A Twenty Years' Crisis? Rethinking the Cases for U.S. Economic Engagement with China

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Structural realists accuse U.S. economic engagement with China as a mistake driven by liberal idealism and lack of realism. I suggest that this increasingly popular narrative reflecting the traditional idealism-realism distinction is misplaced. First, liberal approaches to international relations can clash with each other when a democratic state engages with an authoritarian state, and engagement is justified by one strand of liberalism—economic interdependence liberalism—whereas a different liberal perspective—democratic peace liberalism—opposes economic engagement with an oppressive regime. Second, realism—in particular, structural realism—posits that important state behaviors reflect the need to attain more relative power than others. Then, if economic engagement better serves a state's relative capacity vis-à-vis other states, economic exchanges with a potential strategic contender would be an unavoidable choice. The liberal case for economic engagement is much more restrictive than it is often articulated, while a structural realist case for engagement can be convincingly made. For about two decades since the mid-1990s, U.S. administrations defended economic engagement with China not only with economic interdependence liberalism but also by utilizing an argument in line with the structural realist case for engagement. Blaming one foreign policy idea as responsible for today's strategic difficulties is misleading.

For about two decades since the mid-1990s, consecutive U.S. administrations showed optimism about the ability of economic engagement to induce benign behavior from China (Friedberg 2012; Paulson 2008; Zoellick 1996/97). Today, pessimism reigns. Washington no longer advocates the possibility of Beijing becoming a "responsible stakeholder" of the international system, but rather is concerned about China undermining the rules, norms, and institutions that the United States has set forth (Friedberg 2022; Goldstein and Guloty 2021; Ikenberry 2018; Johnston 2019; Kim and Margalit 2021; Layne 2018; Owen 2021; Rudd 2021). Despite the Biden administration's emphasis on the continuing need to cooperate with China, key U.S. officials openly suggest that "the era of engagement with China has come to an unceremonious close" (*Bloomberg* 2021). Both sides of the aisle in U.S. Congress agree that the United States needs to take active measures to economically confront China, passing legislations such as the United States Innovation and Competition Act. In U.S. public discourses, economic engagement with China is increasingly viewed as a mistake that facilitated China's rise as a peer competitor of the United States (*Wall Street Journal* 2018; Wang et al. 2018).

Resonating with these developments, structural realists spearhead accusations that the U.S. decision to economically engage China was a strategic folly. On the one hand, they claim that the engagement decision was driven by liberal idealism, which reflected American convictions rather than capabilities and interests (Glaser 2019; Karkour 2022a; Mearsheimer 2005, 2018; Porter 2020; Walt 2018). On the other hand, leading structural realists lament that the United States should have employed a realist worldview and eschewed building cordial economic ties with China to slow down that country's growth as much as possible (Mearsheimer 2001, 2021). In the midst of mounting Sino–U.S. mutual antagonism and strategic difficulties facing Washington today, if the liberal

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approach was indeed "delusional" and drove economic engagement with China (Mearsheimer 2018), liberalism as the foundational idea of U.S. foreign policy might be dealt a serious blow. Conversely, if structural realism prescribed a fundamentally different economic response to China, realists might be able to claim that the United States is now confronting the consequences of ignoring their prescriptions for appropriate behaviors in great power politics. Although today's academic IR tends to dismiss "paradigmatic" approaches, many in broader foreign policy communities around the world observe the return of realism in international politics (Kitchen 2020; Tunsjø 2018; Zhang 2022). If an influential variant of realism offers a convincing account of a critical economic drive that can be associated with a formidable rival's rise, then realism might deserve more currency in understanding great power relations of our time.

I make two claims that disagree with the narratives on U.S. economic engagement with China advanced by prominent structural realists. I first suggest that, although rough consensus exists over the components of the American liberal approach to international politics (Allison 2018; Colgan and Keohane 2017; Doyle 1997; Ikenberry 2011, 2020; Lake, Martin, and Risse 2021; Mearsheimer 2019), these components fiercely clash with each other in prescribing policies for relations with an authoritarian state. Thus, it is misleading to lump diverse liberal foreign policy ideas together as responsible for facilitating China's rise. Although there are strong elements of idealism in liberalism as a U.S. foreign policy idea, it is not a doctrine that offers monotonic prescriptions for what Washington ought to do in relations with an authoritarian power. For the liberal perspective that emphasizes promotion of democracy and human rights—democratic peace liberalism—economic engagement with the oppressive Chinese regime should have been actively avoided, whereas for the liberals who focus on open global economic exchanges—economic interdependence liberalism—Washington needed to build more economic ties with Beijing despite China's systemic violations of human rights. If liberalism played a central role in U.S. economic engagement with China, it represented one strand of the liberal tradition.

Second, while realism is known to posit interstate relations to be a fundamentally competitive realm, a structural realist argument can be made to support economic engagement with a rising power. Most structural realists consider international politics to be a struggle for power and argue that states pursue material power at each other's expenses (Elman and Jensen 2014, 1-15; Rose 1998). For structural realists, it is the prospect of preserving one's relative power position vis-à-vis others, rather than any moral principles or predispositions, that determine a state's choice in an important issue area. Then, if economic engagement with China was the better alternative for maintaining U.S. relative power position under the external constraints of the time, economic engagement, rather than containment, could be pursued as an option consistent with the structural realist worldview. Attention to, not ignorance of, balance of material power can introduce a policy promoting economic cooperation.

I buttress these claims through an examination of U.S. economic measures toward China between 1994 and 2015, during which major engagement decisions were made or reinstated by U.S. administrations. In 1994, Bill Clinton launched heated debates over his decision to delink China's Most Favored Nation (MFN) trade status and human rights, abandoning his campaign pledge to economically punish China for human rights abuses. In 2000 and 2001, the Clinton and George W. Bush administrations, respectively, supported Permanent Normal Trade Relations (PNTR) with China and backed China's accession to the World Trade Organization (WTO), effectively allowing China to gain unimpeded access to the U.S. and global markets. In making the case for economic engagement with China, Clinton advocated economic interdependence liberalism, as well as a rationale consistent with the structural realist approach—which suggested that only the United States would encounter losses if it were to avoid more economic ties with China. When trade relations with China were inducing fierce controversies, Bush made a similar argument. During the Obama administration, despite mounting concerns about China's ascendance, economic engagement was defended with a similar rationale that combined economic interdependence liberalism and an argument in line with the realist approach. Although one cannot conclude that U.S. decision-makers were realists or aware of the realist logic, a rationale consistent with the structural realist case for engagement was repeatedly endorsed by American leaders and helped the economic interdependence liberalism to effectively overcome opposition from democratic peace liberalism.

The analysis presented in this paper suggests that the "crisis" induced by China's rise is not an outcome of misplaced liberal idealism or lack of realism.[1] When the United States made critical economic decisions that facilitated China's rise at least to a certain extent, rationales consistent with both liberal and structural realist arguments were endorsed and embraced. This implies that liberal and realist worldviews do not necessarily prescribe fundamentally different policy options in every major international issue area. Despite different logics, their rationales can be mutually reinforcing and lead to similar policy choices. In a period of intensifying great power competition and growing attention to realism, a more accurate interpretation of structural realism is needed.

Arguments for Economic Engagement

Economic engagement refers to the adoption of policies that are designed to expand the targeted state's access to

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foreign markets, goods, services, technology, factors of production, investments, organizational know-how, or production networks (Mastanduno 2003; Nincic 2010). Two prominent approaches in international politics—liberalism and structural realism—can be linked with economic engagement with an authoritarian power.

The Liberal Case for Economic Engagement

Liberalism in international politics is a sophisticated idea (Deudney and Ikenberry 2021; Doyle 1986; Hartz 1955; Hoffman 1987; Ikenberry 2020; Moravcsik 1997). Nonetheless, there are discernible characteristics of liberalism as a U.S. foreign policy idea, principle, or agenda, which include the emphasis on the role of democracy, economic interdependence, and international institutions in governing international affairs. Academic discourses on American liberal internationalism (Deudney and Ikenberry 1999; Doyle 1997; Ikenberry 2009, 2020; Smith 2017) or U.S.-led liberal international order (Colgan and Keohane 2017; Ikenberry 2011, 2018; Kornprobst and Paul 2021; Lake, Martin, and Risse 2021; Owen 2021) agree on these components of liberalism in the practice of U.S. foreign relations, and the realist critics of liberalism (Allison 2018; Glaser 2019; Mearsheimer 2018, 2019; Walt 2018) have also recognized them as main tenets of liberal U.S. foreign policy. These three pillars of liberalism have served as the ideational foundation of U.S. foreign relations, in particular after the Cold War (Doyle 1997; Ikenberry 2011; Russett and O'Neal 2001).

When each pillar of liberal international ideas is translated into foreign policy, it prescribes the United States to organize the world in certain ways. From the approach that puts an emphasis on the role of democracy—what could be called democratic peace liberalism—deep peace would be possible between democracies that are similarly constrained by democratic domestic institutions and commonly respect universal human rights (Brown, Lynn-Jones, and Miller 1996). If this idea is translated into policies, the United States would pursue an ambitious agenda of not only spreading but also transforming the world into democracy, and thereby assuring individual rights are protected and laying the foundation for lasting peace (Lynn-Jones 1998).

From the perspective that focuses on the role of economic ties in international politics—which can be referred to as economic interdependence liberalism—the more economic exchanges are conducive to a better international environment. Expansion of economic ties creates the foundation for peaceful relations between economic partners in two important ways. On the one hand, states need to pay huge opportunity costs if they were to launch military aggression against an economic partner, and thus would eschew military conflict. On the other hand, economic exchanges nurture powerful interest groups within a state that constrain the government from behaving recklessly toward an economic partner. In addition, some scholars expect that when extensive economic exchanges are conducted over a protracted period of time, state preferences themselves would change in a way that supports international stability (Baldwin 2020; Gartzke 2007; MacDonald 2009; Mansfield and Pollins 2003). When these ideas are embraced by U.S. decision-makers, Washington ought to pursue more open global economic exchanges, not only to achieve more prosperity but also to establish a lasting foundation for international stability (Paulson 2008).

Similarly, for analysts who put an emphasis on international institutions—which is widely called neoliberal institutionalism—diverse institutions can solve transaction problems in interstate cooperation. They can also nurture shared interests and norms, and allow states to interact more effectively and easily as well as to build more peaceful relations (Ikenberry 2001; Keohane 1984; Keohane and Martin 1995). In this approach, Washington should actively endorse and empower diverse formal and informal institutions to organize interactions between countries and create a basis of peaceful international relations.

Several prominent scholars believe that these three pillars of liberalism work together to "triangulate" the liberal peace (Ikenberry 2011, 2020; Lynn-Jones 1998; Russett and O'Neal 2001). Indeed, in the case of the United States' relations with democratic market economies, the three liberal approaches would not only be logically consistent but also effectively complement one another. In these relations, policymakers would be able to expect that a virtuous cycle exists among democracy, economic ties, and international institutions, which results in deep peace among liberal democratic states.

Nonetheless, the different liberal approaches can become inconsistent in prescribing the U.S. approach to a non-democratic state. Most notably, democratic peace liberalism can prescribe a significantly aggressive policy for the United States in dealing with an authoritarian regime, whereas economic interdependence liberalism and neoliberal institutionalism would endorse policies that are not necessarily sensitive to states' regime types. While the phenomenon of democratic peace is applicable to relations between democracies—or to democratic dyads—scholars have long suggested that a democracy can be highly assertive toward an authoritarian state and frequently fight wars with that type of regime. This is because not only are the pacifying institutions and norms absent in a non-democracy, but also a powerful democratic state is inclined to pursue a normative agenda of transforming the authoritarian regime into a democracy in order to allow for the people of that state to enjoy political freedom and to plant the seed of deep peace (Doyle 1983; Friedberg 2005, 31-32; Rosato 2003). This aggressive aspect of democratic liberalism as a political program is particularly visible in the

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United States, which has frequently pursued the promotion of democracy and human rights as a foreign policy priority. In contrast, liberal approaches that put emphasis on economic ties and international institutions do not necessarily consider regime type as a key determinant of a democratic state's policy toward a non-democracy, although they exhibit concerns about a non-democratic regime's commitments to international standards and agreements (Leeds 1999; Remmer 1998).

It follows that, in determining economic engagement with an authoritarian state, different strands of liberalism would advocate different policy directions. For democratic peace liberalism that attempts to promote democracy and human rights in another country, economic ties with an authoritarian state should be carefully made. If gains from economic exchanges can reward or strengthen the authoritarian leaders who are involved in systemic abuses of human rights, economic engagement should not be pursued as an option. Moreover, if the authoritarian government is actively involved in an overt violation of human rights or democratic elements in the state, economic punishment, rather than economic engagement, should be implemented. For democratic peace liberalism, economic engagement with an oppressive authoritarian state would not only be morally wrong but also does not help in creating peaceful interstate relations, and, therefore, should be actively avoided as a democratic state's foreign policy option.

In contrast, economic interdependence liberalism, backed by neoliberal institutionalism, can effectively endorse more economic engagement with an authoritarian state. Focusing on the prospects of positive changes that might arise from shared interests, domestic groups, or international economic institutions, these liberal arguments suggest that a democratic state can deliberately pursue economic engagement as an international strategy toward an authoritarian state. If economic engagement can effectively establish powerful pro-trade economic interest groups within the targeted state, massively increase the costs for aggression, and thereby constrain that state's behavior, then engagement can be actively considered as an instrument of foreign policy. Inviting the authoritarian regime to major international institutions reinforces this approach by allowing the authoritarian state to more easily and deeply engage in economic cooperation with other states. In these ways, economic engagement is expected to set the trajectory of the authoritarian state's foreign relations.

In short, over the issue of economic engagement with an authoritarian state, the liberal approaches can find themselves at odds with each other. While economic interdependence liberalism and neoliberal institutionalism would ponder using economic engagement as an effective tool in dealing with the authoritarian regime, democratic peace liberalism would accuse those liberalisms of dismissing moral aspects. Thus, different liberal ideas would uncomfortably coexist in a liberal democratic power's discourses about economic relations with an authoritarian power.

A Structural Realist Case for Economic Engagement

Realism is best understood as a research program or worldview, rather than a single theory, from which a variety of propositions and policy prescriptions can be derived (Elman and Elman 2003; Feaver et al. 2000). Yet there is a basic agreement among all realists: the defining characteristic of international politics is the struggle for power (Carr 1966; Kirshner 2022; Lobell, Ripsman, and Taliaferro 2016; Morgenthau 1978; Rose 1998; Waltz 1979). They expect that, in a dangerous anarchic international realm, states need to pay careful attention to how much material power each state possesses, because having more power than others is the surest way of protecting their security. In the realist world, moreover, states should carefully gauge the material conditions that surround them, rather than simply pursuing what they want. These axioms are inherited in structural realism, which has led realism as an academic research program and actively advanced criticisms of the liberal approach in U.S. foreign policy.[2]

For structural realists, important state policies and strategies reflect concerns about the distribution of material power in the international system, rather than individual interests or domestic politics. Although variants of structural realism—defensive and offensive—do not agree on the amount of power states pursue, neither fails to recognize concerns about material power as the key driver of important international decisions (Jervis 1999; Mearsheimer 2001, 17-22; Waltz 2000). In this approach, a leading great power of the international system, such as the United States, should try to preserve its preeminent relative power position vis-à-vis other major states, while carefully watching if changes occur in the balance of material power among key states. Even when mutual gains can be attained through international cooperation, a great power would prioritize gaining more than others, and this relative gains concern can undermine the development of deep cooperation between major states (Grieco 1988; Mearsheimer 2001, 51-53). Put bluntly, for structural realists, major U.S. foreign policy decisions need to be carefully crafted to serve the objective of possessing more material capacity than others (Mearsheimer and Walt 2016; Rosato and Schuessler 2011).

The emphasis on the distribution of material capacities, nonetheless, does not mean that an existing great power would recklessly seek more material capacity and consistently adopt restrictive economic policies against a potential great power. Instead, structural realists advocate policy choices that allow the state to attain the largest possible gains under the external constraints to which it is exposed.

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In other words, when choices are available, a state pursues the option that best serves its relative material power, rather than simply implementing assertive policies against a strategic contender (Mearsheimer 2009). When external conditions are not favorable, policies that allow the state to preserve its material power, such as restraint and inaction, could be better options (MacDonald and Parent 2018; Posen 2015). In this sense, structural realists can promote open trade, rather than protectionism, when more international commercial transactions are the better means of pursuing one's relative material power (Kim 2018; Liberman 1996). Indeed, most realists do not seem to advocate autarky or uphold a single economic doctrine, such as protectionism or mercantilism, given that these economic orientations might not be helpful for advancing a great power's material capacity in a globalized world economy. In short, for structural realists, the value of a foreign economic policy should be judged by its contribution to a state's relative power position, not an intrinsic attribute of that policy.

From this perspective, whether an existing great power should pursue an economic engagement policy with a potential great power is determined by that policy's expected impact on its relative material clout. When economic engagement with the potential great power is the better option for maintaining or advancing the existing power's relative power position vis-à-vis other major states, as well as compared with the potential great power, then it would be better off pursuing more economic ties with the potential great power. For realists who articulate international politics as the struggle for material power, avoiding engagement would be a preferable choice for the existing great power only when that decision allows the great power to advance its relative material capacity. Put simply, a great power's relative power calculations—and policy choices resulting from those calculations—are close to a net assessment that takes into account the anticipated diverse impacts of its decisions.

For this great power that makes net assessments, it is important to gauge if there are other states that would exploit its decision over economic exchanges with the potential power, and thereby advance their own relative capacity (Hirschman 1980). Scholars have long pointed out that in a world articulated by structural realists, the presence of multiple powerful actors can constrain a state's economic decision toward another state. Even though a state might be concerned about the relative gains problem vis-à-vis a potential economic partner, it would also need to worry about other states building ties with each other and collectively obtaining relative gains against it (Liberman 1996; Snidal 1991; Werner 1997). If other states and the potential great power can make gains through establishing more economic exchanges among themselves, then the existing great power that avoids economic engagement would encounter relative losses.[3] It would encounter net relative losses vis-à-vis both the potential power and other major states.

Thus, the behaviors of these other states constitute an external constraint for the great power considering economic engagement with the potential great power. When the great power does not have an ability to constrain all other major states' economic decisions toward the potential power, avoiding economic engagement might not only be ineffective but also cause the great power to be the only loser (Art 2010; Kim 2022). Other major states that care about increasing their own material capacities would actively exploit the great power's decision to avoid economic engagement with the potential power. As Michael Mastanduno (1997) points out, even in the unipolar era, balance of power considerations can push a great power to take "an effort to mobilize for national economic competition against other major powers," and competitively attempt to build economic ties with a potential major market. Under these circumstances, economic engagement with the potential great power could be an unavoidable choice.

In sum, for structural realists who pay careful attention to external constraints and material conditions, an existing great power would need to implement economic engagement with a potential great power because if it does not—in a highly competitive international economic environment—others will. Economic engagement can be the better choice that serves the existing great power's relative material power position.

Evaluating U.S. Economic Engagement with China

Whether the liberal and structural realist cases for economic engagement are consistent with the rationales underlying the U.S. decisions to economically engage China—and, thus, whether the structural realist criticisms of liberal U.S. engagement policy are misplaced—can be evaluated against developments that the critics consider to be important junctures in building cordial Sino–U.S. commercial ties (Mearsheimer 2021; *Wall Street Journal* 2018). For about two decades since the mid-1990s, the rationales employed by U.S. administrations to justify economic engagement with the authoritarian China were in line with the economic interdependence liberalism and the realist case for engagement. Of note, this article does not suggest that U.S. policymakers deliberately employed theoretical liberalism or structural realism in making important foreign policy decisions. Rather, it focuses on examining whether the rationales advocated by U.S. leaders were consistent with the two theoretical approaches, and thereby evaluates the validity of recent criticisms directed against U.S. economic engagement with China.[4]

The Most Favored Nation Status Renewal Controversy

Since the presidential campaign in 1992, Bill Clinton advocated for the promotion of human rights as a key priority in U.S. relations with China. He openly blamed the George H. W. Bush administration's insufficient response to China's severe violations of human rights as "coddling tyrants" and pledged to actively constrain China economically (Wang 1993). After inauguration, renewing the MFN trade status for China became a prominent issue for the Clinton administration, since downgrading China's trade status was certain to incur large losses on the Chinese economy and leaders. Although Clinton decided to renew the MFN in 1993, he was committed to addressing the human rights situation in China aggressively, and issued Executive Order 12850 on May 28, 1993, that explicitly linked the annual renewal of China's MFN status with the improvements in the Chinese government's treatment of human rights. As Clinton stated, "the core of this policy will be a resolute insistence upon significant progress on human rights in China" (Clinton 1993). Nonetheless, on May 26, 1994, Clinton declared to delink human rights from the annual extension of China's MFN status, in effect abandoning his initial foreign policy pledge and heading toward a full-fledged economic engagement with China. For the Clinton administration in 1994, linking the MFN with human rights was no longer deemed necessary, and the United States needed to "place our relationship [with China] into a larger and more productive framework" (Clinton 1994).

This MFN policy reversal in 1994 encountered fierce criticisms and introduced significant political costs for Clinton (Bernstein and Dicker 1994; Haass 1997; Lampton 1997; Martin 1999). For many observers, the delinking decision could be interpreted as the president recognizing mistakes in his initial approach to China (*Los Angeles Times* 1994). Moreover, one of Clinton's strongest supporting coalitions since the campaign period, which was comprised of human rights organizations, labor unions, and religious groups, showed deep resentment about the president's decision (Dietrich 1999). Disappointments followed in Congress as well, and foreign policy leaders, such as Senator Jesse Helms, declared the renewal "foreign policy disaster" (U.S. Congress 1994a). Even from the Democratic Party, prominent figures such as Nancy Pelosi intended to put restraints on broadening economic ties with China (U.S. Congress 1994b). Accordingly, it was necessary for Clinton to carefully craft and propagate rationales that would justify his Chinese MFN decision.

In this situation, the Clinton administration advanced an argument that was in line with economic interdependence liberalism. For Clinton, economic engagement was expected not only to nurture the foundation for a more stable and prosperous Sino–U.S. relationship, but also could lead to better provisions for human rights in China. Clinton made this point explicit when he announced to delink MFN and human rights: "We will have more contacts. We will have more trade. We will have more international cooperation. We will have more intense and constant dialogue on human rights issues. We will have that in an atmosphere which gives us the chance to see China evolve as a responsible power, ever-growing not only economically, but growing in political maturity so that human rights can be observed" (Clinton 1994). While advocating an argument of economic interdependence liberalism, Clinton also attempted to explain why he shifted away from democratic peace liberalism in dealing with China. For Clinton, the delinking decision was not representing the administration's neglect of human rights in China, but rather was adopted for instrumental reasons. As Clinton suggested, "we have reached the end of the usefulness of that policy [linking the MFN with human rights]" (Clinton 1994).

Yet facing fierce domestic criticisms, Clinton needed to employ a multifaceted argument for the MFN renewal, and one major rationale was consistent with the realist case for economic engagement. For the Clinton administration, avoiding severe political restrictions on economic transactions with China was important for American firms' competitiveness in the global market, as well as in increasing U.S. companies' share in the rapidly growing Chinese market. In particular, it was widely claimed that uncertainty over the U.S. government's MFN renewal functioned as risks and costs that applied only to American entrepreneurs and undermined their competitiveness, while foreign firms were consistently supported by their governments to expand business in China (U.S. General Accounting Office 1994, 39, 43). For instance, business organizations, such as the National Association of Manufacturers, informed the U.S. government that "in certain industries, such as aerospace, electronics, and machine tools, it would be nearly impossible for U.S. firms to be globally competitive if they were excluded from the Chinese market, because China is such an important and rapidly growing new market" (U.S. General Accounting Office 1994, 44). In this situation, it was certain for Clinton that, as the Republican Representative Marge Roukema summarized in support of the delinking decision, "denial of MFN status to China will damage our economy and only serve the interests of our international trade competitors" (U.S. Congress 1994b). In line with the realist rationale, it was argued that continuing to link human rights with MFN could make only the United States worse off.

It was also recognized that Washington was not in a position to constrain other major states' economic relations with China and incur costs on Beijing for human rights abuses. Indeed, according to a State Department official, none of China's major foreign trade partners intended to follow the United States in imposing higher

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tariffs on Chinese products (U.S. General Accounting Office 1994, 45). The United States' close allies were also not supportive of linking MFN with human rights. For instance, in November 1993, German Chancellor Helmut Kohl signed contracts worth three billion dollars during his visit to China. Australian Foreign Minister Gareth Evans informed Secretary of State Warren Christopher that Australia supported the continuation of unconditional MFN for China. In 1994, Japanese Prime Minister Hosokawa Morihiro told Chinese Premier Li Peng that the Western concept of human rights should be applied with care. French Prime Minister Edouard Balladur visited Beijing in the same year to mend relations with China after the French arms sales to Taiwan in 1992, and received a positive response from Premier Li who alluded to an increase in China's purchase of French commodities (Lampton 1994, 611).

For the Clinton administration that successfully campaigned on economic issues, renewing China's MFN status for U.S. economic competitiveness made a convincing argument (Stemlau 1994/95). On many occasions, the need to take into account the competitive international economic environment was a claim formulated by economic interest groups and lobbying organizations. Yet it gave Clinton a good excuse for downplaying Chinese human rights when he encountered fierce domestic criticisms (Lampton 1994, 608). This rationale, which began to be endorsed by the Clinton administration in 1994, was closer to the realist approach rather than an emphasis on simple economic benefits, since it focused on potential relative losses vis-à-vis other states.

Permanent Normal Trade Relations and Accession to the World Trade Organization

Between 2000 and 2001, critical developments occurred in U.S. economic engagement with China and the Chinese ascendance in the global economy. In 1998, Clinton began to deliberate in public the idea of perpetuating China's normal trade status with the United States, and this effort resulted in his last legislative victory in 2000 when the House of Representatives agreed to give the PNTR status to China in May, which was followed by the Senate in September. Through these decisions, legal linkages between human rights and U.S.-China trade that descended from the Jackson-Vanik Amendment of 1974 were finally lifted, and China gained full access to the U.S. market with minimal risks of politically induced commercial upheavals (Lardy 2000; *Wall Street Journal* 2018). Yet more importantly, giving the PNTR status to China was of crucial importance in China's economic growth since it enabled China's full accession to the WTO. Since the WTO framework required normal trade status among member states, granting the PNTR to China revealed Washington's intention to remove the last hurdle to China's full membership in the WTO. From the Chinese perspective, a membership in the WTO was certain to grant better access to major markets, allow China's further growth as a global production base, facilitate investments and international financial transactions, and accelerate innovation and reform (Lardy 2000; *Wall Street Journal* 2018). While it was widely agreed that granting the PNTR status would mark a quantitative and qualitative leap for the Chinese economy, George W. Bush formally proclaimed PNTR with China in December 2001.

These decisions, nonetheless, sparked an array of criticisms. To many, China was still an authoritarian country with abysmal human rights conditions and was ruled by a government that was willing to use violence against a democratizing Taiwan. Indeed, Clinton continued to position himself as the leading advocate of Chinese human rights, and the Clinton administration introduced a human rights resolution that openly blamed China at the annual meeting of the United Nations Conference on Human Rights in April 2000. Moreover, it was widely suspected that China would disrupt open economic order if it were to be granted PNTR and join the WTO. For instance, in April 2000, Nancy Pelosi (2000) warned against "China's pattern of violating trade agreements," reflecting voices against the inclusion of an authoritarian spoiler in the liberal economic order. Furthermore, labor unions were strongly opposing more open economic exchanges with China since more ties with a large developing economy were suspected to cost a large number of American jobs (U.S. Congress 2000). In short, in 2000 and 2001, the policy drive for China's PNTR status and WTO membership confronted a powerful coalition of labor and human rights groups (Tien and Nathan 2001).

Therefore, the Clinton administration needed to make a strong case for China's PNTR status and accession to the WTO; and, again, a multifaceted argument that is consistent with economic interdependence liberalism and the realist case for engagement was employed. From the liberal perspective, the Clinton administration again found itself prioritizing economic interdependence liberalism over democratic peace liberalism in its relations with China. For Clinton, PNTR and WTO accession would render China to follow standards of open global economy and push Beijing to intensify economic reforms, and thereby make China more prosperous and peaceful (Steinberg 2019/20). It was argued that economic prosperity, in turn, would create a better environment for economic freedom and, by extension, political change in China. As summarized in his speech in March 2000, Clinton propagated that "by joining the WTO, China … is agreeing to import one of democracy's most cherished values: economic freedom. The more China liberalizes its economy, the more fully it will liberate the potential of its people … And when individuals have the power … they will demand a greater say" (Clinton 2000). From the liberal perspective, more economic engagement with China was good for both stability and human rights.

Nonetheless, Clinton's campaign for China's PNTR status also heavily relied on an argument in line with the structural realist case for engagement. The Clinton administration argued that the failure to adopt the PNTR with China would economically harm only the United States since other states would gain greater access to the Chinese market, and foreign companies would build a more efficient supply chain relationship with China and become much more competitive than American firms. Moreover, while U.S. failure to grant PNTR would not seriously undermine China's membership in the WTO as long as other states were willing to accept China, it was certain that other countries would exploit the U.S. decision to refuse China's accession to the WTO in order to advance their competitive advantage vis-à-vis the United States (U.S. General Accounting Office 1998). In this context, Clinton claimed in March 2000 that "a vote against PNTR will cost America jobs as our competitors in Europe, Asia and elsewhere capture Chinese markets that we otherwise would have served … . If Congress rejects it, our competitors reap these rewards" (Clinton 2000). In Congressional debates, it was similarly argued that the failure to grant the PNTR to China would "cede that equality of opportunity to our competitors in Japan, Europe, and elsewhere while the U.S. walks away" (U.S. Congress 2000).

The Bush administration that eventually implemented the PNTR decision in December 2001 endorsed a similar combination of economic interdependence liberalism and the realist case for engagement. In line with economic interdependence liberalism, Condoleezza Rice claimed during the presidential campaign that "trade in general can open up the Chinese economy and, ultimately, its politics too" (Rice 2000, 56). George W. Bush also openly suggested that "China is most free where it is most in contact with the world economy" (*New York Times* 2000). Together with this rationale of economic interdependence liberalism, the Bush administration officials also recognized economic engagement with China was needed for the realist reason as well—if the United States did not engage with China economically, others would and reap gains at the expense of the United States (Panda 2016). Since the campaign period, Bush suggested the failure to recognize China's PNTR status would allow foreign competitors, such as the EU, to "negotiate a better deal" and the failure to recognize China's trade status "won't even keep China out of the WTO" (*New York Times* 2000). In 2001, it was evident for the Bush administration that, as Jeffrey Bader, Assistant U.S. Trade Representative for China, claimed, "if the market is being opened to our competitors, then our companies need to be in there too" (U.S. Congress 2001). For the Clinton and Bush administrations, economic engagement with China was not only a desirable choice but also a necessary one under the international condition of the time.

Reinstating Engagement despite Antagonism

When the Obama administration came to office, China was clearly recognized as a state that had the potential and will to become a peer competitor of the United States (Christensen 2009; Friedberg 2012). It had already achieved years of astounding economic growth to become the world's second largest economy and was posing strategic challenges to the United States in the West Pacific. Moreover, the Great Recession that hit the United States and controversies over China's unfair economic practices were not only introducing significant economic tensions between the two states but also creating thorough anti-Chinese sentiments among the American people (Trubowitz and Seo 2012). Under these circumstances, the Obama administration might have had strategic and economic incentives to reconsider economic engagement toward China.

Nonetheless, Obama made a series of decisions that carefully avoided serious undermining of economic engagement with China. First, while China was repeatedly accused of manipulating its currency, the Obama administration refuted the pressures to openly problematize China's currency policy (Schumer and Graham 2005). Second, in the middle of the worst recession in decades, the Obama administration avoided protectionist policies except for limited items such as tires, and instead proposed the National Export Initiative that would put emphasis on increasing U.S. exports. Third, Obama decided to avoid more stringent controls over the export of goods to China that utilized cutting-edge technologies, even though the administration recognized the expanding share of advanced technology products in Sino–U.S. trade and its implication to China's economic sophistication (U.S.–China Economic and Security Review Commission 2011). Fourth, a trade bloc exclusive of China, most notably through the Trans Pacific Partnership, did not progress, despite the recognition of the need to restore the United States' commercial leadership in Asia-Pacific (Fergusson et al. 2013). By the time of Xi Jinping's state visit to the United States in September 2015, the Obama administration had fully reinstated economic engagement policy toward China.

In advancing these decisions, the Obama administration advocated rationales similar to the previous administrations, although it was in general less active in touting the value of economic ties with China. In line with economic interdependence liberalism, Obama embraced the argument that the closer and more extensive economic interactions would allow China to become more integrated with the global economy, and eventually become a

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devoted member of the international order. In this approach, once China indeed became a responsible member that played by the same rules of the game in key international issue areas, not only stability but also a new mode of conducting peaceful great power relations could be made possible. In this context, Hillary Clinton, as Secretary of State, suggested that economic engagement with China would "urge them to embrace reforms that would improve governance, protect human rights, and advance political freedoms" (Clinton 2011), and Barack Obama claimed that "greater prosperity and greater security—that's what American and Chinese cooperation can deliver" and "the United States welcomes the rise of a China that is peaceful, stable, prosperous, and a responsible player in global affairs" (White House 2015). From the perspective of economic interdependence liberalism, economic engagement led to more stable relations with a now powerful China.

Meanwhile, it was repeatedly claimed that options other than engagement would not only be ineffective but also could bring more economic harm to the United States, given the constraints of the global economy. In the trade of advanced technology products that constituted the majority of bilateral trade, it was shown that unilateral U.S. controls would only make the U.S. firms lose since China could obtain the products from other states (U.S. General Accounting Office 2008; Wallerstein 2009). As former National Security Advisor Brent Scowcroft observed in a Congressional debate, "the United States has competition in most areas of advanced research and development, including military-related science and technology. The number of access points to advanced science and technology has grown considerably and perhaps more to the point, outside the control of the United States" (U.S. Congress 2009, 30). China also had the potential to organize its own trade arrangements with the East Asian and European states if the United States were to formulate an economic bloc that excludes China, and this ability was proven through the Chinese institutional initiative of the Asian Infrastructure Investment Bank (Mattoo and Subramanian 2011).

Moreover, it was expected that weakening economic ties with China could diminish competitiveness of American firms and tarnish U.S. relations with other major economies. As Hillary Clinton suggested in 2011, economic engagement with China would "create a strong foundation for new market and investment opportunities that will support global competitiveness" of the U.S. economic actors in the world economy where the United States was engaged in fierce competition with others (Clinton 2011). Working closely with China was important for the United States since, according to Obama, it "needed the cooperation of China as well as Europe as well as every other potential engine, just to restart the global economy" (Goldberg 2020). Indeed, considering China's central role in the global production network and its huge domestic market, U.S. economic restrictions against China could have an unintended impact on the economy of other major countries, such as the European Union states, and could result in tensions between Washington and its traditional European allies.

Accordingly, U.S. material interests were best served by remaining committed to existing economic arrangements that promoted more interactions with China, rather than adopting restrictive economic measures (Office of the United States Trade Representative 2009). For the Obama administration, maintaining economic engagement with China was the better alternative for both liberal idealistic objectives and realist material calculations (Kim 2022, 110-136).

Conclusion

For about twenty years beginning in 1994, the United States repeatedly adopted decisions that strengthened or reinstated economic engagement toward China. These U.S. efforts directly or indirectly contributed to China's ascendance by expanding its access to major markets, facilitating foreign investments and technology diffusion, promoting reallocation of global production base to China, and allowing rapid and massive movement of capital through China. For many observers of the intensifying Sino–U.S. strategic competition, U.S. economic policy that helped China's rise was in retrospect self-defeating, if not a fatal strategic folly. Economic engagement could be further blamed for its failure to effectively address China's human rights abuses that only seem to have exacerbated over time. In line with this development, prominent structural realists have held the liberal approach to U.S. foreign policy as responsible for Washington's questionable enterprise of economic engagement with China. While Sino–U.S. confrontation is expected to worsen in years to come, this narrative has become increasingly vocal.

Nonetheless, it is misleading to conclude that U.S. economic engagement with China has been a failed project that predominantly reflected American liberal illusion. The liberal approach as a U.S. foreign policy idea has subsisted as a system of linked but still distinct propositions and prescriptions about international relations. In conducting relations with an authoritarian state, a powerful liberal tradition that puts an emphasis on democracy and human rights—which, in this article, is called democratic peace liberalism—persistently opposed engagement that could enrich the Chinese leaders who committed systemic abuses of individual rights in and near China. It required U.S. administrations to consider a different liberal perspective that focuses on the ability of economic ties to induce political and social changes in another state—economic interdependence liberalism—in order to justify economic engagement with an authoritarian regime.

Moreover, it is also misleading to insist that structural realism would have prescribed economic disengagement for the United States and this would have been a better choice for an existing great power that confronted a potential great power. While all realists posit states to be actors that care about their relative material power, when a state is likely to encounter relative losses if it were to eschew economic ties with the potential rival, it might inadvertently need to engage in economic exchanges with the potential strategic competitor. For structural realists, therefore, economic engagement could have been a necessary choice under the external economic constraints imposed on the United States after the end of the Cold War. This paper suggests that in important moments of U.S. economic engagement with China, serious clashes took place between different liberal ideas, and arguments consistent with the economic interdependence liberalism and structural realism together defended engagement with the authoritarian power.

Yet this paper does not attempt to refute the structural realist worldview. Rather, it suggests that the structural realist case for economic engagement presented in this article is more consistent with the key tenet of structural realism that considers great powers as seekers of relative material capacity under external constraints. In fact, the leading structural realist, John Mearsheimer (2014), recognizes that under the global economic structure of the twenty-first century, “China cannot be isolated economically, the United States cannot slow its economic growth in any meaningful way.” The reason is that the United States would encounter relative losses vis-à-vis other states and China if it were to unilaterally abandon deep commercial relations with China. Thus, Washington might need to maintain a significant degree of economic ties with Beijing despite intensifying strategic competition. The structural realist argument advanced in this paper to account for post-Cold War U.S. economic engagement with China is in line with this observation.

If liberal and structural realist arguments in conjunction offered a strong case for economic engagement with China, it would be a mistake to blame liberalism as the ideational source of misguided U.S. foreign policy toward China and praise the structural realist approach as offering a more appropriate playbook for dealing with a rising power. While dichotomous thinking is often observed in discourses about today’s great power competition—where many observers conclude that Sino–U.S. competition today is better understood through the lens of realism rather than liberalism—it is important to note that there are varieties of liberal logics and realism is not necessarily a theoretical approach that prescribes firm confrontation with a challenging power. In other words, liberalism does not necessarily mean optimism, whereas structural realism should not be automatically associated with pessimism (Glaser 1994/95). Considering that different worldviews, such as liberalism and structural realism, can offer similar prescriptions based on distinct rationales, it would be more productive to articulate different ways of combining liberal and realist insights, rather than simply concluding realism as offering a better perspective in dealing with a powerful China today.

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Notes

1 I use the term “Twenty Years Crisis” or “crisis” in order to recognize that the structural realist narrative directed against American liberal foreign policies resembles the long-standing debate in international politics, namely between idealists and realists, which was the most clearly described in E.H. Carr’s *The Twenty Years’ Crisis.* Nonetheless, rather than delving into realism in general or Carr’s realism in particular, this paper mainly focuses on examining structural realist criticisms of an important aspect of U.S. policy toward China.

2 This article mainly focuses on structural realism because its central objective is to reexamine criticisms advanced by structural realists against the liberal approach in U.S. foreign policy. Other variants of realism, most notably classical realism and neoclassical realism, can offer distinct analyses and prescriptions over U.S. economic engagement with China. For classical realism, see Carr 1966 and Morgenthau 1978. For neoclassical realism, see Lobell, Ripsman, and Taliaferro 2016 and Rose 1998. For a variety to propositions that can be derived from the realist worldview, see Karkour 2022b and Scheuerman 2011.

3 One might suggest that the relative gains problem is salient in relations between states that consider each other adversaries. Nonetheless, at least in the original formulation of the structural realist claim on relative gains, the presence of strategic rivalry or enmity is not clearly considered as a precondition for the rise of relative gains concerns. Instead, relative gains problem emerges in large part due to the anarchic international condition, and a great power can have relative gains concerns vis-à-vis all other major states. Thus, the United States can have relative gains concerns not only in relations with its adversaries, but also with all other major countries. This paper follows the original structural realist perspective on the relative gains problem. For instance, see Grieco 1988, Mastanduno 1993, and Mearsheimer 2001, 51-53. For arguments that introduce the particular situations in which the relative gains

problem would be pronounced, see Matthews 1996, Morrow 1997, and Powell 1991.

4 It is also important to note that this article does not attempt to offer a comparison of the explanatory power of the realist or liberal considerations vis-à-vis other important factors, such as business interests. Instead, the main goal is to offer an evaluation of structural realist criticisms of liberal U.S. engagement policy toward China. For an analysis that focuses on the role of American business interests, see van Apeldoorn and de Graaff 2016.

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