 1999, pp. 422-3).

A second group in the US foreign policy executive perceived China more like a partner. This second group included Secretary of State Warren Christopher, National Security Advisor Anthony Lake and Ambassador to the UN Madeleine Albright. Their views were embodied in four speeches in September 1993: they disagreed on terminology and they emphasised China differently, but they all downplayed the China threat's proximity and size and Clinton reminded his advisors in 1993 that the US lacked an immediate threat.<sup>116</sup> They opposed China-containment views and emphasised that the US should promote democracy, work through multilateral institutions and engage China economically.<sup>117</sup> They viewed that if the US stood aggressively and sanctioned China, it negatively affected American trade (Garrison, 2005, p. 150; Smith, J and Devroy, 1996). They perceived China as an economic partner for absolute trade gains. National Security Advisor Samuel Berger's June 1997 speech at the Council on Foreign Relations concluded with a call for Congress to extend MFN treatment for China (Barrett, 1997; Berger, S R, 1997; Rogers, 1997; White House, 2000h, p. 8).

Clinton was initially uninvolved in China strategy or only addressed it with low energy and little intellectual enthusiasm (Tucker, 2001, pp. 46-7). He participated in China

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<sup>116</sup> The four speeches are: Warren Christopher's Speech as Columbia University on 20 September 1993 (Christopher, 1993), Madeleine Albright's Address to the National War College on 23 September 1993 (Albright, 1993), Presidential Clinton's address at the UN on 27 September 1993 (Clinton, B, 1993a) and Anthony Lake's Speech "From containment to enlargement" on 21 September 1993 at Johns Hopkins University (Lake, A, 1993). Regarding the terminology that they disagreed, for example, on the rhetoric: Lake's 'democratic enlargement' language was criticised by Albright and Christopher. Clinton preferred Lake's enlargement strategy because it connected domestic economic progress with its emphasis to boost American exports. Two speeches failed to mention China (Christopher and Albright) whilst Christopher's speech referred 12 times to Middle East. The president 15 times mentioned the Middle East, and once only China. The National Security Council's Jeremy Rosner wrote Lake's and the President's speeches and mentioned China (albeit only once in Clinton's speech). The State Department wrote Albright's and Christopher's addresses which failed to mention China. See Boys (2015, pp. 79-114), Chollet and Goldgeier (2008, pp. 68-9), Clinton, B (1993a), Dumbrell (2002), Lake (1993), Lewis (1993, p. A25), Tucker (2001, p. 46) and US Department of State (1993, p. 3).

<sup>117</sup> See also Clinton's address at the World Affairs Council on 13 August 1992 (New York Times, 1992, p. 15), Clinton, B (2004, p. 598), Clinton's first campaign debate with George H W Bush (independent candidate Ross Perot also participated in the debate) (Presidential election debate, 1992a, 1992b), Kantor (2002, pp. 44-6) and White House (1996, pp. 185-6).

policy-making infrequently (Chollet and Goldgeier, 2008, p. 82; Halberstam, 2001; Myers, R H and Shambaugh, 2001, p. 7). China policy was less familiar to Clinton when compared to his predecessor: George H W Bush served as US Ambassador to China (1974-1975), but Clinton was inexperienced in US-China relations.<sup>118</sup> Clinton delegated China strategy to Christopher, Lake and Secretary of Defense Les Aspin to deal with China at lower levels.<sup>119</sup> Clinton focused on the domestic and economic agenda, his second Presidential Decision Directive expanded the National Security Council's membership with the Secretary of the Treasury, and he prioritised Cabinet members with financial responsibilities (Boys, 2015, p. 165; Clinton, B, 2004, p. 451; PDD 2, 1993). China strategy was decentralised, lacked coordination, and was unfocused.

Clinton's lack of involvement continued in his second term. Certainly, Clinton showed greater interest in US-China relations, he replaced Secretary of State Christopher with Madeleine Albright and he replaced National Security Advisor Anthony Lake with Sandy Berger who kept control of foreign policy and China strategy in the White House (Garrison, 2005, pp. 149, 62; Myers, R H and Shambaugh, 2001, p. 5). But China strategy came up only after other foreign policy areas were discussed: Albright recalls in her memoir that only after Albright and the President first discussed in April 1999 how to reconstruct the Balkans, she said that they had "other business to conduct."<sup>120</sup> When Clinton left the White House, he enumerated to President-elect George W Bush what were America's biggest security problems, but he excluded China (Clinton, B, 2004, p. 935). And Albright recalls in her memoir, "we should be in no hurry to cast China into the role of enemy" (Albright, 2003, p. 439). Essentially, China was an afterthought.

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<sup>118</sup> The official title for George H W Bush was chief of the US Liaison Office to the People's Republic of China (Bush, G H W, 1999, p. 700).

<sup>119</sup> See Boys (2015, pp. 42, 5, 52, 70, 80), Garrison (2005, pp. 149, 62), Hendrickson (1994), Myers and Shambaugh (2001, p. 7) and Tucker (2001, pp. 45, 69-70). Les Aspin served as Secretary of Defense (1993-1994) and as Chair of the President's Foreign Intelligence Advisory Board (1994-1995).

<sup>120</sup> Quoted from Albright (2003, p. 415), see also Boys (2015, pp. 102-4, 75-77), Dumbrell (2002, pp. 48-50) and Garrison (2005, pp. 150-1).

NATO bombed Yugoslavia since March 1999.

*Clinton's strategy towards China emerges*

What resulted in July 1994 was the NSS of Engagement and Enlargement. The 1994 NSS went, unsurprisingly because foreign policy executive members perceived China differently, through 21 drafts between spring 1993 and summer 1994 (Bouchet, 2015, p. 26; NSS, 1994). Clinton's Engagement and Enlargement strategy combined, as the title suggested, different ways of how the foreign policy executive perceived China. It covered key themes: to promote democracy, to open markets, to expand free trade, and to work through multilateral institutions. The administration's view on China was, in the words of US Trade Representative Mickey Kantor in November 1996, "mutually assured prosperity and a policy of engagement" (1996 quoted in Sanger, 1996, para. 5). This means that much belief was placed in liberalism, namely, the administration believed that China would only pose a small threat because the US engaged China. When the US engaged China, this was expected to lead to domestic political change in China and serve American interests. When the US engaged China, it expected to socialise China into the American-led liberal order and thus shape how it acts internationally (Thies, 2018; Wang, H, 2000, p. 476). Indeed, this China strategy was believed to help "shape the international environment in ways favorable to US interests and global security."<sup>121</sup>

Because the strategic environment was very permissive, room expanded for alternative perceptions (that is, perceptions other than balancing China). When decision-makers expressed their positive China perceptions as an economic partner, they intervened in the causal chain between systemic incentives and America's China strategy. One way we can see this is when the US developed free trade and export-oriented policies. The President favoured trade liberalisation with China; and the US between 1991 and 2001 signed six trade-related agreements with China and pressured China to liberalise trade (Clinton, B, 1998b, 2000c; Executive Order 12964, 1995; White House, 1993). Though Clinton in 1993

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<sup>121</sup> Quoted from NSS (1998, p. 8), see also Clinton, B (1993b, 1996c, 2000d, 2000e), Friedberg (2011, pp. 90-5) and White House (2000d).

linked China's progress on human rights as a condition to renew China's MFN status, in May 1994 he delinked human rights and extended China's MFN status.<sup>122</sup> The US agreed with Pacific Rim states to reduce trade barriers (1994) and signed the Marrakesh Agreement (1994). The US signed the 1999 bilateral *Agreement on US-China Agricultural Cooperation* to foster trade and cooperate regarding technical matters. Clinton believed that Permanent Normal Trade Relations access to China's market lowered US export tariffs and created American jobs (Clinton, B, 2004, pp. 869, 79; Garrison, 2005, pp. 152-3; White House, 2000b, 2000c, 2000i). The US in April 1999 hesitated to support China to access the WTO when Chinese Premier Zhu Rongji visited Washington, but later in 1999 the US signed a trade pact with China that lowered barriers and paved the way for China to enter the WTO.<sup>123</sup> Clinton advocated to grant China permanent normal trade status and on 19 September 2000 the Senate approved the Bill for permanent normal US-China trade relations.<sup>124</sup> When in 2001 China joined the WTO, the Clinton administration said that it was a major accomplishment.<sup>125</sup> When the US promoted exports in these ways, the 1998 NSS wrote that this was "America's first national export strategy" (NSS, 1998, p. 31).

There is another way how we can see that the permissive strategic environment allowed the China engagement perceptions to interfere with America's China strategy. Namely: Clinton loosened conventional and military technology export controls. In November 1993, the Clinton administration said it would soften supercomputers export controls (New York Times, 1993; Sciolino, 1993). Clinton decided to loosen export controls which raised security concerns about so-called dual-use exports (goods with commercial and military purposes) sold to China (Diamond, 1999; Gerth and Sanger, 1996; Roper, 2014). The Americans thought that China gained sensitive military goods and information. In 1997,

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<sup>122</sup> See Clinton, B (1994; 2004, pp. 597-8), Christopher (2001, p. 237), Christopher and Talbott (2002), Executive Order No. 12850 (1993), Soderberg (2007, pp. 7-9) and Walt (2000, p. 69).

<sup>123</sup> See Clinton, B (1999a, 1999b), CNN (1999), Lampton (2001, p. 345) and White House (2000a).

<sup>124</sup> See Albright (2003, p. 437), BBC (2000), Clinton, B (2004, p. 922), Myers and Shambaugh (2001, p. 7), Schmitt and Kahn (2000), US Senate (2000) and White House (2000e, 2000f; 2000g, p. 4; 2000j, p. 2).

<sup>125</sup> See Albright (2003, p. 435), Berger (2000, p. 28), Clinton, B (2000b, 2000f; 2004, pp. 513, 636, 922), Christopher (2001, p. 170), NSS (1996, p. 40) and Tucker (2001, p. 47).

the Justice Department pointed out that companies like Loral Space and Hughes Electronics violated security and were compromised. But Clinton approved these companies to export to the Chinese market (Tucker, 2001, p. 65). Loral Space Communications and Boeing were in 2003 eventually fined: in the 1990s they unlawfully transferred sensitive military intelligence and rocket and satellite data to China (Gerth, 2003; Marquis, 2002; Pae, 2003). In 1998, the House Select Committee found that China gained sensitive American military technology that comprised nuclear weapons designs and an American satellite maker acknowledged that it provided an intelligence report to China that helped China to develop rockets (Cox, C, 1999; Gerth and Schmitt, 1998a; House of Representatives, 1998, p. 12887; Leitner, 1997).

When the US perceived China as an economic partner in these ways, it also perceived China as an amicable strategic partner.<sup>126</sup> During Chinese President Jiang Zemin's visit in October 1997 to Washington, Clinton and Jiang discussed to cooperate more on trade and security and Clinton emphasised that he would "do all I could to bring China into the World Trade Organization" (Clinton, B, 1998a, 1998c; quoted from Clinton, B, 2004, p. 768; White House, 1997, pp. 21-3). After Clinton met Jiang Zemin on 28 October he thought that the US and China "more likely ... would be partners than adversaries" (Clinton, B, 2004, p. 768). When the US prepared Clinton's 25 June-3 July 1998 visit to China, Albright visited China and restated America's "three noes" policy that opposed Taiwanese independence and pleased China.<sup>127</sup> The US also abandoned support for a UN human rights resolution that condemned China (Shenon, 1998). Clinton and Jiang discussed their strategic partnership and shared interest to address North Korea and Clinton emphasised China's human rights

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<sup>126</sup> See also Boys (2015, pp. 102-4, 75-77), Clinton, B (2000a), Garrison (2005, pp. 150-1) and Tucker (2001, p. 59).

<sup>127</sup> Albright restated America's "three noes," namely that "we [that is, the US] have no change in our China policy. ... We have a one-China policy-not a 'two China,' not a 'one China and one Taiwan' policy - and we do not support Taiwan independence or their membership in international organizations that are based on statehood" (Clinton, B, 1996a; 1998 quoted in Suettinger, 2003, p. 342; Xiang, 2001, p. 18).



progress.<sup>128</sup> Thereby, the US sought to cement “America’s role as a stabilising force in a more integrated Asia Pacific region” (quoted from NSS, 1998, p. 41; 2000).

Because the strategic environment was very permissive and American decision-makers perceived China like as an economic partner, Clinton viewed the US-China trade deficit and security losses less worrisomely. Clinton worried more about the American trade deficit with its security ally Japan. At the G7 in June 1995 Clinton’s priority was to reduce the trade deficit with Japan (a US security ally), not the trade deficit with China (America’s main potential adversary) (Clinton, B, 2004, pp. 459, 517, 98, 656-7; Tucker, 2001, p. 54). Certainly, one could argue that the US focused on the US-Japan trade deficit because the US viewed Japan as a potential leader in technology and innovation with successful multinationals, whereas the US viewed China as an off-shore production platform. But a structural realist account expects that states prioritise security over economics. So, from that view the US was expected to worry more about security losses from trade with China. After all, security losses from US-Japan trade strengthened security ally Japan and the US-led security alliance as a whole.

Thus far, I argued that this thesis’s theoretical model’s first mediating variable of foreign policy executive perception filtered the international environment. Because the strategic environment was very permissive (second independent variable), room expanded for alternative China perceptions (that is, perceptions other than China as America’s main threat) to influence America’s China strategy. The US perceived China’s rise positively, that is, as an economic partner, and downplayed traditional great power concerns from China’s rise. The US adjusted its China strategy in ways unlikely to be supported from a structural realist view. Specifically, the US went to great lengths to expand US-China trade. It worsened the American trade deficit and security losses with China (America’s main

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<sup>128</sup> See Albright (2003, p. 433), Broder (1998), Clinton, B (1998c; 2004, p. 793), Garrison (2005, p. 151) and White House (1998).

potential adversary) and jeopardised American security interests. Thereby, this perception variable was the primary mediating force in America's China strategy.

But this perception variable is insufficient to explain America's underactive China strategy. The perception variable says little about how varying state power levels (the available resources) affected America's China strategy's shape and efficiency. This thesis's theoretical model's second mediating variable of state power helps to explain the shape of America's China strategy and how it interfered with simple obedience to structural realist incentives (meaning, a structural realist account expects that the US focused on China and augmented its China strategy).

#### *4.3.2 State power - Second mediating variable*

This thesis's neoclassical realist model prioritises the independent variables (distribution of capabilities and the strategic environment's permissiveness) and then posits the mediating perception variable. But when we only look at how the Americans perceived China, then we obfuscate how economic resource constraints shaped America's China strategy. In the following paragraphs, I will discuss that after the US perceived China's rise positively (as understood above), the US economy sputtered and the US reduced spending and cut budgets. This should improve the explanation of America's adjustments in its China strategy.

#### Gloomy prognostications

To be sure, the US increased military spending in Clinton's second term. The US was able to increase military spending in the late 1990s, because Clinton was by 1998 and 1999 freed from the fiscal constraints in 1993 and 1994. It could increase military spending in Clinton's second term, because "between 1994 and 1999, federal tax revenues rose 33 percent in real terms, producing a federal surplus of \$70 billion in 1998 that would balloon to \$236 billion by 2000" (Clinton, B, 2004, p. 910; quoted from Trubowitz, 2011, p. 126; Wirls, 2010). The US spent more on the military: \$281 billion in 1998 and \$321 billion in 2001 (White House, 2018). But throughout much of the 1990s, the US faced a dire economy.

Gloomy economic prognostications prompted budget cuts and initiated fiscal policies to foster economic growth. In 1991, the budget deficit was \$269 billion (Congress of the United States, 2015). In this dire economy, GDP growth in 1991 slowed by 40% in 1990 (World Bank, 2018a). Unemployment peaked at 7.5% in 1992: a level that the American economy only experienced again after the 2007 economic crisis (Bureau of Labour Statistics, 2015). The Economic and Budget Outlook for Fiscal Years 1992-1996 anticipated a recession and emphasised that high government expenditure caused the deficit. Outstanding US federal debt increased by over 10% per year from 1989-1991 (US Department of the Treasury, 2015a). US federal debt neared its limit when in September 1995 Republican Newt Gingrich threatened to refuse to raise the debt limit and Clinton faced debt default prospects (Clinton, B, 2004, pp. 673, 82; Clymer, 1995; McManus, 1995). These restraints were worsened by Congress; a Congressional resolution for budget and spending caps was imposed for fiscal year 1994; Congress extended the budget caps through fiscal year 2002; and Congressional disdain for foreign affairs meant that Congress “cut the budget allocation for international affairs” (Boys, 2015, p. 167; Congress of the United States, 1998; quoted from Walt, 2000, p. 65). This calamitous economy posed “a cancerous threat to the long-term vitality of the American economy” (Garten, 1993, p. 183). And Under Secretary of State for Political Affairs Peter Tarnoff said about American foreign policy in the post-Cold War years: for a more active foreign policy “we certainly don’t have the money” (1993 quoted in Muravchik, 1996, p. 8).

#### Cuts in budgets and spending

With these resource constraints, the US cut budgets and spending. President George H W Bush cut spending with the *Omnibus Budget Reconciliation Act of 1990* and projected nearly \$500 billion cuts over five years. In the transition period after Clinton’s election in November 1992, Clinton chose butter over guns. After all, Clinton promised to use the peace dividend and focus “like a laser beam” on the economy (Clinton, B, 2004, p. 451). Clinton

aimed to craft budgets that increased spending in key economic domains (like technology and education) and reduced military spending (Clinton, B, 2004, p. 452). Clinton signed the *1993 Omnibus Budget Reconciliation Act* that restrained spending. Clinton's *Balanced Budget Act of 1997* anticipated to reduce the deficit by \$127 billion over five years and to reduce the Medicare programme's growth (Congress of the United States, 1997, p. 1).

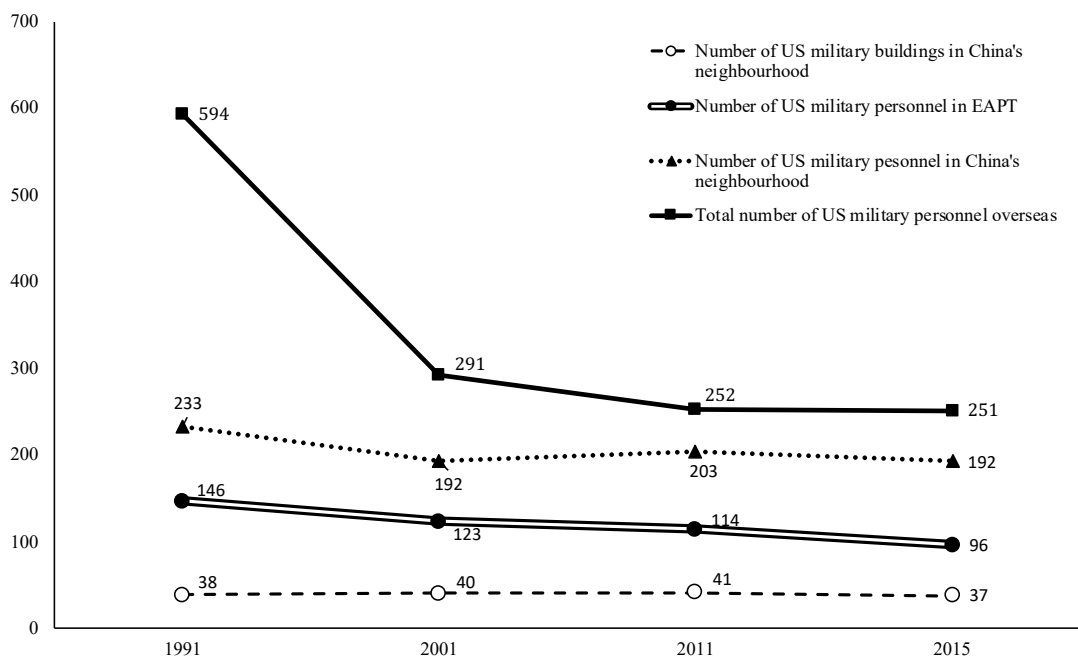
Equally important, these budget constraints were followed by military cuts. "Our future military will be smaller," the 1991 NSS stated (NSS, 1991, p. 31). Military spending was cut because the Bush Administration assessed that the US faced, in the 1992 NMS's words, "no longer a proximate threat of a global war" (NMS, 1992, p. 16). Military spending cuts meant that the US reduced defence spending a percentage of GDP from 4.7% in 1991 to 3% by 2001. Defence spending as a share of total government spending declined from 14% to 11%. Total government spending increased 50% from \$2 trillion to \$3 trillion over 1991-2001, but annual defence spending merely increased by 11% from \$289 billion to \$321 billion.<sup>129</sup> Further reductions were announced by the 1997 QDR at a level of 109,000 military personnel and associated infrastructure (QDR, 1997, p. 54). These military cuts meant that the US Navy's active ship force levels declined by over 40% from 529 ships in 1991 to 316 in 2001 (Naval History and Heritage Command, 2014). Overseas military personnel was reduced by over 300,000 people or 50% and total US active military personnel was decreased with 600,000 over 1991-2001 (Figure 14; Defense Manpower Data Center, 2015; QDR, 1997, p. 54). Indeed, America's military was "hollow[ed] out" (Trubowitz, 2011, p. 126).

These military cuts constrained American hegemony. The US's China strategy had fewer capabilities, but these military capabilities were also geographically more widely organised. That is, the US's China strategy did not augment America's augment military posture but spread its military capabilities over more host states. America's China strategy

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<sup>129</sup> In this paragraph, the figures are taken from and the calculations are based on White House (2015b, 2018) and World Bank (2017b).

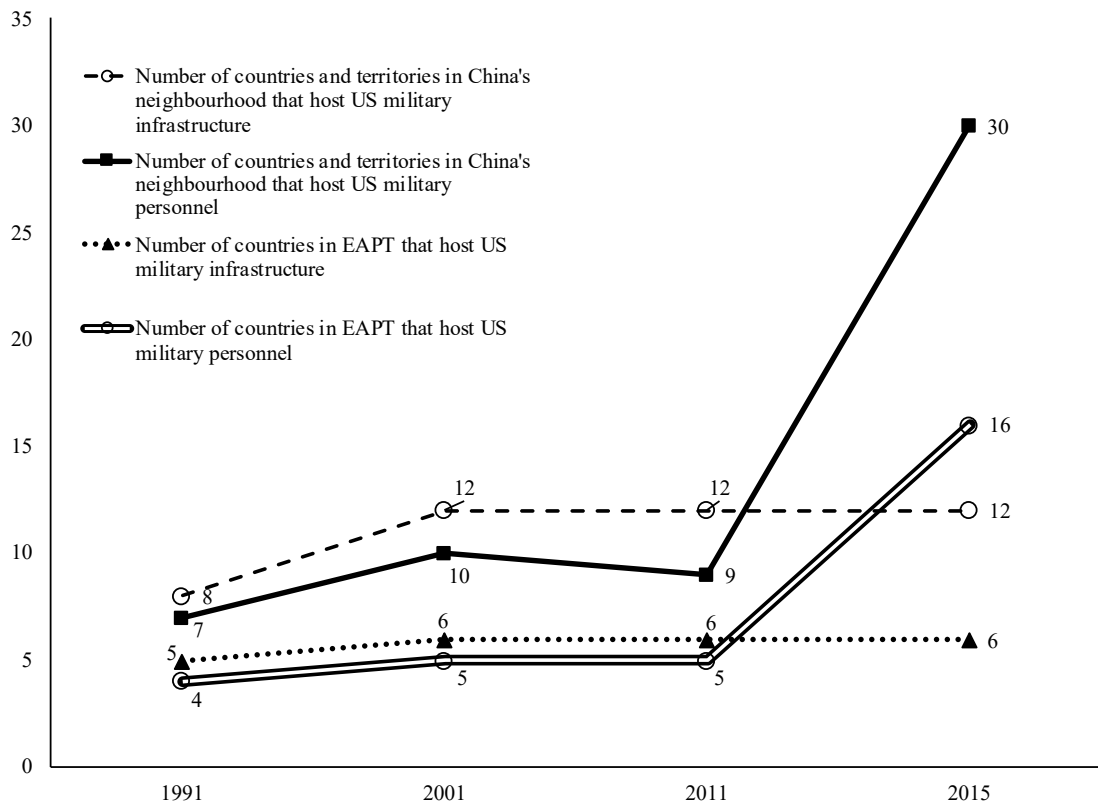
in 1991 spread its capabilities over eight territories in the region that hosted US military infrastructure or personnel (Figures 15 and 16), and this increased, though the US closed military bases like the Philippines, to twelve territories by 2001 with new host states like Singapore and Indonesia. Additionally, the US hosted fewer military personnel in East Asia (Figure 14). The 1995 NMS referred to this as a “smaller restructured force” (NMS, 1995, p. ii). This jeopardised America’s ability to act in key East Asian territories (Kagan, D and Kagan, 2000; Trubowitz, 2011, p. 126).



**Figure 14.** US military personnel overseas 1991-2015

*Definitions:* The definition for the East Asian states and US Pacific Territories (EAPT) is adopted from the US Department of State and includes Australia, Brunei, Cambodia, China (excluding Hong Kong and Macau), Fiji, Hong Kong, Indonesia, Japan, Kiribati, Laos, Malaysia, Micronesia (encompassing the Marshall Islands, Nauru, Wake Islands, Kwajalein Atoll), Mongolia, Myanmar (Burma), New Zealand, North Korea, Palau, Papua New Guinea, Philippines, Samoa, Singapore, Solomon Islands, South Korea, Taiwan, Thailand, Timor-Leste, Tonga, Tuvalu, Vanuatu, Vietnam (US Department of State, 2015a). The definition for China’s neighbourhood encompasses the EAPT plus Bangladesh, the Indian Ocean Territory/Islands (including Diego Garcia), the Marianas Archipelago (including Guam and North Mariana Islands), Hawaii, India, Johnston Atoll, Kazakhstan, Kyrgyzstan, Nepal, Pakistan, Russia, Sri Lanka, Tajikistan and the Maldives.

*Note:* The data for this chart is taken from the US Department of Defense (BSR, 1990, 2000, 2010, 2014). The data is in thousands and rounded to the nearest thousand. BSR 2000, 2010 and 2014 provides consolidated data for the number of Department of Defense buildings and acres per country and territory. For 1991, the number of buildings per state and territory was approximated, using the acreage per state and US territory in BSR 1990 and the average number of buildings per acre in the selected countries and territories in the other years.



**Figure 15.** Number of states in region hosting US military infrastructure or personnel, 1991-2015

*Definitions:* The definitions for the EAPT and for China's neighbourhood are the same as those used in Figure 14.

*Note:* The data for this chart is taken from the US Department of Defense (BSR, 1990, 2000, 2010, 2014). For 1991, the number of buildings per state and territory was approximated, using the acreage per state and US territory in BSR 1990 and the average number of buildings per acre in the selected countries and territories in the other years.

1991



2001



(Continues on next page.)

2011



2015



US military personnel



US military infrastructure (army, naval, air force, marine corps)

**Figure 16.** US military posture in China's broader neighbourhood for 1991-2015

*Definitions:* The definition for China's neighbourhood is the same as that used in Figure 14.

*Note:* The US military infrastructure is owned, leased or other by the US. The US uses it for the army, navy, marine corps, air force and/or armed guard. BSR 2000, 2010 and 2014 provide consolidated data for the number of Department of Defense buildings and acres per country and US territory. For 1990, the number of buildings per state and territory was approximated, using the acreage per state and US territory in BSR 1990 and the average number of buildings per acre in the selected countries and territories in the other years.

*Source:* The data for this figure is taken from the US Department of Defense (BSR, 1990, 2000, 2010, 2014). The map is taken from Google (2016), and its colour adjusted to grey using Microsoft PowerPoint software.



These resource constraints meant that American grand strategy towards China did not augment America's forward posture (as structural realism would expect), but America's China strategy developed a military posture with fewer and reorganised military capabilities in the 1990s. After the Cold War ended, the Americans continued to deploy forward military capabilities in East Asia, but they failed to maintain their position or seize the opportunities to expand (Trubowitz, 2011, pp. 123-7). The pool of resources was reduced for international affairs, which prevented a more active foreign policy. In addition to explaining the timing of America's China strategy (the US started to balance China only during 2011-2015), the state power variable helps explain the shape of America's China strategy. That is, with fewer resources, an important observable change in America's forward military posture was that the US spread the same level of US military capabilities over more territories in East Asia.

Thus far, I argued that when the distribution of capabilities changed in China's favour (first independent variable), this incentivised the US to balance China. But the US did not. Namely, structural realist incentives from China's rise would anticipate that the US would have focused on balancing China. These structural realist incentives would have expected that the US focused on China and extracted additional resources to augment America's forward posture against China. But the US worsened its trade deficit with China and reduced America's forward military posture. That is because the strategic environment remained very permissive: China's threat remained distant and small. In this environment room expanded for perception and state power to influence America's China strategy. More room existed for perception and state power to interfere with simple obedience to structural incentives. In that way, the state power variable was the theoretical model's secondary mediating force in America's China strategy. This chapter now proceeds with how the independent and mediating variables at play combined to produce the result on the dependent variable of America's China strategy.

### *4.3.3 Dependent variable - US's grand strategy towards China*

According to structural realism, America's China strategy should have been straightforward: to go to great lengths to prevent China from becoming a peer competitor. But when faced with how China rose, the US was unsuccessful in keeping its position in the balance of power let alone seizing the opportunity from its vast power advantage to advance its interests. Indeed, when we look back at America's China strategy in the 1990s from a structural realist view, a "magnificent historical opportunity to shape the international system has been missed" (Hyland, 1999, p. 204). Richard Haass comments that the US "inherited a world of unprecedented American advantage and opportunity" and presided over an age of "underachievement and squandered potential" (Haass, 1997, p. 120; quoted from Haass, 2000, p. 136). We can better explain this American behaviour when we consider how the different variables combined to produce the result in America's China strategy.

#### China strategy of luxury

When the Americans perceived China's rise differently from what a structural realist account expects, this led to a luxury China strategy. This luxury meant that the US preferred absolute gains, human rights and sub-optimal security relationships. The Clinton administration initially prioritised human rights progress when it dealt with China, but "for the administration to narrowly focus on human rights [was] an unjustifiable luxury" (quoted from Haass, 1997, p. 120; Mandelbaum, 2016; Ripsman, Taliaferro and Lobell, 2016, pp. 94, 159-60). The luxury was that the US partnered with China, forewent realist strategic and security concerns and downplayed great power politics. Thereby, the US's China strategy of luxury downplayed longer-term security implications and focused on short-term issues. With this luxury strategy, Clinton ill-considered his China strategy's long-term implications: "he too often let the politics of last month or next month affect decisions toward China," Senator Daniel Patrick Moynihan said (quoted in Sanger, 2000, para. 14). This luxury was possible,

in accordance with this thesis's neoclassical realist model, under the conditions of a very permissive strategic environment.

Specifically, America's China strategy in these years was penetrated by how foreign policy executive members perceived China's rise and what they considered the most apt strategy. The resulting China engagement strategy was at odds with structural realist expectations. Specifically after American decision-makers perceived China like an economic partner, they engaged in more free trade and enriched America's main potential rival China, they preferred absolute US-China trade gains, they relied more on international institutions and they perceived that China's lack of (American-style) democracy was a problem. These perceptions intervened in the causal chain between systemic incentives and America's China strategy, namely, a structural realist account would expect that the US went to great lengths to prevent that China became a peer competitor. Based on structural realist incentives, the US should be expected to at least seek to maintain its position in the system. But when the Americans established how they perceived China's rise and interfered with the US's China strategy, other issues were downplayed or addressed underactively.

One implication was that when the US partnered with China, the US strained security alliances. When the US engaged and partnered with China, the US "distressed genuine strategic partners in Asia such as South Korea and Japan" (Tucker, 2001, p. 60). Clinton viewed that Japan outperformed the US economically and he acted unilaterally like sanctioning Japan in market access disputes (Clinton, B, 2004, pp. 429, 62; Dumbrell, 2002, p. 53). Clinton seemed "largely unmoved by the fact that the resulting inconsistency and unpredictability [in US China policy] shook the confidence of Washington's friends in the region" (Funabashi, 1998, pp. 32-4; Johnstone, 1999, p. 130; quoted from Tucker, 2001, p. 70). When the US prioritised engagement with China and allowed trade issues to strain security alliances - alliances that the US needed to offshore balance China - it contradicted structural realist thought.

### Economics and trade prioritised

Equally important, the US prioritised economic and trade concerns over traditional security concerns. Indeed, the US created in Clinton's first 100 days in office the National Economic Council for economic policy (Rubin, 2005), allowed US-Japan trade disputes to counterwork the US-Japan alliance (Haass, 1997, pp. 116-7), and preferred absolute trade benefits with China. In the US's China strategy during these years, the high-low politics distinction blurred, which contradicts what a structural realist account expects (Jin, 2001, p. 311).<sup>130</sup> Secretary of State Christopher remarked, "it used to be said that balance-of-power diplomacy and arms control were "high politics" and economics "low politics." ... [but] political and economic diplomacy are indivisible" (Christopher, 1995, p. 16). Indeed, a structural realist view expected America's China strategy to prioritise security alliances and not to strain the US-Japan alliance. And the US was expected to worry more about the US trade deficit and security losses with China.

But after the Americans perceived China as a partner, they downplayed veritable security concerns. Despite concerns about Taiwan, nuclear proliferation, nuclear weapons tests, the US trade deficit, North Korea and China's sales of weaponry (Clinton, H, 2003, p. 300; White House, 1995; White House and Lake, 1993, pp. 1-3), the Americans prioritised trade and downplayed security worries with China. For example, when China threatened American security interests, the US responded underactively. Indeed, when China in 1996 tested missiles in waters near Taiwan, Clinton sent "two carrier task-force groups, but neither actually entered the Taiwan Strait" (Garrison, 2005, p. 145). The National Security Council downplayed these crises and prioritised economics and trade (Garrison, 2005, p. 145). Similarly, crises on the diplomatic level were downplayed because the US perceived China as an economic and strategic partner. Indeed, after the crisis when Taiwanese President Lee

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<sup>130</sup> To be sure, the US did reaffirm its US-Japan security treaty. The US concluded the US-Japan Joint Declaration on Security in 1996 to re-establish the US-Japan relationship's importance (Harris and Sullivan, 1996; Ministry of Foreign Affairs of Japan, 1996).

Teng-hui in 1995 delivered a speech at his alma mater Cornell University, the China strategy team perceived China as an economic partner (Berger, S R, 2005). Assistant Secretary of State Winston Lord in 1997 said before the Senate Foreign Relations Subcommittee on East Asia and Pacific Affairs that military conflict over Taiwan would constrain commerce and shipping (US Department of State, 1996). When the American foreign policy elites perceived their environment in this way, they prioritised trade matters over security concerns. This departed from what a structural realist account expects, that is, a structural realist account would expect that the US prioritised security risks from China's rise.

#### A security price to pay

The US prioritised trade over potential security risks from China's rise. But when the US enjoyed these luxuries, the US paid a security price. The US paid a security price when it sought to cooperate for security and strategy with China. The US risked its security when it downplayed security concerns from China's rise and the US trade deficit with China (and associated negative security externalities). Indeed, the US-China strategic partnership showed a remarkable "intimacy" (Tucker, 2001, p. 69). When the US conceded power to a potential great power rival, the US helped tilt the balance of power unfavourably.<sup>131</sup> It violated structural realism's balance of power logic and jeopardised American interests.

Unsurprisingly, America's China strategy in the 1990s was underactive because it failed to focus on checking China's rise, deprioritised China, did not maintain its forward posture and expanded US-China trade. The US downplayed threats when nuclear weapons of mass destruction technology proliferated, and military technology was exported. Specifically, China was believed to export nuclear weapons technology to Pakistan and to transfer nuclear technology, missile technology and ballistic missiles to Iran and North

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<sup>131</sup> Conceding power to a potential great power rival is sometimes part of an appeasement strategy, as discussed in Chapter 3.

Korea.<sup>132</sup> When the US downplayed these threats, the US, some argue, made the world a more dangerous place (Gaddis, 2004). Indeed, Clinton is said to be “culpable ... for not vigorously attacking the difficulties in the U.S.-China relationship” (Tucker, 2001, p. 46). Commentators, like Haass, argue that the US failed to contain “an expansionist, hostile China” (1997, p. 121). Moreover, Clinton was under “heavy attack by Congress and the media for appeasement.”<sup>133</sup>

Had the perception and state power variables been omitted, it would have been difficult to account for these paradoxes. The strategic environment was very permissive; the mediating variables channelled the incentives from China’s rise so that the Americans adjusted their China strategy in ways that differed from what structural realist incentives expect. Thereby, these perceptions influenced America’s China strategy. If we had excluded how the Americans perceived China, we would have been hard-pressed to explain when and how America’s China strategy shifted. Namely, the US engaged China (in the late George H W Bush years); engaged China economically and emphasised human rights (early Clinton years); delinked human rights from extending China’s MFN status; and partnered with China strategically (in the later Clinton years). When we look at the mediating variables, we can show that America’s China strategy was not a careful and purely rational response (in the structural realist sense, balancing China’s rise) to externally given systemic conditions. We can better understand US grand strategy towards China in the 1990s as a blended product of systemic conditions and domestic characteristics that produced sub-optimal state behaviour. In other words, America’s China strategy adapted to constraints from the international environment and also domestic constraints that US decision-makers faced.

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<sup>132</sup> See Dumbrell (2002, p. 54), Haass (1997, p. 120), Papayoanou and Kastner (1999, p. 158), Ross (2001, p. 37), Smith (1996a) and Tucker (2013, p. 40).

<sup>133</sup> Quoted from Garrison (2005, p. 151), see also Blitzer (1999), Chavez (1998) and Mufson (2000).

#### 4.4 Mediating variables and the US's China strategy from 2001-2011

“President Jiang and the Government stand side by side with the American people as we fight this evil force.”

*George W Bush, 2001*<sup>134</sup>

“Trade with China serves our own national interest.”

*George W Bush, 2000*<sup>135</sup>

When the distribution of capabilities changed, it incentivised the US to prioritise China's rise. But this first independent variable remains unclear when and how the US adjusted its strategy towards China underactively. That is, when the distribution of capabilities changed, a structural realist account expects that the US prioritised China, augmented America's forward posture in East Asia and reversed the American trade deficit with China. Yet the US failed to do so. To explain America's China strategy during 2001-2011 more satisfactorily, this thesis's neoclassical realist model employs two mediating variables (perception and state power) that intervened in in the causal chain between the independent variables and how the US adjusted its China strategy. These mediating variables enjoyed room to interfere with China strategy because, as the chapter discussed earlier, the strategic environment was very permissive (China's threat was distant and small).

In the following sections, I will examine that when the US perceived China as a strategic partner, it interfered between the independent variables and America's China strategy. I will examine how this led the US to downplay great power politics, to stray from addressing China's increasing power, and to liberalise US-China trade. I will examine how the US came to spend vast resources on goals other than checking China's rise when the US invaded the Middle East and drained resources that could have been used to check China's

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<sup>134</sup> Quoted from Bush, G W (2001c, para. 10).

<sup>135</sup> Quoted in New York Times (2000a, para. 13) and Washington Post (2000, para. 6).

rise. I will argue that the theoretical model's mix of variables influenced an underactive China strategy of a troubled US-China alliance that was the very result that a structural realist account would say to avoid, namely, the US created a US-China alliance to fight terror and liberalised US-China trade under the war on terror guise. I will first analyse the mediating variable of foreign policy executive perceptions and state power. Then I will discuss how these variables produced the dependent variable of the US's China strategy. I will end the chapter with a conclusion section that reflects on the chapter's findings and evaluates the theoretical model's hierarchy of variables and propositions.

#### *4.4.1 Perception - First mediating variable*

In this section, I will first address how China was perceived by members of George W Bush's foreign policy executive. Then I will examine how they came to a delicate convergence of a US-China war on terror alliance and how this perception intervened when the US acted towards China and interfered with simple obedience to structural realist incentives (in this case, structural realist incentives expected the US to focus on checking China's rise).

#### Bush's foreign policy team and China perceptions

Bush's foreign policy team was dominated by two groups' China perceptions (Jia, 2006; Scobell, 2002, pp. 346-9). One group was more hawkish and included top advisors like Vice-President Dick Cheney, Secretary of Defense Donald Rumsfeld, Deputy Secretary of Defense Paul Wolfowitz, Under Secretary of Defense for Policy Douglas Feith and Under Secretary of State for Arms Control and International Security Affairs John Bolton (Trubowitz, 2011, p. 99; Wang, C, 2009, pp. 29-50). They viewed East Asia more as a zero-sum field and that China and its ally North Korea as untrustworthy, as enemies (Cheney, 2011, pp. 474-7; Garrison, 2005, p. 175). They viewed China as a potential aggressor and expansionist and that when a rising power in Asia develops militarily and economically, it will threaten US interests (QDR, 2001; Rumsfeld, 2011, pp. 311-2; Shelton, 2010, p. 403). Wolfowitz expected that China would behave like Imperial Germany before World War I:



China will seek to “to achieve its rightful place by nationalistic assertiveness” (quoted from Wolfowitz, 1997, p. 7; 2000). This meant that the American trade deficit and negative security externalities with China (that is, security benefits that China enjoyed from trading with the US) were seen as worrisome. They suggested a hard-line approach to prevent China from acting aggressively, and they insisted on investing in military power, to buttress allies like Japan and South Korea and to avoid multilateralism (Gertz, 2004; Suskind, 2004; Trubowitz, 2011, p. 99).

When this first group perceived China’s rise in these ways, they suggested to sanction North Korea economically and to strike militarily (Cheney, 2011, pp. 474-7; Rice, 2011, p. 713). They opposed the idea to cooperate closely with China and they objected to increase US-China military exchanges, namely, they emphasised that when the US cooperates closely with China, it transfers sensitive military technology that China may use against the US (Garrison, 2005, p. 174; Gerth and Schmitt, 1998b; Rhem, 2005; Shanker, 2005).

The more hawkish group’s view fitted with how China was initially perceived by Bush. The President’s campaign rhetoric in 1999-2000 frequently referred to China as a strategic competitor (whereas Clinton stuck with the strategic partner narrative).<sup>136</sup> Bush initially saw little strategic advantage to cooperating with China.<sup>137</sup> The President emphasised that the US must nurture relations with Taiwan against “hostile China” (Bush, G W, 2001a; Cossa, 2001; Lippman, 1999; Scobell, 2002).

A more positive perception that emphasised shared interests and opportunities to cooperate existed in the pragmatists’ group. This second group included Secretary of State Colin Powell, National Security Advisor Condoleezza Rice<sup>138</sup> and Assistant Secretary of

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<sup>136</sup> See Lippman (1999), New York Times (2000b), Republican Party Presidential Debate (2000), Rice (2000, p. 56; 2011, p. 20) and Xiang (2001, pp. 7-16).

<sup>137</sup> See also Dittmer (2005, p. 32), Melvyn (2004, p. 25), Mitchell (2000), Scobell (2002, p. 343) and Stephens (2008). For President George W Bush on China during his first Presidential election campaign and during his terms in the White House, see Melvyn (2004, p. 25), Mitchell (2000), Moens (2004, p. 105), Scobell (2002, p. 343), Stephens (2008) and Sutter (2006, p. 418). During the 2000 Presidential race, Candidate Bush paid little attention to terrorism and the Middle East, and focused on checking China’s rise (e.g. Melvyn, 2004, p. 25).

<sup>138</sup> Rice was US National Security Advisor (2001-2005) and Secretary of State (2005-2009). Rice, like Powell, was a pragmatist on China strategy who preferred to cooperate. Rice perceived China as a potential competitor

State for East Asian and Pacific Affairs Jim Kelly. They believed more that positive sums and absolute gains were possible, and that the trans-Pacific region became economically intertwined and benefitted the US. They perceived China as a partner that the US needed to engage pragmatically and cooperate with on shared interests (Bush, G W, 2007b; Garrison, 2005, pp. 172-6). On 17 January 2001, Powell testified before Congress that he perceived China to be neither America's enemy nor an inevitable adversary. He developed a close relationship with Chinese leader Jiang Zemin whom he met several times as Secretary of State.<sup>139</sup> The pragmatist group suggested to weaken US-Taiwan ties because when the US expands US-Taiwan ties, it antagonises China and jeopardises American interests.

Powell, Rice and the State Department often departed from the Defense Department, on issues like China, trade and North Korea.<sup>140</sup> The pragmatist group preferred to avoid sanctioning North Korea harshly because that strains US-China relations, and called instead for multilateral diplomacy to address North Korean nuclear threats (Bush, G W, 2010, pp. 424-7; Rice, 2011, pp. 159, 248, 526-33, 713). Namely, the US participated in the rounds of Six-Party Talks with China, Japan, Russia, North Korea and South Korea and a Joint Statement was delivered in 2005 whereby North Korea agreed to abandon its nuclear weapons (Dittmer, 2005, pp. 33-4; Rice, 2011, pp. 248, 347-9, 523, 704).

All in all, these two groups perceived China's rise differently and suggested different China strategies. How these China perceptions converged delicately around the more positive pragmatist perceptions was demonstrated by the Bush administration's first foreign policy crisis.

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but viewed that the US must avoid confronting China (Garrison, 2005). Rice was also more optimistic than the hawkish group to cooperate multilaterally with China like through the Six-Party Talks on issues like North Korea (Cheney, 2011, pp. 481-4). But unlike Powell, Rice became closer to and greatly influenced Bush (Bumiller, 2004; Bush, G W, 2010; Rice, 2000; Roberts, G, 2015).

<sup>139</sup> See Embassy of the People's Republic of China in Papua New Guinea (2001) and US Senate (2001, p. 19).

<sup>140</sup> See Bush, W (2010, pp. 87-91), Cheney (2011, pp. 325, 405, 25-26, 74-75, 83-93), Rice (2011, pp. 15-22, 158-9) and Wang C (2009).

### The Hainan Island incident: a pragmatic response

The administration arrived at a convergence about how it perceived China when the Hainan Island incident occurred. This incident presented an opportunity to prioritise China, take a hard-line approach and set China strategy. But when China perceptions were at play in the administration, this led to a mixed result.

On 1 April 2001, an American EP-3 naval intelligence aircraft and a Chinese interceptor fighter aircraft collided. The crash killed the Chinese pilot and forced the American aircraft to land on China's Hainan Island in the South China Sea just 20 kilometres off China's southern coast. After the crash, the Chinese detained the 24-strong American crew and released them on 11 April; in the aftermath, China demanded that the Americans apologise.<sup>141</sup>

The White House tasked the State Department to deal with the incident. Secretary of State Powell advised Bush to establish a constructive US-China relationship (Bachman, 2001, p. 261; Rumsfeld, 2011, pp. 313-4; Van Vranken Hickey, 2004). Powell and Deputy Secretary of State Richard Armitage negotiated with the Chinese, worrying that US-China relations might be damaged. Bush cared about America's business interests and when US-China relations deteriorate, it jeopardises American business interests. When the US pursued a careful relationship after the incident, the Bush administration's China approach became cooperative.

The more cooperative China approach in the days after the crash became clear when the negative China perceptions that existed in the Bush administration were kept under control by Bush and the State Department. Bush wanted to develop a close relationship with China and wrote an apology letter to Chinese leader Jiang Zemin for the Chinese pilot's death and because the American plane had landed on Chinese soil without Chinese approval (Bush, G W, 2010, p. 426). After Secretary of State Powell negotiated with the Chinese, on

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<sup>141</sup> See Ellison (2001), Bush, W (2010, p. 426), Moens (2004), Rice (2011, pp. 45-8), Rosenthal and Sanger (2001) and The Guardian (2001).

4 April he hand-delivered a personal apology letter to Chinese Ambassador to the US Yang Jiechi. Bush approved the letter and the cooperative China approach (CNN, 2001c; Garrison, 2005, p. 169; Sanger and Myers, 2001). In doing so, Bush and Powell's State Department's approach and leadership kept the hawkish group's negative China perceptions under control. Rumsfeld believed the US must sanction China economically and retaliate, but his views were kept at bay (Rumsfeld, 2011, pp. 313-5; Sanger and Myers, 2001; Wang, C, 2009, p. 32).

One implication was that after the 11-day conflict, Bush softened his tone on China. References to "strategic competitor" were avoided when Bush expressed his views (whereas earlier, Bush frequently used this term). Bush's rhetoric increased positive language to describe China. In Bush's speech at Tsinghua University on 22 February 2002, he avoided antagonistic terminology like strategic competitor (Bush, G W, 2002a). Bush emphasised that the US welcomed China, sought to cooperate, supported the one-China policy and sought to increase trade after China joined the WTO in 2001 (Bush, G W, 2001b, 2003, 2005, 2008).

The Hainan Island incident's outcome was a "fragile convergence" around the pragmatist group's perceptions (Garrison, 2005, p. 170). These China perceptions departed from the more hawkish group's China threat perceptions that called for a hard-line response. A structural realist account based on the distribution of capabilities expects that the US focused on potential threats from China's rise and to stand firm, but in the very permissive environment leeway expanded for the US to perceive China more positively and to influence America's China strategy.

#### To 9/11 and beyond: China as an ally

The Hainan Island crisis revealed how the Americans' China perceptions converged around the pragmatist group's constructive views. But the US's main China challenge in the 2000s came with 9/11. When the US responded to 9/11 and invaded the Middle East, some scholars

explain that the US simply exploited America's unchallenged power (Jervis, 2003; Layne, 2006; Mandelbaum, 2016). America's war on Iraq manifested, they argue, how American unipolarity in the system of states (namely, the US was the sole superpower) freed capabilities to advance its interest abroad.

But 9/11 did not threaten American hegemony. These events did not pose a structural realist incentive to deprioritise China's rise and to prioritise America's war on terror in its stead. Specifically, the main structural realist incentive came from China's rise: when China's power capabilities was growing, it changed the distribution of capabilities. China could develop into America's peer competitor and act against American interests. Thereby, 9/11 only warranted a smaller response to eliminate al Qaeda and a continued focus to check China's rise (Kitchen, 2014, p. 64; Walt, 2016). After all, when the main structural incentive came from China's rise, then a structural account expects that the US focused on China, augmented the US's forward posture in East Asia and reversed its trade deficit and negative security externalities with China. Nevertheless, the US subjected US-China relations to its war on terror, downplayed great power tensions and allowed the American trade deficit with China to worsen.

#### Converging China-ally-perceptions after 9/11

We can more satisfactorily explain America's behaviour towards China when we examine how the permissive strategic environment expanded room for decision-makers to perceive China. US foreign policy executive members expressed their time-specific perceptions of what American interests were and the China strategies they considered apt. That is, the hawkish group with Cheney and Rumsfeld perceived China, as discussed above, as a great power threat and the pragmatists group with Powell and the State Department perceived China like a constructive partner.

But after 9/11 it became difficult to claim, as the hawkish group did, that China was America's number one security threat. The US saw that so-called 'weak states' like Iraq and

Afghanistan were vulnerable to terrorist networks and could pose as great a danger to the US as strong states (NSS, 2002; Rice, 2000, p. 60; Stephens, 2008). Bush addressed a joint Congress on 20 September 2001 and called all states that “either you are with us or the terrorists” (Bush, G W, 2000, p. 1349). Bush delivered his State of the Union in January 2002 about the “axis of evil” (Bush, G W, 2002c, para. 21; 2010, p. 233; Rice, 2011, pp. 150-1). The 2002 NSS directed whatever possible efforts and resources towards the proclaimed axis to secure peace (Bush, G W, 2002d; NSS, 2002, p. 7; Rice, 2000). The Chairman of the Joint Chiefs of Staff published the 2004 NMS that centred on the global war on terror and failed to mention China or East Asia (NMS, 2004).<sup>142</sup> Bush’s 2004 Presidential election campaign and the 2006 mid-term elections centred on terrorist threats.<sup>143</sup> As Assistant Secretary of State for East Asian and Pacific Affairs Christopher Hill recalls, East Asia’s importance for the US was defined, “in terms of the role [it] could play in the Global War on Terror” (Hill, 2014, p. 203).

These terrorist threats gave Bush a new ‘them’ but also a new ‘us.’ After 9/11, China quickly joined the ‘us’ in America’s war on terror in line with the pragmatist group’s perceptions that preferred to cooperate with China (Hill, 2014, pp. 203-4; Lampton, 2002). When the pragmatist group perceived China more positively, they interfered with America’s China strategy. The pragmatist group after 9/11 perceived China as an actor to ally with, in order to address threats from North Korea, international economic stability and terrorism.<sup>144</sup> The US failed to perceive China as its main threat to American interests but grew closer to China and perceived that China was “part of the solution” in the war on terror (Bush, G W, 2002b; Friedberg, 2011, pp. 94-5; quoted from Garrison, 2005, p. 182; Moens, 2004).

The US developed a veritable working relationship with China and sought Chinese support for America’s war on terror. At mid-night on 11 September 2001, Bush received a

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<sup>142</sup> The Chairman of the Joint Chiefs of Staff is the US Armed Forces’ highest-ranking military officer and main military advisor to the President, the Secretary of Defense and the National Security Council.

<sup>143</sup> See Campbell (2005), Nagourney (2004), New York Times (2006) and Trubowitz (2011, pp. 102-3).

<sup>144</sup> See Bush, W (2010, p. 424), Garrett (2006), Jia (2003), Kagan (2008, p. 33), Moens (2004), Ong (2006), Rice (2011, pp. 517-8, 28) and Van Vranken Hickey (2004, pp. 472-4).

condolences telegraph from Chinese President Jiang Zemin (Permanent Mission of the People's Republic of China to the UN, 2001). Bush and Jiang in the next 13 months met four times and China joined America's war on terror.<sup>145</sup> Indeed, on 19 October 2001, Bush and Jiang gave a press conference in Shanghai: Bush declared that "President Jiang and the Government stand side by side with the American people as we fight this evil force" (quoted from Bush, G W, 2001c, para. 10; Bush, G W, 2010, p. 152; CNN, 2001a). On 21 February 2002, Bush and Jiang delivered a press conference in Beijing: they discussed that they would cooperate in the fight against terror and that China joined America's coalition (White House, 2002a). Bush administration officials refused to say that they would defend Taiwan if it was attacked (as the hawkish group preferred) and thereby supported China (Dittmer, 2005, p. 34). In doing so, the China engagers group like Powell's State Department generally directed China strategy (Garrison, 2005, pp. 178-9).

In line with the engagers group, the US administration perceived China more positively and developed a working relationship with China. But some influence in China strategy was maintained by the hawkish group. The Pentagon pushed to advance Taiwan's military defence against China's rise. Secretary of Defense Rumsfeld asked in 2004 that the National Defense University conduct cross-Strait war-game-scenarios (namely, how the US would defend Taiwan in case of cross-Strait conflict) (Jia, 2006; Pan, 2012, p. 91). This opposed the China engagers group's view: the engagers group sought to limit US-Taiwan ties. But even if we concede that some US-China tensions remained, and the hawkish group influenced China strategy, overall, when the Bush administration after 9/11 perceived China it de-emphasised great power politics and aimed to cooperate in fighting terrorism.

This shows that when the strategic environment was very permissive (China's threat was distant and small), leeway existed for alternative China perceptions. That is, a structural

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<sup>145</sup> One meeting was in the US, two in China and another one at the 2002 Asia-Pacific Economic Cooperation (APEC) meeting in Mexico (Bush, G W, 2010, pp. 424-6; Dittmer, 2005, p. 32; Georgetown University, 2001; Lampton, 2003; Sanger, 2001; White House, 2002a, 2002b).

realist account expects that when the distribution of capabilities changed, the US focused on possible threats from China's rise. But the administration perceived China differently. The US foreign policy executive perceived systemic stimuli from China's rise (China quickly accumulated economic and military power and trade surpluses), but these stimuli were ambiguous enough to allow the administration to interpret these stimuli and adjust strategy. A broader view of China perceptions in this very permissive strategic environment entertained the Bush administration. When the administration arrived at its China perception, it perceived China not as an aggressive and expansionist power that America needed to contain. The post-9/11 events buttressed the positive China perceptions that existed within the American foreign policy executive. Consequently, the Bush administration started to perceive China as an ally to fight terror.

#### China ally-perceptions and America's China strategy

One implication was that the US adjusted its China strategy in light of America's fight against terrorism into an alliance. The US-China alliance to fight terror dominated structural realist incentives and US-China relations: the US developed a close cooperative relationship and expanded US-China trade. And to the extent that the US considered to augment its forward posture in East Asia, the US did so in light of its war on terrorism. The US said by 2003 and 2004 that US-China relations were at their best since thirty years, that the US-China alliance was close to that of usual US allies and in 2008 that US-China relations were on firm foundations.<sup>146</sup> Indeed, "Washington's relationship with Beijing approximate[d] those which it enjoys with many of its traditional "allies" [like Japan and South Korea]" (quoted from Lampton, 2003, p. 37, original in-citation quotation marks; Roberts, G, 2015; Van Vranken Hickey, 2004, pp. 473-4; 2007).

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<sup>146</sup> See also Bush (2001c; 2010, p. 152), CNN (2001a), Lampton (2003), People's Daily (2003), Rice (2011, p. 643) and Shambaugh (2002, p. 247).



A closely linked issue was that the US softened its rhetoric on China-related security and diplomatic issues. When Bush on 18 October 2001 arrived at Shanghai's APEC summit, he focused less on China-Taiwan tensions and arms proliferation. Bush's rhetoric became less pro-Taiwan (thus supporting the one-China policy). When Taiwan's President Chen Shui-bian wanted to attend the October 2001 APEC meetings in Shanghai, the Chinese government forbade him. The US failed to support Taiwan (APEC is a state-based organization; US support for Taiwan to participate violates the one-China policy) though the US supported Taiwan in June 2001.<sup>147</sup> In these ways, when the US started to perceive China as a war on terror ally, the US downplayed US-China irritants (deLisle, 2011; Jisi, 2005).

This shows that how the US perceived China as a part of its coalition to fight terrorism had an important mediating role in the US's China strategy. How America perceived China mediated between how the system incentivised the US (independent variables, China's rise incentivised the US to focus on China) and how the US acted. America's positive China perceptions interfered with the US's China strategy in ways hard to explain as the outcome of structural realist incentives and the distribution of capabilities, namely, the US failed to focus and prioritise China's rise. The US allowed the American trade deficit and negative security externalities with China to worsen.

When we want to explain America's China strategy more satisfactorily, then the question is not simply what the US had to do because structural incentives compelled the US (as structural realism would suggest). Rather, the question is how the US adjusted its strategy against China when in the very permissive strategic environment American foreign policy executive perceptions interfered in the decision-making process.

Thus far, I argued that this thesis's theoretical model's first mediating variable of foreign policy executive perception filtered the international environment. China's rise changed the distribution of capabilities and incentivised the US to act. But the strategic

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<sup>147</sup> See also BBC (2001), CNN (2001b), Garrison (2005, p. 173) and Li (2001).

environment remained very permissive: because China was a distant and small threat (as discussed earlier in this chapter), the US had more leeway for alternative perceptions and for strategies other than checking China's rise. The US perceived China's rise positively, that is, as a partner to fight terror. When the US perceived China as an ally, it downplayed traditional great power concerns from China's rise. Thereby, the perception variable was the primary mediating force in America's China strategy.

But this perception variable says little about how in the 2000s varying state power levels (that is, the available resources) affected America's China strategy's shape and efficiency. In the following section I discuss how the theoretical model's second mediating variable of state power shaped America's China strategy and interfered with simple obedience to structural realist incentives.

#### *4.4.2 State power - Second mediating variable*

This thesis's neoclassical realist model prioritises the independent variables (distribution of capabilities and the strategic environment's permissiveness) and the first mediating variable (perception). But when we only look at how the Americans perceived China as a war on terror ally, then we obfuscate how economic resource constraints shaped America's China strategy. In the following paragraphs, I will discuss that after the US perceived China's rise positively (as understood above), the US economy sputtered, and the US extracted vast resources but for the 'wrong' region. This should improve the explanation of adjustments in America's China strategy.

#### Sputtering economy

When the US after 9/11 perceived China like a war on terror ally, the American economic engine sputtered. The American economy was hit with 9/11 and the 2007 economic crisis. The US budget displayed surpluses in 1998-2001 but turned to deficits in the years thereafter. The first American budget deficit at \$158 billion came in 2002 and peaked at \$1.4 trillion or 10% of GDP in 2009 (Congress of the United States, 2015). American GDP growth was

negative in 2008 and 2009 (World Bank, 2017a). Unemployment went up 60% between 2008 and 2009 and peaked at 9.6% in 2010, and federal debt rose from \$6 to \$15 trillion over the period 2001-2011 (Bureau of Labour Statistics, 2015; US Department of the Treasury, 2015a).

When the American economy sputtered, the US attempted to revive the economy with domestic policies. Congress passed a \$15 billion bailout package for the airline industry that struggled after 9/11. Bush signed the *Job Creation and Worker Assistance Act* in 2002 to stimulate the economy when unemployment increased 46% between 2000 and 2002 (Bureau of Labour Statistics, 2015). This act allowed US enterprises to reduce tax liabilities for previous years. Bush cut taxes with the *Jobs and Growth Tax Relief Reconciliation Act of 2003*; the US improved the budget deficit with the *Deficit Reduction Act of 2005*; the US spurred corporate investment when Bush signed the *Economic Stimulus Act of 2008* and Bush signed the *Emergency Economic Stabilization Act of 2008* to authorise Secretary of the Treasury Henry Paulson to purchase troubled assets for up to \$700 billion. President Barack Obama signed the *American Recovery and Reinvestment Act of 2009* with a near \$800 billion stimulus package to invest in infrastructure, tax incentives, and expanded unemployment benefits. These domestic economic policy responses aimed to revive the domestic economy. In doing so, it helped to strengthen the economic pillar of America's China strategy.

#### Extracting resources for the 'wrong' region

In addition to the sputtering economy, the US extracted vast resources for foreign policy. The Department of Defense emphasised that the US in the 1990s had underinvested in its military and now aimed to strengthen America's presence in the Asia-Pacific.<sup>148</sup> The US defence budget increased from \$321 billion in 2001 to \$371 billion in 2002 and totalled \$751 billion in 2011. Defence spending was expected to grow annually by 3% for 2001-2011.

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<sup>148</sup> See the 2005 and the 2008 National Defense Strategy (NDS) (NDS, 2005, pp. 12-8; 2008, pp. 16-9), the 2004 NMS (NMS, 2004, pp. 15-7), the 2006 NSS (NSS, 2006, pp. 29, 40) and the 2001 QDR (QDR, 2001, pp. 7-10, 8-25).

Military spending to operate in Afghanistan and Iraq was estimated at \$1.4 trillion (Congress of the United States, 2001, p. 74; 2012, p. 71; Watson Institute for International Studies, 2013). The defence budget required to be increased from \$312 billion in 2000 to \$751 billion by 2011, with defence spending increasing as percentage of GDP from 3% in 2001 to 5% in 2011 (White House, 2015b, 2018).

But the US used these resources for the ‘wrong’ region. Namely, from the purview of structural realism it was anticipated that the Americans prioritised China’s rise. But in America’s perceived environment, the US deprioritised China’s rise and the war on terror absorbed the additional resources. The additional state power that US decision-makers extracted was not used to augment America’s forward posture in East Asia to check China’s rise. The additional state power was used for the Middle East, and thereby drained the pool of resources for its China strategy (America’s forward posture in East Asia declined, as discussed below). What is remarkable about American military budget increases in the 2000s is not that the overall American military budget increased, but that the most of it was used for the Middle East, whereas a structural realist account expects that the US focused on East Asia.

This means that how the US adjusted its China strategy depended not only on how they perceived China. Also resource constraints intervened between systemic incentives and state action. How the foreign policy executive perceived China was a prerequisite to adjust its China strategy underactively from what a structural realist account expects: a structural realist account would say to expect that the US prioritised China, augmented America’s forward posture in East Asia and reversed the US’s trade deficit with China. First US decision-makers’ perceptions filtered the international environment, and then state power affected how they adjusted China strategy.

#### *4.4.3 Dependent variable - US's grand strategy towards China*

When the theoretical model's variables interact, they generate how the dependent variable varies: American grand strategy towards China. In other words, the dependent variable results from the independent variables (distribution of capabilities and the strategic environment's permissiveness) and the mediating variables (perception and state power). The dependent variable varies, as Chapter 3 elaborated, on the values of optimal and underactive. America's China strategy is underactive, untimely and inefficient when it departs from what a structural realist account would say to expect.

In this section, I will discuss how the variables at play combined and generated America's underactive China strategy. I will articulate causal relationships that resulted and I will summarise them in a table. I will evaluate the variables hierarchy and the theoretical model's propositions. Thereafter, I will evaluate the theoretical model's propositions and variables hierarchy and I will end the chapter with a conclusion.

#### Stagnating US forward posture in East Asia

When China rose, the distribution of capabilities changed unfavourably for the US. This incentivised the US to focus on China and use additional resources to go to great lengths to check China's rise. But the US failed to adopt this approach. This was perhaps to Chinese policy makers' enjoyment; they became a US ally in the war on terror and saw their main strategic competitor America embroiled in a costly conflict elsewhere (Kagan, R, 2008, p. 33).

One implication was that the American forward posture in East Asia stagnated. To be sure, the US added more security-related treaties and other international agreements than in the previous years: the US added respectively 61 and 70 defence-related treaties and other international agreements with states in EAPT and with China's broader neighbourhood from

1991-2001, and respectively 127 and 146 during 2002-2011.<sup>149</sup> But America's forward posture stagnated over 2001-2011 regarding the portion of the US military that was located in the region. The portion of total overseas US military buildings that was located in East Asia stagnated at around 40%. The portion of total US overseas military personnel that is located in East Asia increased only mildly from 42% to 45% (BSR, 2000, 2010). The American military in the region was, like in the 1990s, hosted by 12 states and territories like Japan, Australia and Hawaii (Figures 15 and 16) and the US's posture declined regarding the number of aircraft carriers and attack submarines (QDR, 2001, p. 22; 2010, pp. 46-7). And Japan and South Korea hosted respectively 60,000 and 61,000 US military personnel in 2001, as against 59,500 and 52,000 in 2011 (BSR, 2000, 2010).

#### US-China trade liberalised

Another noticeable feature of the US's China strategy was that it liberalised US-China trade. Free trade was strongly favoured by Bush (Anderson in Anderson and Silove, 2016/17; Bush, G W, 2001d, 2001e, 2001f, 2004; 2010, pp. 306, 50-51; Rice, 2011, p. 630). After all, when the US liberalised US-China trade, the US believed that its economy would benefit from absolute US-China trade gains. Thereby, the US believed that US-China trade helped to prosper and be safe. But when the US liberalised US-China trade, it worsened the American trade deficit with China.

Bush used his fast-track authority in 2001 to push multilateral negotiations and to help starting the Doha Development Round to lower trade barriers and facilitate US-China trade (Trubowitz, 2011, pp. 100-1). Bush recalls in his memoirs that after 9/11, he "was determined to forge a close relationship with him [that is, Hu Jintao]" and that he worked closely with new Chinese President Hu Jintao to expand US-China trade (Bush, G W, 2010,

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<sup>149</sup> The calculations regarding treaties and other international agreements are based, as discussed in the introduction chapter, on the database provided by the US Department of State (2015b).

p. 427).<sup>150</sup> The US allowed its trade deficit with China to linger when Bush failed to act firmly on China trade matters. In 2004 a petition urged the Bush administration to impose firm tariffs on Chinese imports. The petition argued that when China suppressed workers' rights, Chinese companies competed unfairly internationally and dumped products on the US market at below market prices. This made it difficult for American companies to compete and for the US to reduce the trade deficit. Indeed, China's formal entrance in 2001 to the WTO is seen to have worsened the US trade deficit with China (Scobell, 2002, p. 357). But Bush rejected the petition.<sup>151</sup> The Bush administration said it could solve trade issues through its diplomatic contacts with Chinese officials. In the meantime, the US trade deficit with China over 2001-2005 more than doubled to \$202 billion (Figure 12). Rice recalls in her memoir that when the US faced a large trade deficit with China, and China was accused of manipulating currency and protecting trade, the President did not act. "Bush had gone the extra mile," Rice recalls, "to protect the [US-China] relationship and would not succumb to blame China" (Bush, G W, 2007a; deLisle, 2011; quoted from Rice, 2011, p. 518).

#### US trade deficit with China counterworked security

Equally important, when the US allied with China, the US trade deficit and negative security externalities with China counterworked structural realist incentives. Structural realist incentives expect that the US focused on China's rise and minded relative losses from US-China trade. But the American trade deficit with China tripled between 2001 and 2011 (Figure 12). Based only on structural realist incentives and the distribution of capabilities, America was not expected to allow China to accrue such trade gains and associated security benefits. After all, "given that accumulated trade surpluses can be translated into economic advantage and economic advantage can be translated into military advantage, states

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<sup>150</sup> Hu Jintao was seen as China's paramount leader from 2002-2012. Hu was China's President from 2003 to 2013, the Communist Party of China's General Secretary from 2002 to 2012 and the Central Military Commission's Chairman from 2004 to 2012.

<sup>151</sup> See Bush, W (2010, p. 427), Hughes (2005) and Rice (2011, p. 528).

concerned with the balance of power should not allow such imbalances to linger” (Lieberman, 1996, p. 147; quoted from Sheetz and Mastanduno, 1997/98, p. 171). It seems a logical fallacy that the US facilitated China to accumulate economic power and security benefits.

But the US trade deficit and negative security externalities with China were, in line with this thesis’s theoretical model, tolerated because the strategic environment was very permissive where room existed for the US to perceive China differently. When the US perceived China as an ally to fight terror and interfered with America’s China strategy, it seemed less concerning to liberalise US-China trade. The US enjoyed absolute trade gains and worried less about the trade deficit and negative security externalities with China. But this was counterproductive from a grand strategic viewpoint. When the US liberalised US-China trade and allied with China for the war on terror, the US imported more Chinese manufactured goods. These were beneficial for American companies, but the security externalities that resulted were worrisome for reasons that transcended companies’ profit margins. Indeed, some argue that when the US liberalised US-China trade, the US worsened America’s trade deficit with China under the guise of the war on terror (Trubowitz, 2011, p. 101).

Thereby, the US adjusted its China strategy after 9/11 more amicably to China not because it was essentially the appropriate strategy against China’s rise. The optimal strategy would be, in line with this thesis’s theoretical model, to focus on checking China’s rise and minding relative gains from US-China trade. To grasp why the US adjusted its China strategy more amicably to China, the question was thus not what the US had to do because of structural incentives: that is, China’s rise and the according changes in the distribution of capabilities. Rather, the question was how the permissive strategic environment allowed foreign policy executive perceptions and varying state power levels to interfere in America’s decision-making process.



#### **4.5 Propositions and variables hierarchy**

This chapter's empirical material suggests that the first independent variable, the distribution of capabilities, presented a strong structural incentive. The distribution of capabilities changes, as elaborated on in Chapter 3, when states increase or decrease their aggregate material power capabilities. It changed when, in 1991, the US was the sole superpower, when the US trade deficit with China increased twentyfold and the China-Taiwan balance of power began to shift in China's favour. It reconfigured America's role, which was expected to focus on checking China's rise. The distribution of capabilities thereby created the broad contours of America's China strategy. This strategy focused, as the next chapter elaborates, on balancing China during 2011-2015, placing it atop the independent variables hierarchy.

When the distribution of capabilities changed, America's role was reconfigured. However, the US enjoyed leeway, as the present chapter argues, to pursue sub-optimal China strategies, since it inhabited a very permissive strategic environment. The permissiveness of the strategic environment refers, as Chapter 3 elaborated on, to the intensity of systemic constraints. It concerns rising powers' manoeuvres and developments within the broad contours of the distribution of capabilities. This permissiveness specifies when and why the space for sub-optimal strategies expands and when it contracts.

A key observation is that this strategic environment's permissiveness does not always change in response to shifts in the distribution of capabilities. Although the distribution of capabilities shifted unfavourably from the US's perspective, the strategic environment remained, as the empirical evidence indicates, very permissive. To reveal the dynamics of the independent variables required individual investigation according to the before-after design. China accumulated aggregate material power capabilities. However, the strategic environment remained permissive because China failed to deploy hostile rhetoric and economic and security policies. China challenged US interests only in a limited fashion, persisting with its Keeping-a-Low-Profile strategy while its ally North Korea froze its

plutonium programme following the 1994 Agreed Framework. Furthermore, whilst the US trade deficit with China existed, most of it was with US allies.

Based on the empirical material, this permissiveness of the strategic environment is second in the independent variables hierarchy. This places it at the bottom of this hierarchy. The US faced, first, a strong structural incentive from the variables hierarchy's first independent variable (significant increases in China's aggregate power capabilities). Then, the US inhabited a strategic environment that remained permissive despite China's increasing aggregate power capabilities. China's increasing aggregate material capabilities established the broad contours, and the permissiveness of the strategic environment variable reveals the conditions under which leeway existed for multiple strategic options. That is, the permissiveness of the strategic environment revealed when American decision-makers could make trade-offs, whether to secure American interests or to prosper economically and disregard the future. However, revealing that this proposition constitutes an important addition to the variables hierarchy, while remaining silent about the strategy's timing, shape and efficiency, it tells only half the story.

The study expanded this variables hierarchy with the addition of the mediating variables, which exerted greater influence on China strategy between 1991 and 2011. By thus clarifying the mediating variables' role, this study surpasses existing treatments in the literature of US-China relations and neoclassical realism; namely, it goes beyond merely stating *that* individual and domestic variables mattered in America's strategy after 1991, by also revealing under which conditions they mattered.

The empirical material suggests that, among the mediating variables, decision-makers' perception exerted the greatest influence on strategy. The US's China strategy consistently exhibited positive attitudes towards China across this period in US history. Decision-makers' perceptions of China may be divided into two groups: the first favoured US-China economic and security cooperation, while the second group opposed it. The groups disagreed regarding the US's interests and which strategy was apt, and each group

brought their perspectives on China to bear on the decision-making process. The first group dominated and oriented China strategy (unlike subcase 2, outlined in the next chapter, when a less permissive strategic environment meant that negative perceptions of China dominated decision-making). Thus, the US cooperated with China extensively on trade and security, and antagonised America's East Asian allies, although some decision-makers from the second group, such as Perry, Freeman and Cheney, objected. The Americans deprioritised China's rise, forewent redressing the US trade deficit with China and augmenting its forward posture in East Asia, and protected US-China economic and security cooperation despite the security tensions experienced over various issues, including the 1995-1996 Taiwan Strait Crisis, US trade and security losses and the Hainan Island incident. Thus, decision-makers' perceptions oriented China strategy, and their influence places them at the top of the mediating variables hierarchy.

While the role of the decision-makers' perceptions within the permissive strategic environment reveals one novel causal mechanism and hierarchy of variables, the mediating state power variable reveals another. State power refers, as defined in Chapter 3, to the resources that decision-makers can extract from society. The US prognosticated a gloomy economy and reduced its military personnel and infrastructure in East Asia, but only after it had first reoriented China strategy based on the decision-makers' perceptions. When the US extracted resources for foreign policy, it deployed them for the wrong reasons (from a structural realist perspective). For example, the US extracted resources during the 2000s, but only after it had perceived an international threat in a region of lesser strategic interest. Thus, after the US perceived and deprioritised China's rise, it extracted resources and cooperated with China to fight terror, in turn draining the pool of resources available to support China strategy. State power operated as the second mediating variable at the bottom of the mediating variables hierarchy.

As these variables combined within the aforementioned hierarchy, they revealed that America's China strategy was caught up in this mix. The dependent variable, following the

study's model and empirical analysis, can best be decoded as a product of the primary independent (system-level) and secondary mediating (unit-level) variables. The dependent variable operated within the broad contours of the first independent variable (the distribution of capabilities) and under the conditions of the second independent variable (the strategic environment's permissiveness). The dependent variable's distinctive characteristics, however, were shown to result from the first and second mediating variables (that is, perception and state power).

This demonstrates that the mix of variables and their hierarchy are instrumental in explaining the dependent variable. The US continuously forewent augmenting its forward posture or redressing its trade deficit with China, and instead liberalised trade and cooperated on security. Without the model's variables mix and hierarchy, it would be difficult to explain why the Americans continuously protected US-China economic and security cooperation despite the tensions experienced over various issues. One could speculate that, based on the study's model, that had the strategic environment been less permissive during 1991-2011, with less room for interference from the mediating variables, the US would likely have strategised differently.

**Table 7. America's China strategy from 1991-2011**

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Independent variables (distribution of capabilities and the strategic environment's permissiveness)	1 <sup>st</sup> Mediating variable (perception)	2 <sup>nd</sup> Mediating variable (state power)	Dependent variable (US grand strategy towards china)
Loss of relative power vis-à-vis China and very permissive strategic environment	China as economic and strategic partner	Constrained hegemon	<i>Underactive:</i> Amicable China strategy, expanding US trade deficit and stagnating military posture

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Independent variables + foreign policy executive perception + state power = Amicable China strategy, expanding US trade deficit and stagnating military posture

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#### **4.6 Chapter conclusion**

When China's rise changed the distribution of capabilities, structural realism would expect that the US would go to great lengths to check China's rise. But consecutive US administrations failed to do so. In this chapter, I applied this thesis's theoretical model to the first subcase of America's China strategy, covering 1991-2011. I argued that this subcase had a very permissive strategic environment (that is, China's threat was distant and small), which expanded room for mediating variables to interfere. In this environment, leeway existed for perception and state power levels to interfere with America's China strategy. This variables-mix led to an underactive China strategy unlikely to be supported from a structural realist view.

I argued that when the strategic environment was very permissive during 1991-2011, American decision-makers' perceptions of China as an economic partner intervened in the causal chain between systemic incentives and China strategy. The resulting strategy was one of luxury, which engaged and partnered with America's main competitor, downplayed great

power politics and prioritised absolute trade gains that upset traditional security alliances in the process. In these years, this strategy was one of a troubled US-China partnership which counterworked structural realist expectations: America's partnership with China dominated over traditional great power concerns, and the US went to great lengths to help China rise. The US enhanced security cooperation with China, avoided trade conflicts, worsened the US trade deficit and stagnated America's forward posture in East Asia. I argued, therefore, that America's China strategy in these years was a blended product of systemic conditions and domestic characteristics that produced sub-optimal state behaviour: America's China strategy was adjusted in light of international conditions and also domestic constraints that US decision-makers faced.

This case study helped to demonstrate how neoclassical realism can contribute to explanations of the US's China strategy. The neoclassical realist model started with the first independent variable (distribution of capabilities) and added and refined an additional independent variable (the strategic environment's permissiveness) and two mediating variables (perception and state power). The case helps to further establish the importance of the strategic environment's permissiveness as an independent variable to understand America's China strategy and grand strategy more generally. It provides deeper insights into the systemic conditions under which the mediating variables of perception and state power interfered with American state behaviour towards China. This case chapter interrelatedly contributed with support for the theoretical model's variables hierarchy and the propositions. The way in which the variables interacted to produce America's China strategy provides confirming evidence for this thesis's neoclassical realist model. This case study was, therefore, a new study, which can contribute to explanations of American grand strategy towards China and can improve the debate on neoclassical realism. It helps to answer this thesis's central question of why the US pursued an underactive grand strategy towards China from 1991-2011, but a more optimal one from 2011-2015.

Of course, because the present chapter is, as Chapter 1 outlined, the first of two subcases of the US's China strategy, more comprehensive conclusions about the thesis's model and the US-China case cannot be reached until the second subcase is analysed. In the next chapter I proceed with the second subcase (2011-2015). Whereas the current chapter discussed, in line with this thesis's case study design, America's China strategy under conditions of a very permissive strategic environment (1991-2011), the next chapter examines how the mediating variables operated in a less permissive strategic environment (2011-2015). I will examine how the strategic environment became less permissive (China's threat neared and enlarged) and contracted leeway for perceptions and strategies other than to prioritise China's rise, and how this led to America's China strategy adjustments in 2011-2015.

## **Chapter 5 – The US’s China strategy of constrained rebalancing (2011-2015)**

Because China’s rise changed the distribution of capabilities, structural realism expects the US to focus on checking China. But while this structural realist account is parsimonious (it uses a single independent variable of the distribution of capabilities), it fails to explain, as Chapter 1 elaborated on, why the US started focusing on China again only during 2011-2015. This structural realist account cannot explain when and how the US responded to China’s rise and to negative security externalities from US-China trade.

To more satisfactorily explain this case, in this chapter I will apply this thesis’s theoretical model to America’s China strategy for the second subcase, covering the period of 2011-2015. This period showed, as Chapter 1 set out, that the US pursued a China strategy more in line with structural realist expectations: a strategy that focused on balancing China. To explain this period in America’s China strategy, and in line with the preceding case chapter’s structure, I apply this thesis’s theoretical model from the left to the right (Figure 10). That is, I will first examine the distribution of capabilities (first independent variable). Then I will examine how the strategic environment became less permissive (second independent variable). The US-China case’s second subcase had, unlike the first subcase discussed in the previous chapter, conditions of a less permissive strategic environment. When an international threat from China neared and enlarged, room contracted for alternative strategies; that is, the strategic environment guided the US more clearly to only one strategic course, namely, focus on China. Then, I will examine how alternative perceptions (perceptions other than focusing on checking China’s rise) had less room to interfere with America’s China strategy. I will examine how state power hurdles interfered with America’s China strategy and how these hurdles constrained American balancing against China. I will break down the process and trace how the variables led, as Chapter 3 theorised, the US to adjust its China strategy more optimally from what a structural realist



account would say to expect. I will identify causal chains, the variables' significance and behaviour patterns, and I will proceed to evaluate the model's propositions.

When the US focused on China and announced its 'pivot' to Asia, this did not simply follow from how the distribution of capabilities had changed. The US strategised more optimally towards China during 2011-2015 because the less permissive strategic environment narrowed leeway for mediating variables to interfere with America's China strategy. This, I argue, resulted in an American China strategy that was more in line with structural realist expectations: a China strategy that focused on China's rise and started to reverse the trade deficit and negative security externalities with China. Specifically, the US sought to augment its military posture in East Asia and to redress the trade deficit. But, as the chapter reveals, when the US focused more on balancing China, resource constraints prevented it from augmenting its forward posture in East Asia. In these ways, the US grand strategy towards China during 2011-2015 was not a rational response (in the structural realist sense) to external threats posed by China's rise and changes in the distribution of capabilities. Instead, America's China strategy resulted from a mix of systemic conditions and domestic characteristics that produced a sub-optimal China strategy.

The remainder of this chapter first analyses how the distribution of capabilities changed and how the strategic environment became less permissive during 2011-2015. Then it examines how perception and state power levels interfered with America's China strategy.

### **5.1 Distribution of capabilities - First independent variable**

Throughout 1991-2015, China's rise contributed to how the distribution of capabilities changed. China's economy became the second largest worldwide: its GDP neared \$8 trillion by 2011 and exceeded \$11 trillion by 2015, while America's economy totalled \$15.5 trillion in 2011. China's military spending increased sixfold to \$149 billion during 1991-2011 (the

world's second largest behind the US), and it increased by another \$55 billion during 2011-2015.<sup>152</sup>

Much of China's rise was attributed to the American trade deficit. The US trade deficit with China had already increased twentyfold to \$273 billion during 1991-2010 and it worsened to \$367 billion by 2015 (Figure 12). This American trade deficit yielded negative security externalities, namely, China gained economic and military capabilities and obtained American military technology (Kan, 2001). This incentivised the US to worry about relative losses from US-China trade, to reduce its trade deficit with China and to increase trade with American allies. Indeed, when the US trades more with American allies (and less with China) it shapes the distribution of capabilities favourably.

China's rise and trade surpluses continued to change the distribution of capabilities unfavourably for the US. Structural realism expects that the US would prefer that local East Asian allies take responsibility of balancing China. The US could then shift the responsibility of balancing, rely on off-shore balancing and forego the cost of assuming the balancing task.<sup>153</sup> But the US was unable to pass the task to balance China because it lacked sufficiently powerful East Asian allies.

Of course, in 2014 the Japanese government agreed to reinterpret its 1947 Constitution's Article 9 (which prohibits Japan from maintaining armed forces with war potential). Japan was also seen to return to strategic realism, as it sought to build up arms to fend off threats.<sup>154</sup> One could also argue that though Japan's military and economy was smaller than China's, Japan had at its disposal a more advanced technology and military industry than China, and that it was hence equipped to balance China. And indeed, Japan was said to have started balancing China already in the 1990s (Ross, 2006). But Japan was still constrained by its Constitution's article 9 that prohibits it from maintaining armed forces

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<sup>152</sup> The data in this paragraph is taken from Stockholm International Peace Research Institute (SIPRI, 2018) and World Bank (2018a).

<sup>153</sup> These strategies were discussed in Chapter 3.

<sup>154</sup> See Green (2014), Hughes (2015, pp. 64-78), Kato (2014), Sieg and Takenaka (2014), Solis (2014) and Stockholm International Peace Research Institute (SIPRI, 2018). See The Constitution of Japan (1946).

with war potential. Japan's economy was recovering after the 'Lost Decades' and it was smaller than China's in 2011 and less than half by 2015. Japan's military spent half of China's military in 2011 and less than a quarter in 2015. Also, Taiwan's economy in 2011 was 15 times smaller than the Chinese economy and twenty-one times so by 2015.<sup>155</sup> Taiwan's military in 2011 spent 15 times less than what China's military spent, and 20 times by 2015.<sup>156</sup> ASEAN's combined economy was smaller than China's throughout 2011-2015. It reached \$2.5 trillion by 2015, against China's \$11 trillion economy (World Bank, 2018a). In addition, ASEAN failed to unite against China's maritime territorial claims.<sup>157</sup> Moreover, during 2011-2015, South Korea's economy was between 12 and 16% of China's; Australia's was less than 20% of China's and its military spent less than 15% of what China's military did (SIPRI, 2018; World Bank, 2018a). Certainly, economic power should not be equated with military capabilities, but it is a rough indicator employed in structural realism to measure the distribution of capabilities.

With insufficiently powerful allies, it was more difficult for the US to shift the responsibility for the task of balancing China. This incentivised the US to seize opportunities to work hard to check China's rise; after all, China could use its increased power capabilities to defend itself against the US and the US's allies (Waltzian defensive realism) or expand (Mearsheimer's offensive realism) and push the US beyond the first island chain and out of East Asia.<sup>158</sup>

But when we only look at how this distribution of capabilities shifted, then we cannot explain *when* and *how* the US adjusted its China strategy. Why did the US focus on this balancing task only during 2011-2015, when it announced its 'pivot' to Asia? And when the US appeared to focus on China's rise during 2011-2015, why did it still fail to augment its

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<sup>155</sup> The economic data is taken from the World Bank (2018a) and the data for Taiwan is taken from the IMF (IMF, 2018).

<sup>156</sup> The data is taken from Stockholm International Peace Research Institute (SIPRI, 2018).

<sup>157</sup> For example, ASEAN member states hold different positions on America's and China's influence in East Asia. See for example Goh (2014), Keck (2014), Simon (2014) and Yates (2017).

<sup>158</sup> The American strategy towards China that structural realism expects both in general and in the US-China case was elaborated on in Chapter 1. The first island chain was defined in Chapter 2.

forward posture in East Asia? Furthermore, how did the US then ‘pivot’ and strategise against China more optimally? Indeed, structural realism’s variable of the distribution of capabilities cannot fully explain, as Chapter 1 elaborated, the timing and shape of America’s China strategy.

To more satisfactorily explain when and how the US adjusted its China strategy more optimally, in this thesis, through the theoretical model I adopt, I examine how the additional independent variable changes (the strategic environment’s permissiveness) and the mediating variables (perception and state power) intervene in the causal chain between systemic incentives and America’s China strategy (dependent variable). Though the distribution of capabilities changed unfavourably for the US throughout 1991-2015, room for alternative perceptions about China’s rise contracted only when America’s strategic environment became less permissive, by the 2010s. The next section examines precisely how America’s strategic environment became less permissive.

## **5.2 Permissiveness of the strategic environment - Second independent variable**

Even though the distribution of capabilities changed unfavourably for the US throughout 1991-2011 and 2011-2015, America’s strategic environment became less permissive only by the 2010s. The timeframe shortened regarding when China could challenge American trans-Pacific leadership. This means that less leeway existed for mediating variables (perception and state power) to interfere with America’s China strategy. There are, in line with this thesis’s theoretical model, four main factors that made the strategic environment less permissive; the fourth is more telling about China’s ally.

### *5.2.1 Factors contributing to the less permissive strategic environment*

#### China’s position regarding contested territory and military modernisation

One factor that contributed to America’s less permissive strategic environment was China’s position regarding contested territory in the East and South China Seas (see also Christensen,

2011; Friedberg, 2012, 2015) and China's military modernisation. In 2005, Chinese ships shot at Vietnamese fishermen (Reuters, 2011; Taipei Times, 2005). In March 2009, Chinese ships challenged the US Navy surveillance ship *Impeccable* in the South China Sea and the Chinese asserted that the US had no right to navigate there (Fox New, 2009; Gates, 2014, p. 414; Morgan, 2009; Shanker, 2009). China also responded more to perceived threats to its position versus Taiwan. China modernised its military that was seen to be directly and primarily aimed at developing a relative power advantage in the conflict over the two Chinese republics (Dian, 2015, p. 243). It showed that it was prepared to act militarily to reunify Taiwan with Mainland China and restore its sovereignty to before the Kuomintang's 1949 declaration of Taipei as Taiwan's provisional capital. The Chinese leadership was said to see reunification as a fulfilment of China's historical destiny (Rigger, 2013). Furthermore, control of the Taiwanese island is believed by China to help in achieving power over strategic sea lines of communication and to enhance its influence and ability to protect mainland China.<sup>159</sup>

When the Obama administration announced, on 29 January 2010, arms sales of \$6 billion to Taiwan, the Chinese broke off military exchange. Specifically, Chinese General Xu Caihou had invited American Secretary of Defense Robert Gates to visit China, but after the arms sales in January the Chinese broke off the exchange and told the US that Gates' visit in June was inconvenient (Gates, 2014, p. 415). In June Gates raised the issue at the Shangri-La Asia Security Summit in Singapore: he said, in front of Chinese military leaders, that breaking off US-China military ties over arms sales "made little sense" (Gates, 2014, p. 415). But a retired Chinese General responded that China had lived with the US-Taiwan arms "because we were weak. But now we are strong" (2010 quoted in Gates, 2014, p. 416).

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<sup>159</sup> See for example China's Military Strategy (CMS) in 2015 (CMS, 2015, I. National Security Situation), China's NDS in 1998 (CND, 1998, I. The International Security Situation) and China's NDS in 2004 (CND, 2004, I. The Security Situation).

More territorial conflicts followed over the Spratly Islands, Diaoyu Islands and China's nine-dash-line claims over most of the South China Sea.

In 2013, China's defence white paper explained that China developed its capabilities because "[s]ome country has strengthened its Asia-Pacific military alliances, expanded its military presence in the region, and frequently makes the situation there tenser" (Information Office of the State Council, 2013, I., para. 2). In the same year, China introduced the Air Defense Identification Zone in the East China Sea to restrict air traffic: it overlapped with Japan's identification zone, demanded that aircrafts identify to China's military and overlapped with the Japanese administered Senkaku islands (that is, contested territory that Japan administers).

When the Chinese leadership voiced these positions, they also said that they were prepared to take military action. Of course, China's Foreign Ministry spokesperson Chen Jian had noted, already in 1996, that by the end of that decade "the settlement of the question of Taiwan and the accomplishment of the reunification of the motherland will be on the top of the agenda" (n.d. quoted in Tyler, 1996b, para. 9). However, in 2004, Chinese President Hu Jintao urged to resolve the Taiwan question (Hutzler and Watts, 2015; People's Daily, 2016; Wang, V W-c, 2007, p. 133).

To enforce these territorial positions, China modernised its military. To be sure, some observers stress that China had been modernising its military since the 1980s, under Chinese leader Deng Xiaoping's reforms, while others explain that China modernised in the 1990s under Jiang Zemin's efforts to renovate China's armed forces.<sup>160</sup> But China built A2AD capabilities like anti-ship missiles only by the late 2000s and early 2010s and China placed its first aircraft carrier *Liaoning* in service only in 2012 (Ait, 2018; Office of Navy Intelligence, 2015; Roberts, B, 2013). These advanced capabilities better equipped China to enforce its territorial position in the East and South China Seas, namely, China became better

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<sup>160</sup> See Cheng (2006), Editorial (2003), Ji (2001) and Robinson (1982).

equipped to enforce its nine-dash-line, to deny American access to areas close to China's shores and to push American naval power behind the first island chain and out of the region.<sup>161</sup>

### China's Striving-for-Achievement strategy

A closely linked factor that made America's strategic environment less permissive was China's Striving-for-Achievement strategy. Since 2012 China's Striving-for-Achievement strategy demonstrated, as opposed to the Keeping-a-Low-Profile strategy in the 1990s and 2000s discussed in Chapter 4, a new behaviour pattern: improving China's position in East Asia, committing more internationally, seeking political influence in East Asia, providing security to other nations and shaping a regional environment favourable to China (Mardell, 2017; Yan, 2014).

One implication was that China launched and joined international institutions which challenged American-led ones. Certainly, institutions already in place that included the US also entangled China, like the WTO, which China joined in 2001. But new institutions were launched or joined by China that challenged US leadership, such as the 2012 Regional Comprehensive Economic Partnership (RCEP), the 2014 New Development Bank and the 2015 AIIB. These institutions attracted traditional American security allies. For example, South Korea and Australia became member of the Asian Infrastructure and Development Bank (AIIB, 2018) and thus started to integrate American allies in its orbit (Blackwill and Harris, 2016).<sup>162</sup> Also, the Chiang Mai Initiative multilateralised. China and the ASEAN+3

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<sup>161</sup> The first island chain was defined in Chapter 2. On China's enhanced position and capabilities to enforce territorial claims and deny the US access, see Biddle and Oelrich (2016, pp. 11-3), CMS for 2015 (CMS, 2015, chapters 3-4), Dian (2015), Erickson (in Erickson et al., 2017), Erickson and Collins (2012), Gates (2014, p. 416), Glaser (2015, p. 70), Goldstein (2013, pp. 62-73), Jianfen and Ligao (2009), Kazianis (2011), Minh Tri (2017), Manson (2018), Ross (2009) and Tellis (2013b, pp. 86-8, 90-1). The observation here is thus that China's military capabilities modernised and improve China's ability to enforce territorial claims; for a nuance see Beckley (2017, p. 80): he argues that China's neighbours could "hold the line against Chinese expansion."

<sup>162</sup> South Korea and Australia joined the AIIB (a development bank headquartered in Beijing that entered into force in 2015). Other organisations that were created or initiated in this period include the Asian Bond Markets Initiative, the EMEAP's Asian Bond Fund, the ASEAN Plus Three (ASEAN+3) Macroeconomic Research Office, the Asian Development Bank's Office of Regional Economic Integration, the Shanghai Cooperation Organisation.

states met in 2000 in the Thai city of Chiang Mai and developed bilateral currency swaps to prevent further financial crises.<sup>163</sup> In 2010, a multilateral currency swap agreement was launched (unlike the 1990s, when the 1997 proposed Asian Monetary Fund failed to reach take off as discussed in the previous chapter). One of the Chiang Mai Initiative's main aims is to provide short-term loans for member states that face liquidity problems; therefore, the Chiang Mai Initiative is seen as a challenger to the IMF.

Furthermore, China-Taiwan relations improved under Taiwan's President Ma Ying-jeou. Cross-Strait relations improved after 2008 and President Xi Jinping advocated in 2015 during the first Heads of States meeting of the two Chinese republics, "sitting together so as not to replay the tragedies of history" (2015 quoted in Hutzler and Watts, 2015, para. 3; Kastner, 2015/16, pp. 54-5; Rigger, 2013). Ma accepted the 92 Consensus as precondition for talks: Taiwan would acknowledge the one-China policy (something that Ma's predecessor Chen Shui-bian had refused).<sup>164</sup> These improved cross-Strait relations indicated that China had become more successful in nurturing relations with traditional American security allies. Indeed, the more amicable China-Taiwan relations culminated in Singapore on 7 November 2015: Ma and Chinese President Xi Jinping met for the first time in decades (Bland, 2015; Phillips, 2015).

#### China's increased intra-East Asian economic integration

China led, launched or joined, as the previous section discussed, institutions that challenged American leadership. But traditional American security allies like Japan and South Korea also traded less with the US and more with China and other East Asian states. The US trade deficit during 1991-2011 mainly strengthened American security allies, but towards the end of the 2000s and during 2011-2015 they strengthened China more. Because the American

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<sup>163</sup> ASEAN+3 includes ASEAN members states (Cambodia, Indonesia, Lao, Malaysia, Myanmar, the Philippines, Brunei, Singapore, Thailand and Vietnam) plus China, Japan and South Korea (ASEAN, 2018).

<sup>164</sup> See Lijun (2002, pp. 54-5) and Permanent Mission of the People's Republic of China to the UN Office at Geneva and Other International Organizations in Switzerland (2004).



trade deficit mainly enriched China in the late 2000s and during 2011-2015, it weakened America's hub-and-spokes alliance model. In 1991, the US trade deficit with Japan vastly exceeded that with China and by 2001 the US trade deficit with Japan and that with China were roughly equal. However, by 2011 and 2015 the US trade deficit with China vastly exceeded that with Japan and South Korea; the US trade deficit with China reached \$367 billion in 2015 (Figure 13, Table 6, Solis, 2014). Also, in 2010, China and Taiwan established the Economic Cooperation Framework Agreement to liberalise trade and services as a roadmap to an eventual cross-strait free trade agreement.

This enhanced intra-East Asian economic integration at the expense of the US. US allies like Japan and Taiwan integrated economically more with China than with the US (Solis, 2014). Trade initiatives like the China-led RCEP launched in 2012 (a proposed free trade agreement that also included American security allies Japan, Australia and South Korea but not the US) only added to the challenges that an unchecked China posed to the position of the US. Indeed, some argue that by 2015, China had assumed an economic leadership role. The US once held the security and economic leadership role in East Asia. This leadership role, some argue, was during 2011-2015 split between China's increasing economic leadership role and America's security umbrella for allies (Yates, 2017).

#### North Korea's renewed nuclear activities

Finally, America's strategic environment became less permissive because China's ally North Korea threatened American interests in a greater and more imminent manner. To be sure, North Korea and the US undertook some steps to reduce tensions. North Korea's Foreign Ministry and the US State Department in 2012 agreed the 'Leap Deal': they agreed that North Korea would halt nuclear activities and that the International Atomic Energy Agency would restart inspections (Fitzpatrick, 2012; Myers, S L and Sang-Hun, 2012). But such positive developments can hardly be said to cover 2011-2015.

One important factor was that North Korea renewed its nuclear activities. During 1994-2002, North Korea froze its plutonium programme (as discussed in Chapter 4), but from 2002 it renewed nuclear activities. Especially since the late 2000s: North Korea carried out 105 missile and nuclear tests during 1991-2015, but only 15 took place during 1991-2005, whilst 90 were carried out during 2006-2015 alone.<sup>165</sup> The Six-Party process broke down in early 2009 and multiple North Korean rocket launches and missile tests problematised the resumption of Six-Party negotiations. The US insisted that North Korea give up long-range missile and nuclear tests, fulfil its denuclearisation pledges and return to the ‘freeze period’ that existed before.<sup>166</sup>

### *5.2.2 The less permissive strategic environment’s consequences*

The distribution of capabilities changed since the 1990s, but the strategic environment became less permissive only by the 2010s. The consequence was that it constrained US behaviour and contracted room for mediating variables to intervene in the causal chain between systemic incentives and state action. China’s rise was, unlike during 1991-2011, as discussed in Chapter 4, no longer ambiguous enough to allow different interpretations and US decision-makers had less policy latitude when they adjusted their China strategy. That is, the system incentivised the US to focus on checking China’s rise in the shorter term, to augment balancing efforts and to divert its trade deficit and negative security externalities away from China.

An equally significant consequence was that the American trade deficit and associated security externalities were more worrisome. Security became scarcer and it became less reasonable to maintain the trade deficit with China. The US’s main competitor neared and enlarged, and strategic implications of American trade imposed themselves on American decision-makers (Friedberg, 2012; Froman, 2014, pp. 111-4). Thus, the less

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<sup>165</sup> The data is taken from the Center for Strategic Studies (2018).

<sup>166</sup> See Cheney (2011, p. 489), Delury and Moon (2014) and Snyder (2014). This freeze period was also discussed in more depth in Chapter 4.

permissive strategic environment narrowed the scope for action and reduced the range of available China strategies; it incentivised the US to divert trade and negative security externalities away from China.

As the above sections show, when the system's distribution of capabilities changed (first independent variable), it reconfigured America's role. That is, it set the broad contours for America's China strategy in the long term, but it said little about when and how the US adjusted its China strategy. The strategic environment's diminished permissiveness (second independent variable) meant that when strategic leeway contracted and security became scarcer, the mediating variables enjoyed less room to interfere with America's China strategy. This helps us to demonstrate the hierarchy and the primary and secondary drivers of America's China strategy, namely, that the independent variables (distribution of capabilities and the strategic environment's permissiveness) are primary.

When we examine the mediating variables, we can draw conclusions on the causal chains that led to America's grand strategy towards China (dependent variable). Thereby, we can clarify when and how the US strategised more optimally towards China. America's China strategy focused on China's rise (perception, first mediating variable), but resource constraints (state power, second mediating variable) prevented the US from augmenting its forward posture in East Asia. In the remainder of the chapter, I will first examine American decision-makers' perceptions of China's rise; then I will go on to examine how state power levels varied and how the variables combined to produce America's China strategy during 2011-2015.

### 5.3 Mediating variables and US's China strategy

*"I'm inheriting a world that could blow up any minute in half a dozen ways, and I will have some powerful but limited ... tools to keep it from happening."*

Barack Obama, 2008<sup>167</sup>

When we examine, as in the sections above, how the strategic environment becomes less permissive, we can better explain the conditions under which room contracted for alternative perceptions of China. But clarifying the less permissive strategic environment only brings us so far. It does not tell us precisely *when* and *how* the US shifted its strategy towards China. Indeed, the neoclassical realist model seeks to explain, as Chapter 3 discussed and in line with neoclassical realist literature, the timing *and* shape of America's China strategy. At that point, mediating variables come to the stage. In the next section, I will examine how the mediating variables combined to influence the outcome on the dependent variable. I will first examine how decision-makers perceived China's rise (first mediating variable), and then how state power levels varied (available resources, second mediating variable) and shaped America's China strategy between 2011-2015.

#### *5.3.1 Perception - First mediating variable*

##### China's rise as America's main focus

In the less permissive strategic environment, signals of China's rise were less ambiguous and less open to different interpretations by American foreign policy executive members (when compared with 1991-2011, discussed in Chapter 4). This meant that room contracted for perceptions other than to prioritise and balance China's rise.

Towards the end of the 2000s and during 2011-2015, the American foreign policy executive prioritised China's rise. Of course, one would be hard-pressed to pinpoint exactly

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<sup>167</sup> Quoted in Woodward (2010, p. 11).

when the US started to perceive China's rise more as a priority. It could be argued that the 2011 'pivot' or 'rebalance' to Asia (terms used to describe the shift in America's China strategy) are anachronisms.<sup>168</sup> The US had, as the previous chapter discussed, not left East Asia since 1991. One could also argue that the US had already shifted its China strategy in the late 2000s, under George W Bush. Specifically, in September 2008, the US had announced that it would join the Trans-Pacific Strategic Economic Partnership: a free trade agreement between New Zealand, Singapore, Brunei and Chile that later developed into the wider TPP (Ministry of Trade and Industry Singapore, 2008; Office of the US Trade Representative, 2008).

But even with these caveats in mind, we can observe the major shift in America's China perceptions in 2010-2011. The US no longer perceived China's rise as secondary to other concerns when the US emphasised the need to end conflicts in regions with smaller strategic interests. The American combat role in Iraq stopped in August 2010 and in 2011 the US foreign policy executive decided to withdraw from the Middle East. Of course, President Obama ordered a surge of troops in Afghanistan in 2009 (Clinton, H, 2014, pp. 129-32, 350; Marsh, K, 2014). But he announced on Friday 21 October 2011 the total withdrawal from Iraq and that he would continue to work on ending the war.<sup>169</sup> Key decision-makers like the President and Secretary of State Clinton emphasised that America's attention and resources were being squandered on the Middle East and that these resources could be used towards East Asia and China's rise.<sup>170</sup> Kurt Campbell served as Assistant Secretary of State for East Asian and Pacific Affairs from 2009-2013. He said that the US had drifted on

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<sup>168</sup> The terms 'pivot' and 'rebalance' are frequently used to describe the US's strategic adjustment in 2011. See for example Dian (2015), Drezner (2016), Kelly (2014), Le Mière (2012), Lieberthal (2011) and Tellis (2013a).

<sup>169</sup> See, Clinton, H (2014, pp. 164-7, 237), Gates (2014, pp. 297, 474-, 552-65), Landler (2011) and Obama (2011d).

<sup>170</sup> For example, Obama in a speech at the US Military Academy in West Point on 2 December 2009 said, "the Iraq War drew the dominant share of our troops, our resources, our diplomacy, and our national attention" (Clinton, H, 2014, pp. 148, 63-75; quoted from Obama, 2009, para. 7; US Senate, 2009, pp. 17, 9). And the 2014 QDR said that "the end of U.S. combat in Iraq and Afghanistan will mean that forces currently allocated to these conflicts will be available to return to their assigned home stations - many of which are in the Asia-Pacific region - to support the rebalance" (QDR, 2014, pp. 34-5).

a “Middle East detour over the past ten years” and stressed that the most important region for the US is East Asia (n.d. quoted in Dreyfuss, 2011, para. 15). The US shifted its China perceptions away from the 1991-2011 US-China security and trade partnership (discussed in Chapter 4) and prioritised how China’s rise affected America’s leadership role in East Asia.

When the US arrived at these conclusions, Obama’s China foreign policy team was overall pragmatic and internally less split (when compared with the 2000s, as discussed in Chapter 4) (Bader, 2012, p. 5). The incoming signals from China’s rise made the strategic environment less permissive and overwhelmed American decision-makers. Less flexibility existed for how the Americans could interpret China’s rise. What resulted was a perception that prioritised the task of addressing China’s rise. But how precisely they perceived China, or, in other words, what Americas interests were and which strategies were appropriate, was an intricate process in the US’s foreign policy executive.

#### President Obama’s China views

In Obama’s view, the challenge posed by China’s rise requires constant attention (Goldberg, 2016). Obama said that when China maintains large military forces, the US requires a higher budget to restore readiness “to meet the challenges presented by potential rivals like China” (Obama, 2006, p. 307). The President worried about economic and security tensions in the US-China relationship. He raised such issues during his first Asia trip meeting with Chinese President Hu Jintao in November 2009. But Obama also believed that the US and China must cooperate to address North Korean threats and global economic recovery after the 2008 economic crisis (Bader, 2012, pp. 21, 54, 69; Garrison, Rosati and Scott, 2013, p. 27; Obama, 2010, 2013). Obama was pragmatic in his China strategy when he was faced with the reality that he needed to find compromise and mind America’s limited capabilities.<sup>171</sup> He sought to

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<sup>171</sup> See, Clinton, H (2014, pp. 148, 63-75), Garrison, Rosati and Scott (2013, p. 27), Gates (2014, pp. 297-300), Obama (2009) and Rhodes (2018, pp. 412-3).

integrate his view that the US should address China's rise on the one hand and that dialogue was needed on the other (Bader, 2012, p. 23; Garrison, Rosati and Scott, 2013, p. 27).

One of Obama's key foreign policy executive members who contributed to the decision-making process was Secretary of State Hillary Clinton. Secretary Clinton said that the US should cooperate with China to sanction North Korea. But she viewed China's rise as America's priority. The US needed to balance China, strengthen American allies and redress security losses from US-China trade. Secretary Clinton worried about China's assertiveness when in March 2009 Chinese ships challenged the US surveillance ship *Impeccable* in international waters (Clinton, H, 2014, p. 75; New York Times, 2009). At the 2010 ASEAN Regional Forum meeting in Hanoi, Clinton stressed America's agenda to maintain freedom of maritime commerce in the Asia-Pacific and she recalls in her memoir that "something had to be done" (Clinton, H, 2014, p. 75).

#### Hard-line stances by the military and defence

Obama's close foreign policy executive members' perceptions of China often differed from those of defence and military leaders. America's military leaders believed that the White House had not gone far enough. The military and navy believed that the US should more assertively balance China, augment its forward capabilities in East Asia and do more to modernise American military forces (Garrison, Rosati and Scott, 2013, p. 34; Gates, 2014, pp. 194, 303, 19, 83-84; Wright, Bender and Ewing, 2015). For example, strategic documents frequently referred to China (whereas the 2004 NMS failed to mention it); the 2008 NDS and 2015 NMS emphasised that the US must "hedge against China" (quoted from NDS, 2008, p. 3; NMS, 2015, p. 2). Defense Secretary Gates started to view China as more assertive (conversely, in the 1990s' more permissive strategic environment, Gates had perceived China as "quiescent" (Gates, 2014, p. 149)), and his successor Leon Panetta supported East Asian states organising a counterweight against China's rise (2014, p. 395). Gates became more critical of US-China cooperation: he believed that US-China cooperation

regarding North Korea should be limited to “a frank dialogue about what we both would do in such circumstances [that is, the scenario of a collapse of North Korea]” (quoted from Gates, 2014, p. 414; Panetta, 2014, pp. 275-6, 395). And Gates said that he brought a “‘bracing dose’ of realism” to the decision-making process: America’s military was overstretched, must not squander resources outside East Asia and must focus on China (Gates, 2014, p. 457, see also 511, 569). The 2010 and 2014 QDR stated that the US must strengthen military capabilities and alliances and increase America’s capacity to deter “in environments where anti-access weaponry and tactics are used [that is, China’s A2AD capabilities]” (QDR, 2010, p. 14, see also pp. 31, 34, 39).<sup>172</sup> Indeed, Deputy Assistant Defense Secretary David Ochmanek said that because Beijing’s military had modernised, the US “could lose the next war we fight” (2017 quoted in Manson, 2018, para. 12).

The Defense Department’s China perceptions focused on traditional military threats, but they also included economic and trade concerns. In 2010, nearly a third of total US exports to China consisted of advanced technology products like aerospace technologies (Tellis, 2013b, p. 85). Jeffrey Bader served as Asia advisor to the President from 2009-2011. He said that American free trade “reinforced America’s presence and influence in Asia” (Bader, 2012, p. 144). In 2015, Samuel Locklear, US Navy Admiral and commander of the US Pacific Command, was asked in testimony before the Senate about the role of trade and the negotiations for a wide free trade agreement, TPP, in America’s rebalance to Asia.<sup>173</sup> He responded thusly:

The rebalance [to Asia] goes far beyond just military ... I think we have to also get our economic house in order, as well. Otherwise all the military rebalancing we do will not have the effect that we want it to have (2015 quoted in US Indo-Pacific Command, 2015).

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<sup>172</sup> See also Clinton, H (2011), Obama (2011c), Panetta (2012) and the 2014 QDR (QDR, 2014, p. 34).

<sup>173</sup> The TPP was already touched upon in the research puzzle in Chapter 1. It comprised, during the period under investigation in this chapter, negotiations for a wide free trade agreement with, amongst other negotiation partners, Australia, Japan and South Korea. The US joined negotiations in 2008 and signed in 2016. The thesis’s period under observation is 1991-2015 and excludes the period when the US withdrew from TPP in January 2017.



The US perceived that American trade relations with traditional allies mattered when addressing China's rise. And this view persisted throughout the period. For example, Defense Secretary Ash Carter, in 2015, said that American trade in East Asia mattered for security and strategy,

TPP also makes strong strategic sense, and it is probably one of the most important parts of the rebalance ... In fact, you may not expect to hear this from a Secretary of Defense, but *in terms of our rebalance in the broadest sense, passing TPP is as important to me as another aircraft carrier*. It would *deepen our alliances and partnerships* abroad and underscore our lasting commitment to the Asia-Pacific (Carter, 2015, para. 52, emphasis added).

We can also see how the US perceived China's rise and US-China trade when we look at how the US established the US-China Strategic and Economic Dialogue. Secretary Clinton believed that the earlier US-China trade dialogues paid insufficient attention to security issues. She wanted to deal with trade and security at the same level (Bader, 2012, p. 22; Clinton, H, 2014, p. 72). She viewed the traditional distinction that trade matters were dealt with by the US Trade Representative and the Secretary of Commerce and not strategic or military officials as "impractical." Trade and American security in East Asia were "a package deal" (Clinton, H, 2014, pp. 508-9). President Obama and Chinese President Hu Jintao announced the establishment of the US-China Strategic and Economic Dialogue on 1 April 2009 and the Dialogue's first meeting was held in Washington on 27 July 2009.<sup>174</sup>

In these ways, they attributed significant strategic and security relevance to American trade in East Asia, namely, initiatives like the TPP would help to expand trade with American alliances and partnerships. When the US uses the TPP to increase trade with allies but not with China, this shapes the balance of power favourably for the US. What can be said, then,

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<sup>174</sup> See Bader (2012, p. 22), State Council of the People's Republic of China (2009), White House (2009) and Wilder (2009).

is that unlike during 1991-2011, the key foreign policy executive members during 2011-2015, like Locklear, Clinton, Gates, Froman and Carter perceived that addressing threats from China's rise in the security and trade realm were America's priority.

#### China perceptions and the 'pivot'

What resulted in America's China strategy was a middle way of the different perceptions from the President, key secretaries, the military and the navy on the US's need to balance against China in the military and trade realms (Friedberg, 2012, p. 52; Sutter, 2009). In November 2011 the President embarked on a visit to Asia and expressed these views in a speech to the Australian Parliament, "[a]fter a decade in which we fought two wars that cost us dearly, in blood and treasure, the United States is turning our attention to the vast potential of the Asia Pacific region" (Obama, 2011c, para. 12).

In the same month, Secretary Clinton marked this moment as "a pivot point" (quoted from Clinton, H, 2011, p. 57; Rhodes, 2018, pp. 164-6). The US launched the much-branded pivot towards East Asia. The President said that this was "a deliberate and strategic decision" (Obama, 2011c, para. 16) and Secretary Clinton emphasised the long-term strategic thought: "we move forward to set the stage for engagement in the Asia-Pacific over the next 60 years" (Burns, 2019, p. 269; quoted from Clinton, H, 2011, p. 63; Dobbins, 2012, p. 7; Rhodes, 2018).

In these ways, the China perceptions that focused on checking China's rise emerged because the less permissive strategic environment limited the Americans' flexibility. That is, incoming signals from China's behaviour overwhelmed American foreign policy executive members. Though different perceptions existed among decision-makers about precisely what America's interests were and precisely which strategies were apt, they arrived at a view that prioritised China's security and trade threats to American interests. Whereas in the 1990s, America's China strategy seemed to reflect a widespread belief that engaging China would lead to socialisation, in the period 2011-2015 the US's perceptions centred around more

balancing in a structural realist sense. It could be concluded that in these ways, America's China strategy during 2011-2015 was closer to what structural realism would lead us to expect: the US started to focus on China's rise, sought to augment forward capabilities, and considered security losses from US-China trade.

But even then, when state power levels varied (the available resources, second mediating variable), these interfered with America's China strategy and led to a focused but constrained US balancing against China's rise. When we examine how state power levels varied, in line with this thesis's theoretical model, then we can more satisfactorily explain the US's more optimal strategy vis-à-vis against China's rise. Therefore, the next section analyses how resource constraints interfered with America's China strategy, how the foreign policy executive expressed this and how these resource constraints prevented America's China strategy from being more in line with what a structural realist account expects.

### *5.3.2 State power - Second mediating variable*

When we examine America's resource constraints, we can demonstrate that in the less permissive strategic environment, America's China strategy focused on checking China's rise but remained constrained. Of course, the US in some respects remained a wealthy country throughout the period under observation: America's GDP and defence spending vastly exceeded that of other countries (as discussed in the earlier section on the distribution of capabilities). But these measures obscure that the early 2000s' information technology burst, the costly Middle Eastern wars' burden, and the 2007 economic crisis resulted in a weakened American domestic economy and budget constraints. For example, in 2010 unemployment reached 10%; in 2011 the budget deficit reached \$1.3 trillion, or 8.4% of GDP; and in 2011 federal debt levels hit the debt ceiling of \$14.3 trillion and in 2012 it reached \$16.4 trillion.<sup>175</sup> Defense suggested that the US augments America's forward

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<sup>175</sup> The data is taken from Bureau of Labour Statistics (2015), Congress of the United States (2015) and US Department of the Treasury (2015a).

posture but rarely achieved that. Procurements were cancelled, budget increases were requested but declined and cut.

### Policies to revive the economy

President Obama played a less central role in economic policy making (as opposed to America's China strategy, as discussed above). The President relied more on key advisors: Secretary of the Treasury Timothy Geithner, National Economic Advisor Lawrence Summers and the Federal Reserve's Ben Bernanke. They had a broad mandate and it was said that Obama "signed off on the recommendations made by his economic team ... and generally delegated and agreed when his three key advisors were in consensus" (quoted from Garrison, Rosati and Scott, 2013, p. 32; Pfiffner, 2011).

Some measures to strengthen the weakened American economy were taken during the late 2000s, such as the \$700 billion *Troubled Asset Relief Program* in 2008. The Federal Reserve started with extraordinary measures: after 9/11, the Federal Open Market Committee (FOMC) lowered the federal fund rate to 1%; and, markedly, after the 2008 economic crisis erupted, the FOMC announced in December 2008 that it had started to lower the federal fund rate to an unprecedented 0-0.25% range (Board of Governors of the Federal Reserve System, 2008, 2015).

But more policies came under the Obama administration's economic team. One important objective in February 2009 was to make Congress pass America's economic stimulus package, which neared \$800 billion: the *American Recovery and Reinvestment Act of 2009*. The US fended off a sovereign debt default in 2011, when it signed the *Budget Control Act of 2011* and suspended the debt ceiling in 2013 with the *No Budget, No Pay Act*. Further policies to stimulate the economy included the *American Taxpayer Relief Act of 2012*

and the *Jumpstart Our Business Startups Act of 2012*. And the FOMC expanded its monetary stimuli in later years.<sup>176</sup>

### Continued resource constraints

Despite policies aimed at reviving the economy, Obama's team continued to face resource constraints that interfered with America's China strategy (Friedberg, 2015; Kelly, 2014). Obama believed that when the US balanced against China, it must act within its resource constraints. Before the US, in 2011, rebalanced to Asia, the President said in a speech at West Point in December 2009, "I refuse to set goals that go beyond ... our means, or our interests" (Clinton, H, 2014, pp. 148, 63-75; quoted from Obama, 2009, para. 37; Rhodes, 2018, pp. 412-3).

A different view came from Defense Secretary Gates who said that when China modernised rapidly, this necessitated that the US should modernise its military infrastructure. But he was confronted with demands to cut budgets. On 14 December 2010, Gates met with the President. Gates proposed to the President that he would cut the defence budget for the fiscal year 2012 to \$555 billion, but Obama demanded additional cuts. The next day, Gates spoke with Director of the Office of Management and Budget Jack Lew to discuss further cuts, but budgetary pressures on defence only increased in later years (Gates, 2014, pp. 303, 463-4, 547-8; QDR, 2014, p. 27). Gates recalls, "the history of cutting defense programs, especially big ones, is not pretty" (Gates, 2014, p. 315).

These resource constraints persisted in the later Obama years. When pondering how the US should respond to China's strategic rivalry, Secretary of Defense Leon Panetta recalls, "How then to respond to those challenges while also cutting spending?" (2014, p. 377) The Defense Department started to aim for "a more *prudent* and strategic approach to *managing*

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<sup>176</sup> For example, the FOMC stated in 2011 that it was "likely to warrant exceptionally low levels for the federal funds rate at least through mid-2013" (Board of Governors of the Federal Reserve System, 2011, para. 3). The Federal Reserve in 2011 announced that it would purchase \$600 billion extra of Treasury securities to lower the yield on Treasury bonds (Yellen, 2011).

*declining resources* given fiscal uncertainty” (QDR, 2014, p. 27, emphasis added). The Defense Department said that when it delayed important decisions, this was “damaging ... to our ability to execute the strategy if no additional resources are made available,” (QDR, 2014, p. 28) and in 2014 it announced more cuts in capabilities like aircrafts and striker jets and announced that the army would continue to reduce by over 100,000 soldiers (p. 29). Over 2011-2015 alone, defence and international spending decreased by 15% (White House, 2018).

In these ways, the less permissive environment meant that decision-makers’ room contracted to perceive China’s rise, but resource constraints still interfered with what the US foreign policy executive could do. America’s China strategy did behave, as discussed earlier in this chapter, more in line with the behaviour that should be expected to result from structural incentives: the US prioritised China’s rise and forwent new Middle Eastern adventures. But even when the US in the less permissive strategic environment had less room but to prioritise China’s rise, resource constraints prevented the US from augmenting its forward posture. The chapter now proceeds to examine how the variables at play combined to produce the result on the dependent variable of America’s China strategy.

### *5.3.3 Dependent variable - The US’s grand strategy towards China*

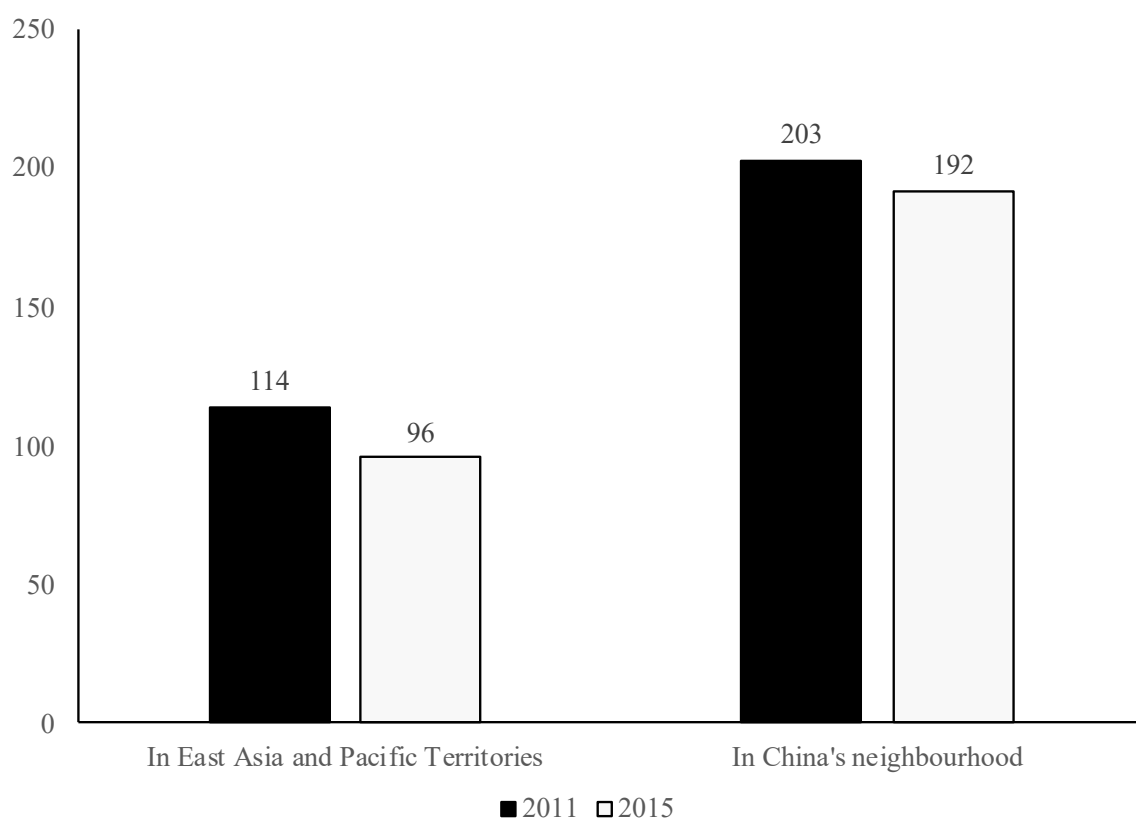
#### Stagnated and reorganised forward US posture in East Asia

When the US foreign policy executive focused on checking China’s rise, it moved closer to an optimal strategy. But when the US was hindered by resource constraints, America’s China strategy was prevented from augmenting its forward posture. The US’s military posture in East Asia changed significantly, albeit not the number of American military capabilities. When the US announced its 2011 rebalance to Asia, it reduced defence spending.<sup>177</sup> The US’s military personnel in East Asia during 2011-2015 declined. For example, overseas US

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<sup>177</sup> For example, the Congressional Budget Outlook budget authority for 2012 was 6% less than 2011 (\$670 billion in 2012 compared to \$711 billion in 2011) and defense spending declined annually from \$751 billion in 2011 to \$638 billion in 2015 (Congress of the United States, 2012; White House, 2018).

military personnel in the EAPT fell from 114,000 in 2011 to 96,000 in 2015, and in China's broader neighbourhood, from 203,000 to 192,000 (Defense Manpower Data Center, 2015) (Figure 17).



**Figure 17.** US military personnel in East Asia, 2011 and 2015

*Definitions:* The definitions of the EAPT and China's neighbourhood are the same as those used in Figure 14.

*Sources:* The data for this figure is taken from the BSR reports (BSR, 2010, 2014) and is presented in thousands.

A major change in America's forward posture in East Asia, however, was how the US distributed its military capabilities geographically; that is, the number of states and territories that hosted US military personnel or infrastructure. In 2011, twelve states and territories such as the Marianas Archipelago, Micronesia, Australia and Malaysia hosted American military capabilities and nine states and territories hosted American military personnel. However, by 2015, thirty-one states and territories hosted American military capabilities or personnel with new host states like the Philippines, New Zealand, Thailand, Laos, Cambodia, Vietnam, Myanmar and Nepal (Figures 15 and 16). When the US balanced against China in these ways,

the Defense Department referred to it as a “force posture that is more geographically distributed” (quoted from QDR, 2014, p. 34; Stepak and Whitlark, 2012, p. 52).

### Strengthening regional allies

A closely linked aspect of America’s China rebalancing strategy was that the US nurtured East Asian allies. These allies were seen to be important to peace and stability.<sup>178</sup> To nurture these alliances, Clinton’s first foreign trip as Secretary of State was in February 2009 to Japan and South Korea (Clinton, H, 2014, pp. 46-58). And Japan’s Prime Minister Taro Aso, in February 2009, was the first foreign leader to visit the Oval Office under Obama (Clinton, H, 2014, p. 48).<sup>179</sup> During Obama’s November 2009 Asia trip, he emphasised, at a private dinner with new Japanese Prime Minister Yukio Hatoyama, that East Asia’s developments required that the US and Japan reinforce their alliance (Bader, 2012, pp. 44-5). Taiwan arms sales were continued, and the East Asian Summit in November 2011 was attended for the first time by an American President.<sup>180</sup> Obama attended the Summit with fifteen heads of state, which included China. Secretary Clinton recalls in her memoirs that when Obama attended, “territorial disputes in the South China Sea were once again on everyone’s mind” (Calmes, 2011; quoted from Clinton, H, 2014, p. 113).

While the US nurtured its East Asian alliances, it also nurtured its relations with Southeast Asian states. The US expanded ties with ASEAN (unlike during most of the 2000s when the US paid less attention to Southeast Asia). In 2008, the US was the first non-ASEAN state to name an ambassador to ASEAN and in 2011 the US appointed the first resident ambassador to ASEAN (Bader, 2012, p. 94; Department of State, 2018). Secretary Clinton’s 2009 Asia trip included a visit to Jakarta, ASEAN’s headquarters. In the same year, the US

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<sup>178</sup> See also Bader (2012, p. 7), Burns (2019, pp. 265-72), Clinton, H (2014, pp. 43-58), De Castro (2013) and Friedberg (2015).

<sup>179</sup> Japan’s Prime Minister from September 2008-September 2009 was Taro Aso; and from September 2009-June 2010, Yukio Hatoyama.

<sup>180</sup> For example, the US sold Taiwan \$2.5 billion worth of Apache helicopters in 2008, \$2.8 billion worth of missiles in 2009, \$3 billion worth of Black Hawk helicopters in 2010, followed by the \$5.3 billion sales of F16 fighters in 2011 and another \$1.8 billion agreement for assault vehicles, missiles and frigates in 2015 (Bader, 2012, p. 73; Brunnstrom and Zengerle, 2015; Federal Register, 2011; Kan, 2014).



joined the ASEAN Treaty of Amity and Cooperation: a 1976 treaty to advance peace and cooperation (ASEAN Secretariat, 2009; Bader, 2012, p. 14; US Department of State, 2009). The US in 2014 agreed with the Philippines that the latter would host American troops and personnel (Agreement Between the US of America and the Philippines, 2014; The Guardian, 2014). And by 2016, administration officials said that Vietnam might be permanently hosting American military “to check the ambitions of the country it now fears most, China” (quoted from Goldberg, 2016, p. 87; White House, 2016). In his memoirs, Deputy National Security Advisor Ben Rhodes emphasised “the strategic importance of a region [that is, Southeast Asia] that was increasingly important to our position vis-à-vis China” (Burns, 2019, pp. 265-72; quote from Rhodes, 2018, p. 217). Indeed, when Obama looked back on America’s China strategy, he said that the US successfully nurtured East Asian allies to check China’s rise:

[I]f you look at how we’ve operated in the South China Sea, we have been able to mobilize most of Asia to isolate China in ways that have surprised China, frankly, and have very much served our interest in strengthening our alliances (2016 quoted in Goldberg, 2016, p. 89).

### Restricting US-China trade

When the US nurtured East Asian allies and reorganised its forward posture, America’s China strategy moved nearer an optimal strategy to balance China. America’s China strategy was, in line with this thesis’s theoretical model, more optimal because it focused on checking China’s rise. But in the less permissive strategic environment, American perceptions about China’s rise also meant that the US worried more about its trade deficit and security losses with China and sought to reverse them.

The US stood firmer on the trade deficit with China. After all, if the US could reverse its trade deficit with China, it would shape the distribution of capabilities more favourably. One way to reduce US trade deficit was to bring trade enforcement cases against China at the WTO. States can bring disputes to the WTO when they believe another state violates free

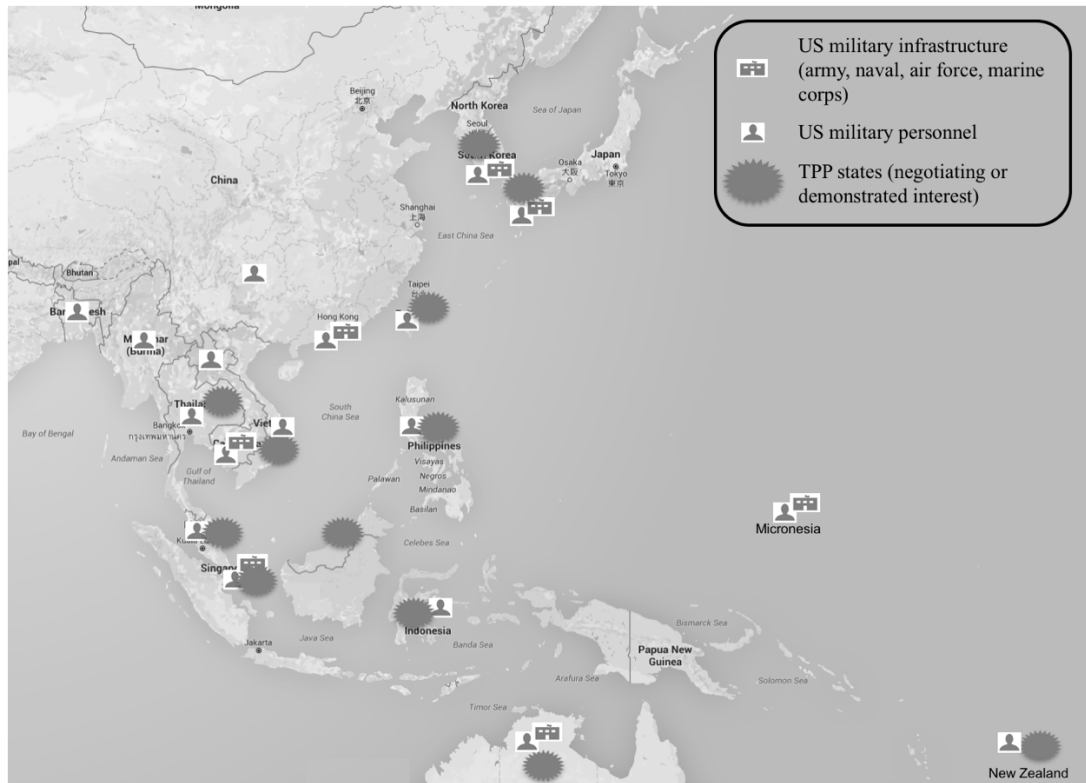
trade rules agreed under the WTO. During 2010-2016, the US brought twelve such trade enforcement cases against China; 50% more than during 2004-2009.<sup>181</sup> President Obama in 2012 signed Executive Order 13601 to launch a trade enforcement unit to help deal with trade violations, by amongst others China (Clinton, H, 2014, p. 515; Executive Order No. 13601, 2012). In the 1990s, the US preferred absolute trade gains and pushed for China's accession to WTO, and in the 2000s the US liberalised US-China trade under the guise of the war on terror (as discussed in Chapter 4). But after the strategic environment became less permissive and the US focused on checking China's rise, the US concentrated on reversing trade and security losses with China (Clinton, H, 2014, pp. 510-3; Obama, 2011a).

Perhaps more telling is America's role in the TPP negotiations. The TPP was expected to boost American exports to East Asian markets outside China; thereby it created American jobs and helped ease the American trade deficit with China.<sup>182</sup> When the US negotiated the agreement, this unfolded in the American military posture that was, as discussed earlier in this chapter, spread over more host states than during 1991-2011. The TPP had twelve East Asian states that negotiated or expressed interest in joining; eleven of them hosted American military bases and/or personnel. But it did not include China (Figure 18).

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<sup>181</sup> The WTO lists the cases that the US filed against China since 2004, see the WTO (WTO, 2018). See also President Obama's statement on the US's trade enforcement action against China (Obama, 2016d).

<sup>182</sup> See Barfield and Levy (2009), Gordon (2012, p. 19), Petri and Plummer (2012, p. 6) and US Trade Representative (2015).



**Figure 18.** US military in East Asia with TPP states, 2015

*Note:* The US military infrastructure is owned, leased or other by the US. The US uses it for the army, navy, marine corps, air force and/or armed guard. The TPP states include the seven East Asian states negotiating the TPP in 2015: Japan, Vietnam, Malaysia, Brunei, Singapore, Australia and New Zealand. It also includes Thailand, South Korea, Taiwan, Philippines and Indonesia, which demonstrated interest in joining TPP negotiations. The visualisation excludes the negotiating states that are geographically outside East Asia (Canada, Chile, Mexico, Peru, US).

*Sources:* The data for this figure is taken from the US Department of Defense (BSR, 2014). The map is taken from Google (2016); its colour is adjusted to grey using Microsoft PowerPoint software.

Of course, we could argue that China was officially welcome to join the TPP: the partnership welcomed new negotiating partners. But China was not part of the negotiations (Devadason, 2014; Ye, 2014). China already had gained access to most of the TPP states' markets, namely, China established regional trade agreements with New Zealand and Singapore in 2008 and China was negotiating regional trade agreements with South Korea and Australia and the RCEP with Brunei, Cambodia, Australia and others. It might be said that China was, therefore, unlikely to join the TPP if Beijing needed to make great concessions. Next, the RCEP was a more attractive China-led alternative route for regional economic integration that did not include the US. The RCEP is a proposed free trade agreement. Negotiations started in 2012 and it includes China, the ASEAN states, Japan, South Korea and Australia among others, but not the US (Wilson, 2015; Ye, 2015). Third, the economic benefits for

China from joining the TPP were speculative and the high labour and environmental standards regarding intellectual property rights that the US suggested for the partnership made it difficult for China to join (Devadason, 2014; Obama, 2016c; Ye, 2014). Moreover, “most officials believed it to be unlikely that China would agree to such broad, deep liberalization” (Silove, 2016, p. 84). More tellingly, Deputy National Security Advisor Ben Rhodes recalls that “we took the ongoing negotiations over a trade agreement with a large bloc of Pacific Nations - the Trans-Pacific Partnership, or TPP - and played it up as the center-piece of our broader regional strategy” (2018, p. 246); while the President stated on TPP, “we can’t let countries like China write the rules of the global economy. We should write those rules” (Obama, 2015a, 2015b; quoted from Obama, 2015c, para. 2, 2016a). Unsurprisingly, Beijing did not join the TPP.

The TPP negotiations did not include China, but other East Asian states such as Japan were included. Japan’s vast GDP - more than the other partnership negotiation partners combined - offered the US significant trade opportunities (Gordon, 2012, p. 18). China’s GDP, however, nearly tripled Japan’s in 2015 and could thus have provided more trade opportunities (World Bank, 2018a).

Vietnam was also included in the TPP. When Secretary of State Clinton reflected on the strategic role of Vietnam in the TPP, she wrote, “Vietnam also presented ... [a] strategic opportunity ... one of our most important tools for engaging with Vietnam was a proposed new trade agreement called the Trans-Pacific Partnership” (quoted from Clinton, H, 2014, p. 77; Obama, 2016b). The Obama administration sent Secretary Clinton to Vietnam twice in 2010 to welcome Vietnam to the Partnership and to discuss shared interests on territorial conflicts in the South China Sea. The Obama administration particularly welcomed that Vietnam supported America’s presence in East Asia (Bader, 2012, pp. 44, 102).

Beyond the examples of Japan and Vietnam, the US saw the TPP more generally as strategically important for American leadership and to balance China (Beeson and Wilson, 2018). Dick K. Nanto, a trade specialist with the CRS, noted in January 2011 (just ten months

before the American rebalancing towards Asia), that security externalities to China were at the centre of America's strategic thinking:

International trade is playing a larger and larger role in national security considerations because of the flows of capital and wealth that it generates. The problem stems from the \$507 billion U.S. trade deficit ... A partial effect of the chronic U.S. deficit in trade is that wealth is being accumulated in China and elsewhere that not only is changing the balance of economic power in the world but also is being used to build military capability and promote China's foreign policy goals that may be contrary to U.S. interests. For many years, mainstream economic thinkers assured policymakers that trade deficits, particularly bilateral deficits, did not matter (Nanto, 2011, p. 54).

In 2011, another CRS report for Congress on the TPP noted, “[e]conomic linkages can also reinforce strategic relationships. If U.S. trade ties were diminished as a result of being excluded, then U.S. strategic interests and leverage could also suffer” (Ferguson and Vaughn, 2011, p. 5).

Other CRS reports on the TPP noted that the treaty allowed the US to strengthen allies and advance American geopolitical interests (Ferguson, McMinimy and Williams, 2016, p. 3; Morrison and Labonte, 2013; Williams, B R et al., 2016, p. 1). US Trade Representative Michael Froman noted in 2015, “[t]he TPP's significance is not just economic, it's strategic” (Office of the US Trade Representative, 2015, para. 4). President Obama commented on the partnership in October 2015, “it strengthens our strategic relationships with our partners and allies in a region that will be vital to the 21st century” (White House, 2015a, para. 4); and the 2015 NSS stated, “We must be *strategic* in the use of our economic strength” (NSS, 2015, p. 15, emphasis added).

The US faced increasing pressures from being pushed out of the East Asian strategic environment that became, as discussed earlier in this chapter, less permissive. For example, intra-East Asian trade increased at the expense of the US and China joined institutions that did not include the US. When the US rebalanced towards China during 2011-2015, it sought

to redress its trade deficit and negative security externalities away from China: less trade with China and more trade with American allies would shape the balance of power favourably and advance American-led trans-Pacific leadership.

#### Resource constraints limited American balancing against China

What could be said, then, is that the less permissive strategic environment narrowed room for alternative strategies and resulted in a China strategy that was more in line with structural realist expectations. The US pursued a strategy that went to greater lengths to check China's rise (certainly when compared with 1991-2011). The US did so within its domestic capabilities' limitations. It strengthened its regional alliances, dispersed its military capabilities over more states and liberalised trade and expanded trade and security externalities with allies, while reducing trade with China. It could be said that America's China strategy was produced by systemic conditions and domestic characteristics, which produced sub-optimal state behaviour: behaviour that can be seen as rational when we consider at mediating factors like perception and state power (Table 8). In these ways, we can better understand the timing (the US concentrated on balancing China only during 2011-2015) and shape of how the Americans adjusted their China strategy.

**Table 8.** America's China strategy during 2011-2015

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Independent variables (distribution of capabilities and strategic environment's permissiveness)	1 <sup>st</sup> Mediating variable (perception)	2 <sup>nd</sup> Mediating variable (state power)	Dependent variable (US grand strategy towards China)
Loss of relative power vis-à-vis China and less permissive strategic environment	China as main threat	Resource constraints	<i>More optimal:</i> Focused but constrained balancing, strengthening alliances, reducing the US-China trade deficit

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Independent variables + foreign policy executive perception + state power = Focused but constrained balancing, strengthening alliances, reducing the US-China trade deficit.

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What can be suggested, then, is that America's China strategy differed if it were not for how the strategic environment became less permissive, how the US focused on China's rise and how state power levels varied. If the strategic environment had remained permissive (like it was during 1991-2011), then room would have existed to perceive China's rise positively and to continue to adopt an underactive China strategy.

#### **5.4 Propositions and variables hierarchy**

In the present section, I will evaluate this material and refine the model's causal mechanism, propositions and variables hierarchy. This section will be organised according to the model's variables: the independent variables (distribution of capabilities and permissiveness of the strategic environment), mediating variables (perception and state power) and dependent variable (the US's China strategy).

The distribution of capabilities presented, as the chapter's empirical material suggests, a strong structural incentive. The distribution of capabilities changed in the first subcase, covering 1991-2011 (Chapter 4) when, after 1991, the US was the sole superpower,

the US trade deficit with China increased twentyfold and the China-Taiwan balance of power began to shift in China's favour. This trend continued in the second subcase.

When the distribution of capabilities changed, it reconfigured America's role. The US was expected, from structural realism's view, to focus on checking China's rise. The US was expected to prioritise China, to seek relative gains from trade and to work hard to augment America's forward posture. When American East Asian allies were unable to check China's rise, they strengthened the structural incentive for the US to augment its balancing efforts. The US was expected to adjust its China strategy accordingly in the long term, because when it fails to strategise optimally, then the US may see its interests jeopardised. Indeed, the US focused, as the present chapter shows, on China's rise during 2011-2015. The US's China strategy's broad contours were in that sense set by the distribution of capabilities. This places it at atop the independent variables hierarchy.

But the distribution of capabilities changed significantly in the first subcase and in the second. This means that it is imprecise about why the US began to strategise more optimally versus China in the second subcase. In the second subcase, however, the US enjoyed less leeway to pursue a sub-optimal China strategy. That is, because the US inhabited a less permissive (or more restrictive) strategic environment. The permissiveness of the strategic environment refers, as Chapter 3 discussed, to the intensity of systemic constraints. It concerns rising powers' behaviour within the broad contours of the distribution of capabilities. This permissiveness elucidates the conditions about when and why leeway for sub-optimal strategies expands and when it contracts. As this chapter demonstrates, China increased its territorial claims in East Asia such as with its 2013 Air Defense Identification Zone in the East China Sea. Thereby, China aimed to restrict air traffic. China began also to modernise its military that would better equip China to enforce its territorial claims. It developed its Striving-for-Achievement strategy and it increased trade with and integrated traditional US allies into its orbit. China's ally North Korea, despite agreeing the Leap Deal in 2012, renewed its nuclear activities. This meant that when an



international threat from China neared and enlarged, the timeframe shortened. This meant that the strategic environment that the US inhabited became more restrictive. The Americans were overwhelmed; room contracted for domestic factors to influence China strategy.

To reveal these dynamics requires individual investigation according to the before-after design with the two subcases. When we consider both subcases separately, then supporting evidence can be found that the strategic environment's permissiveness changed when China's behaviour changed. This also shows that the strategic environment did not change when the distribution of capabilities shifted. In both subcases, the distribution of capabilities shifted unfavourably for the US. But it was only towards the 2010s that China's behaviour changed (at least based on the empirical material presented and the model's criteria outlined).

What this suggests is that China's increasing aggregate material capabilities established the broad contours for China strategy. However, the permissiveness of the strategic environment variable reveals the conditions under which leeway expanded and contracted for multiple strategic options. Specifically, the restrictive strategic environment revealed when American decision-makers could no longer make trade-offs on whether to secure American interests or to prosper economically and disregard the future. Instead, the restrictive strategic environment more clearly guided the US to one optimal strategy. That is, because China's rise was, unlike during the first subcase, no longer ambiguous enough to allow for different interpretations. The more restrictive strategic environment overwhelmed the US foreign policy executive and room contracted for domestic factors to influence strategy.

This strategic environment variable reveals the conditions under which room contracts for alternative strategies. Therefore, it forms an important addition to the study's variables hierarchy. But because the strategic environment variable remains silent about the strategy's timing, shape and efficiency, it tells only half the story. At this point in the variables hierarchy, mediating variables come to the stage. These mediating variables

exerted, as the first subcase showed, great influence on China strategy when the US between 1991 and 2011 inhabited a very permissive strategic environment. However, these mediating variables exerted, as the present chapter argues, less influence on China strategy when the US inhabited a more restrictive strategic environment between 2011-2015. The present study's theoretical model and the before-after case design are instrumental to reveal this previously unexposed dynamic. Specifically, the before-after design reveals the role of two mediating variables: a perception variable and a state power variable.

Of these mediating variables, it could be said that decision-makers' perceptions in both subcases exerted the greatest influence. In both subcases the decision-makers' perceptions of China were divided into two groups. The first group favoured US-China economic and security cooperation, while the second group was more critical of it. In the first subcase, the US's China strategy consistently exhibited positive China views. In the second subcase, however, China strategy consistently exhibited negative China views. In this second subcase, one group included the President and Secretary Clinton and viewed that the US should focus and cooperate with China. The other group included Secretary Gates and the Defense Department and considered that the White House had not gone far enough in addressing China's rise. But in both groups, China's rise was prioritised. These groups disagreed regarding the US's interests and which strategy was apt, and each group brought their perspectives on China to bear on the decision-making process. The more negative China views continuously dominated and oriented China strategy (unlike the first subcase where positive perceptions of China dominated decision-making). When these negative China views dominated in the second subcase, the US began balancing more optimally versus China. Specifically, the US began to isolate China more, to improve its relations with East Asian and Southeast Asian states, to cooperate less with China on security and to restrict trade with it (for example with TPP, the in 2012 created trade enforcement unit and the increasing number of trade enforcement cases that the US brought against China). Thus,

decision-makers' China views reoriented the overall direction of the strategy and their influence places them at the top of the mediating variables hierarchy.

This role of the decision-makers' perceptions within the less permissive strategic environment demonstrates one new causal mechanism, but also the mediating state power variable was required to explain the US's behaviour. State power refers, as defined in Chapter 3, to the amount of resources that decision-makers can extract from society. Regarding the state power variable in the first subcase, the US prognosticated a gloomy economy and reduced its military personnel and infrastructure in East Asia. When the US in the first subcase extracted resources for foreign policy, it deployed them for the 'wrong' ends (from a structural realist perspective). For example, the US extracted resources to fight terrorism. This drained the pool of resources available to support China strategy in the second subcase. When American decision-makers in the second subcase focused on checking China's rise, they could only draw from this smaller pool of resources.

This issue of resource constraints or state power is particularly relevant: it points to a refinement in the thesis's model. The model proposed that in a more restrictive strategic environment, mediating variables like state power interfere less with China strategy. The model proposed that when China's rise challenged the US more greatly and imminently, American decision-makers would attempt to extract more resources to address it. In that sense, the study's proposition is supported by the empirical material. For example, key foreign policy executive members such as Obama and Gates fought over the military's budget and stressed that to check China's rise, more resources were required. However, unlike what the model proposed, resource constraints withheld the US from augmenting its forward posture. For example, Gates suggested to modernise and augment the US's forward posture, but procurements were cancelled, and budget requests were declined.

What this produced during 2011-2015 was a focused but constrained China strategy. The US adjusted its strategy optimally in the economic and rhetorical domains. However, the US's China strategy remained underactive in the military domain. The US maintained

(rather than augmented) its forward military posture in East Asia and spread its military personnel and infrastructure over more East Asian host states. The US reduced its overseas US military personnel in the EAPT and the portion of total US overseas military capabilities that were located in the region. This American behaviour would, from structural realism's viewpoint, as Chapter 3 elaborated, seem like a foolish or irrational strategy. However, this American behaviour can, as the study has been suggesting thus far, be explained when we consider the state power variable that the thesis employs.

Because these state power hurdles impeded the US's strategy towards China in both subcases, the study must refine the theoretical model. The refinement is that the state power variable showed to be less adjustable (it impeded the US from augmenting its forward posture). With this refinement in mind, it could be said that to adjust China strategy optimally, it is insufficient that in a less permissive strategic environment decision-makers' perceptions prioritise China's rise and reorient China strategy's focus. Instead, this refinement shows that even when decision-makers inhabit a more restrictive strategic environment and reorient their strategy's focus, how they adjust their strategy can be constrained by resource limitations.

When the thesis's variables combined within the hierarchy, they reveal that America's China strategy was caught up in this mix. The dependent variable can then best be decoded as the product of the primary independent (system-level) and secondary mediating (unit-level) variables. The dependent variable operated within the broad contours of the first independent variable (the distribution of capabilities). And the dependent variable operated under the conditions of the second independent variable (the strategic environment's permissiveness). However, its distinctive characteristics of focused but constrained balancing resulted from the mediating variables (perception and state power). The US's China strategy during 1991-2015 was thus, by this interpretation, not a purely rational response (in the structural realist sense) to external threats posed by China's rise and changes in the distribution of capabilities. Instead, it was a blended product of systemic

conditions and domestic characteristics, producing a sub-optimal China strategy. This mechanism in the US's China strategy would be difficult to reveal and explain without the model's variables mix and hierarchy.

## **5.5 Chapter conclusion**

When China's rise changed the distribution of capabilities unfavourably for the US, a structural realist account would expect that the US would have gone to great lengths to check China's rise. But the US only focused on checking China's rise during 2011-2015. In this chapter I applied this thesis's theoretical model from left to right (Figure 10) to explain America's China strategy during 2011-2015 more satisfactorily. I argued that the less permissive strategic environment (China's threat neared and enlarged) contracted room for mediating variables to interfere with America's China strategy. This variables-mix led to a more optimal China strategy than what a structural realist account would say to expect: the US focused on checking China's rise, but resource constraints prevented a more active China strategy, which would augment America's forward posture in the Asia-Pacific. I argued, therefore, that America's China strategy in these years was a mingled outcome of systemic conditions and domestic characteristics. This produced sub-optimal state behaviour: behaviour that can be seen as rational when we look at mediating factors like perception and state power.

In these ways, this chapter's findings helped demonstrate that the thesis's neoclassical realist model can more satisfactorily explain why the US adjusted China strategy during 2011-2015. The neoclassical realist model started with the distribution of capabilities and added and refined the strategic environment's permissiveness variable as well as two mediating variables. The case helps further establish the importance of the strategic environment's permissiveness as an independent variable with which to understand America's China strategy. It provides deeper insights into the systemic conditions under which the mediating variables of perception and state power interfered with American state

behaviour towards China. This chapter interrelatedly contributes support for the theoretical model's variables hierarchy and the propositions: how the variables interacted to produce America's China strategy in the case provides confirming evidence for this thesis's neoclassical realist model and propositions. This chapter was, therefore, a new study which provides an original view on the case. It extends the extant scholarship on American grand strategy towards China and neoclassical realism. This helps to address this thesis's central question of why the US pursued an underactive grand strategy towards China from 1991-2011, but a more optimal one from 2011-2015.

## **Chapter 6 - Conclusion**

Writing the final words for the conclusion chapter not only marks the end of this thesis but also that of several journeys: personal development, intellectual challenges and socialisation into professional academic life. In the following paragraphs, I will summarise the answer to the thesis's research question and, subsequently, outline my proposed contributions and suggestions for future research.

### **6.1 Research question and scope of the study**

In this thesis, I have sought to show how a neoclassical realist model may contribute to the analysis of grand strategy. I have advanced the argument that the thesis's neoclassical realist model can attend to some of the limitations of existing explanations of aforesaid strategies. To that end, I have examined the US's grand strategy towards China. This case presents an example of the broader grand strategy phenomenon or class of events. The relevance of this case relates to the US's economic and military clout, making it significant in international relations, and the US's China strategy remains unexplained by structural realism. From the view of structural realism, states are expected to focus on checking rising great powers. Structural realism anticipates, as the research puzzle in Chapter 1 outlined, that established great powers go to great lengths to respond to rising powers and redress trade deficits with them. However, because structural realism incorporates only system-level factors, it fails to match the observed behaviour. As outlined in the research puzzle in Chapter 1, during 1991-2011, the US was seen to pursue an underactive grand strategy towards China which helped the latter's rise. Subsequently, only during 2011-2015 was the US seen to pursue a more optimal strategy. Alternative explanations for the US-China case offered in the literature are frequently based on Innenpolitik, constructivist or two-level game approaches and cannot, as Chapter 2 elaborated, easily explain continuous sub-optimal strategies. As such this study

has posited the research question of why the US pursued an underactive grand strategy towards China during 1991-2011, but a more optimal strategy during 2011-2015.

## **6.2 Answer to the research question**

To answer this research question, this thesis turned to neoclassical realism. Neoclassical realism is an adaptation of structural realism which seeks to explain state actions when a sparser structural realist theory cannot. The argument this thesis has made is, in short, that neoclassical realism can attend to several of the limitations in alternative explanations of the US-China case; it can demonstrate that the US's China strategy cannot be explained more satisfactorily without placing it in the context of the changing permissiveness of the strategic environment, decision-makers' China perceptions and state power hurdles.

Therefore, the thesis argued in Chapter 3 that its novel theoretical model may explain the US-China case more satisfactorily. The theoretical model establishes the conditions under which the US's China strategy was influenced more and when it was influenced less by decision-makers' perceptions and resource constraints. This study argues that in a very permissive strategic environment (that is, when the threat from a rising power is distant and small), room expands for decision-makers' misperceptions and resource constraints to interfere, and decision-makers are incentivised less to worry about potential security losses from trade. It also argues, however, that in a less permissive strategic environment (that is, when the threat from a rising power nears and enlarges), room contracts for such interferences, and decision-makers are incentivised more to worry about security losses from trade. To the best of my knowledge, this study is the first to extend this body of theory in this new direction, thus offering novelty.

To demonstrate this theoretical model's plausibility, Chapters 4 and 5 turned to the empirical analysis of the US-China case. In Chapter 4, the thesis examined the US's China strategy for subcase 1 (1991-2011), where systemic incentives increased for the US to focus on checking China's rise. In this chapter, systemic incentives increased when China's



capabilities grew and the US trade deficit with China worsened. However, the intensity of these systemic incentives is examined against the strategic environment's permissiveness. In Chapter 4, the strategic environment remained very permissive because China challenged US interests only limitedly and developed its Keeping-a-Low-Profile strategy. The strategic environment also remained very permissive because China only traded with US allies in a limited way, and saw North Korea freeze its plutonium programme. I argue, therefore, that the consequences were that room expanded for decision-makers' strategic choices to be influenced by US decision-makers' perception and state power variables.

As the analysis showed, in each of the US administrations during 1991-2011, two groups of decision-makers existed. One group viewed China more positively and favoured cooperation. The other viewed China as a potential threat and favoured more balancing. Of these two groups, the more positive views dominated. This led to an underactive China strategy in the military, rhetorical and economic domains. The US pursued a luxury China strategy by treating China as a trade companion and strategic partner. The US liberalised trade with China, which worsened the US trade deficit and strengthened China; allied with China to fight terrorism; and the US's forward posture in East Asia stagnated. Meanwhile, the US downplayed strategic and security concerns as well as long term security implications.

In contrast, in Chapter 5, the thesis examined the US's China strategy for subcase 2 (2011-2015). In this period in US history, systemic incentives continued to increase for the US to focus on China's rise. China continued to accumulate material power capabilities. However, the strategic environment became less permissive (or more restrictive) because China more assertively claimed contested territory and modernised its military. The strategic environment also became less permissive because China developed its Striving-for-Achievement strategy, increased intra-East Asian economic integration and saw its ally North Korea renewing nuclear activities. In this chapter, the US inhabited a strategic environment that narrowed room for China strategy to be influenced by US decision-makers' perception and state power hurdles.

As the empirical analysis demonstrated, different China views existed in the US foreign policy executive. On the one hand, Secretary of State Clinton and President Obama were more pragmatic and emphasised the need to cooperate with China. On the other, Defense Secretaries Gates and Panetta were more critical of US-China cooperation and maintained more negative views on China which favoured balancing. However, they unified around a view that prioritised the task of addressing China's rise. This led to a more optimal China strategy in the rhetorical domain (such as speeches and strategic documents) and economic domain (with trade policies aimed at reducing US security losses from trade with China), while the US focused more on nurturing regional allies such as Japan, South Korea as well as Southeast Asian states.

However, in this period in US history, the US was prevented from augmenting its forward posture due to state power hurdles. These hurdles relate, as Chapter 3 elaborated on, to US resource and budget constraints. These state power hurdles were evident in discussions in the US foreign policy executive. President Obama was mindful of the US's resource constraints for foreign affairs, but Secretary Gates asked for budget increases. These budget increases were requested to augment the US's forward posture and modernise the US military. However, budget requests were declined and decreases in military capabilities were announced. As a result, the US pursued a focused but constrained China strategy. Namely, the US strategised more optimally versus China in the economic and rhetorical domain but less so in the military domain, where its forward military posture in East Asia stagnated.

According to this interpretation, US decision-makers adjusted the grand strategy towards China not because it was an appropriate or the most effective response. Rather, they were caught up in the theoretical model's variables matrix. This subsequently produced the very outcome that structural realism says must be avoided: a strategy which aided the rise of China. This variables matrix shows that the US's grand strategy towards China is best understood as a blended product rather than a careful, purely rational response to externally given incentives.

### 6.3 Proposed contributions

Having summarised the thesis's argument, I will proceed to discuss its proposed contributions.<sup>183</sup> First, I will discuss the thesis's contributions to neoclassical realism, followed by those to US-China studies and, finally, those to trade-security nexus research.

#### 6.3.1 Contributions to neoclassical realism

The first proposed contribution is theoretical, extending an existing body of theory, neoclassical realism, in new directions. The literature on neoclassical realism is in progress concerning its propositions, its mediating variables and its causal relationships. For its advocates, neoclassical realism fruitfully employs mediating variables, often incorporated from FPA and constructivist approaches. However, while this body of theory has demonstrated over the past quarter-century *that* individual and domestic variables mediate between systemic incentives and state behaviour, they fail to specify the conditions regarding *when* they influence state action more and when they influence less.

To improve this debate, this study proposes a novel theoretical model. The study identifies a promising variable of the permissiveness of the strategic environment which the literature suggests but had remained previously under-theorised. This study develops this novel variable and establishes its importance. It establishes how the permissiveness of the strategic environment is measured and what its consequences are for the role of individual and domestic variables in state behaviour. In this body of theory, this thesis follows a new direction, demonstrating not only that individual and domestic factors influence strategic choices but also the conditions of when these factors influence strategic choices.

By explicitly conceptualising the way the permissive strategic environment conditions the influence of mediating variables, that is, perception and state power variables,

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<sup>183</sup> I am here making use of the list from Professor Ben Clift's PhD training module (University of Warwick) that outlines 10 ways to make a contribution.

the study proposes an important and original contribution to knowledge. This contribution is considered among neoclassical realists' distinct missions: "to generate a set of clearly specified propositions regarding exactly when political and leadership variables will have greater causal effect and when policies and outcomes are determined primarily by systemic variables" (Edelstein, 2012, p. 333; Ripsman and Levy, 2012, pp. 173-4; quoted from Ripsman, Taliaferro and Lobell, 2016, p. 176; Taliaferro, Lobell and Ripsman, 2018). Furthermore, this study specifies how the mediating variables of decision-makers' perception and state power relate to permissiveness, when and how they matter, and how they relate to each other. It articulates that the perception variable is primary and that the state power is secondary, and conceptualises the conditions when they intervene more in the causal chain and when they intervene less. In working with permissiveness, state power and perception, this study provided a general theoretical model that explains grand strategy adjustments.

This study thusly expands neoclassical realism's research paradigm and may be useful for further theory development and testing. By proposing a theoretical model that attends to several of the limitations in structural realist, Innenpolitik, constructivist and two-level game approaches, this thesis's conclusions also cross, as Chapter 2 discussed, into debates regarding FPA and IR theory more generally.

### *6.3.2 Contributions to US-China studies*

The second contribution which this thesis proposes is to the literature on US-China studies, which represents an empirical contribution to knowledge. Conventional wisdom has, as Chapter 2 discussed, failed to explain why the US pursued an underactive grand strategy towards China between 1991 and 2011 but a more optimal one between 2011 and 2015.

To improve these debates, this thesis sought to generate a more satisfactory explanation of why the US strategised underactively. This thesis demonstrates how a neoclassical realist model may address several of the limitations in alternative explanations.

It seeks to add value by generating an original view of the US-China case and demonstrating the applicability of the proposed model. It examines the US-China case with a before-after research design and uses primary, secondary and tertiary sources in a thick empirical narrative. It demonstrates the conditions under which the US's strategic adjustments were distorted by foreign policy elites' perceptions and state power hurdles. It improves the debate by generating an original causal explanation for why, in the first subcase (1991-2011, Chapter 4), the US annually renewed China's MFN status, pushed for China's accession to the WTO, stagnated the US's forward military posture, liberalised US-China trade, cooperated extensively with China regarding security and forwent more optimal strategising. This thesis's case study further reveals how these patterns of more cooperative China policies shifted in the second subcase (2011-2015, Chapter 5) to competitive policies and increased balancing.

This is a meaningful contribution, as it reveals that the causal dynamic that the thesis proposes was at the heart of China strategy in each administration. In other words, the thesis improves the debate by adding awareness to the US-China literature of levels of continuity and change previously unexposed. The thesis demonstrates that studies on the US's China policies tend to examine only one President's administration. These studies maintain that China strategy changes when a new President takes office.<sup>184</sup> However, this thesis demonstrates that these studies obfuscate patterns of continuity and change within and across the thesis's subcase 1 (1991-2011, Chapter 4) and subcase 2 (2011-2015, Chapter 5).

This thesis's empirical analysis demonstrates how conventional wisdom often overlooks that the more positive and cooperative decision-makers' views of China persisted during subcase 1, which led to underactive strategising. It also shows that the more negative

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<sup>184</sup> For example, and as elaborated in Chapter 2, various studies focus only on the Clinton administration (Boys, 2015; Dumbrell, 2002; Garten, 1993; Haass, 1997; Hyland, 1999), the George W Bush administration (Cossa, 2001; Garrison, 2005; Jia, 2006; Kagan, R, 2008; Melvyn, 2004; Moens, 2004; Roberts, G, 2015; Ross, 2001; Tucker, 2001; Van Vranken Hickey, 2004; Wang, C, 2009; Yu, W, 2009) or the Obama administration (Chollet, 2016a; De Castro, 2013; Garrison, Rosati and Scott, 2013; Pfiffner, 2011; Sutter, 2009; Zhao, 2013).

and balancing decision-makers' views persisted during subcase 2, which led to more optimal strategising.

By generating a novel explanation of why the US strategised underactively towards China, this thesis improves the debates regarding US-China relations. By demonstrating when individual and domestic variables of perception and resource constraints interfered with China strategy in a permissive strategic environment, it may help demonstrate how the thesis can address several of the limitations in the existing explanations of the US-China case.

### *6.3.3 Contributions to trade-security nexus research*

The third contribution is to the literature on the trade-security nexus. This thesis extends knowledge on research regarding trade and security relations. It generates an original explanation of the conditions governing when states are incentivised less, and when they are incentivised more to be cautious about trade deficits and security externalities.

Conventional wisdom maintains that when trade flows to allies, it increases the alliance's income and power. However, when trade flows to adversaries, one's interests are potentially jeopardised (Blackwill and Harris, 2016; Gowa, 1994; Gowa and Hicks, 2013; Gowa and Mansfield, 1993). Conventional wisdom remains relatively silent, however, about trade patterns in permissive strategic environments which are lenient to sub-optimal trade policies (from structural realism's purview) (Edelstein, 2012; Scholvin and Wigell, 2019).

To extend this body of literature, Chapter 3 proposed the conditions under which states should or should not be expected to trade with adversaries and allies. This thesis theorises and demonstrates that when states operate in a very permissive strategic environment (in this case, from 1991-2011), they are less incentivised to worry about security losses from trade. Conversely, when states operate in a less permissive (or more restrictive) strategic environment (as during 2011-2015), they are more incentivised to worry about security losses from trade and to promote trade with their allies. Thus, this thesis

represents a contribution to knowledge which has been indicated as a main challenge within current literature. It aims to generate explanations of how permissive strategic environments may affect when decision-makers are more cautious about the countries with which they trade (Aggarwal, 2016; Blackwill and Harris, 2016, p. 49; Edelstein, 2012, p. 333; 1994, pp. 38-9; Gowa and Hicks, 2013, pp. 440, 50; Gowa and Mansfield, 1993).

The implications of this contribution were evident in the thesis's empirical analysis. In Chapters 4-5, I sought to improve these debates for the US-China case by demonstrating this explanation's plausibility and that supporting empirical evidence exists. I argued that the thesis's model can contribute to explanations of US-China trade patterns during 1991-2015, which may tell us something about trade patterns in permissive strategic environments more broadly. In these ways, I have aimed to add to the trade-security literature awareness of the conditions under which states should or should not be expected to adopt policies to foster trade with adversaries or allies.

Having discussed the thesis's intended contributions to neoclassical realism, US-China studies and trade-security nexus research, this chapter's closing section will outline suggestions for future research.

#### **6.4 Suggestions for future research**

Several suggestions can be derived for future research from this thesis's limitations, as no theoretical model can account for every dynamic in a given case. Moreover, the thesis has defined its aims as examining a single case of grand strategy adjustment. It adopted variables of the permissiveness of the strategic environment, perception and state power. From this study, there are five main suggestions for future research; the fifth is more telling about the US-China case after 2015.

The first suggestion for future research has to do with mediating variables beyond the thesis's model. Future research could study whether other mediating variables could reveal dynamics uncovered by this thesis. For example, whether and how the US's China

strategy was influenced by sectoral interest groups, nationalism or public opinion could be examined. This may strengthen the explanation of why the US has strategised underactively versus China. This could also lead to a modified theoretical model, an arguably important advantage of neoclassical realism; namely, that researchers can adjust the theoretical model for the research question and the characteristics of the phenomenon under investigation.

The second suggestion concerns generalisability. The thesis's single case before-after design limits generalisability of the findings. This thesis is an attempt to demonstrate how explanations of the US-China case may be advanced by neoclassical realism. It develops novel propositions, which means that the thesis emphasised theorising novel variables and less testing across multiple cases. Future research could replicate the model in other contexts and employ a qualitative, comparative analysis of multiple cases, allowing researchers to generalise their findings more satisfactorily.

The third suggestion relates to studies beyond the thesis's US-China case. The thesis examined the US's China strategy as an example of grand strategy adjustments. Future research could examine whether the explanations of underactive strategies, such as those of the UK in the 1930s, may be improved with the thesis's model. These cases continue to be the subject of research into why an underactive strategy vis-à-vis a rising or rival great power occurred and may provide interesting results. The thesis's model would potentially be well equipped to take this research forward.

The fourth suggestion for future research relates to explaining international systemic outcomes. Within its limited aims of explaining the US's grand strategy towards China, the thesis forwent the question of whether neoclassical realism can explain international systemic outcomes, such as war and peace. However, the grand strategies of the US and China, and their relationship, have systemic implications beyond their bilateral relations. What they do may affect the permissiveness of the strategic environment for the East Asian states. Research suggests that neoclassical realism may explain not only foreign policy (Type 1 neoclassical realism) and grand strategy (Type 2) but also systemic outcomes (Type 3)



(Kitchen, 2018; Ripsman, Taliaferro and Lobell, 2016), and it will be interesting to see whether and how Type 3 neoclassical realism will be further developed by the scholarly community.

The fifth and final suggestion relates to the US-China case after 2015, which may be examined using the thesis's model. This is because the US's strategic environment arguably remains less permissive (or more restrictive) and because a new US administration began in 2017. With this new administration, the US seems to focus its foreign policy on the US trade deficit and security losses with regard to China (Fettweis, 2018; Kausikan, 2017; NSS, 2017, pp. 8, 21, 5; Schweller, 2018b). It has also increased its defence budget by over 10% from 2017-2019 (US Department of Defense, 2019). Therefore, even though this thesis document has now come to an end, we see similar issues operating in contemporary international relations, and the questions driving this thesis as well as the thesis's findings will continue to inform these debates.

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