

Discussions About Modernization - A series by Li Lu

Part Two: A look at the Future of Sino-US Relations from the Historic Lens of Human Civilization

December 13, 2018

1. Introduction

Tensions between the United States and China have been building since President Trump took office, escalating into a trade war before our eyes. How will this trade war end, and where will China end up? Lost in the fog of confusion created by the relentless 24-hour news cycle, we often find ourselves unable to explain the present, or see the future with any clarity.

This essay argues that an understanding of the true nature of Sino-US relations today requires a much longer-term view. We must start from the historical context of the evolution of human civilization to really understand world events today. We must examine the following sets of questions – How did China’s unique political system and culture develop, and how was that process different from what happened in the West? How did modernization emerge in the West, and spread across the globe? How was the present global order shaped, what role has the United States played in that process, and how does the United States influence and dominate other nations? What hard powers does the United States have at its disposal, and how much decision-making power does the United States have in the context of current global order, specifically in the economic arena? How has China achieved such unprecedented growth under this current global order in the past four decades, and what problems must China confront now? Given the pressure she is now facing from the United States, what options does China have going forward, and what pitfalls must she avoid? What kind of relationship with the United States is best for her to maximize her own interests, and help her achieve modernization in the end? Only when we answer these questions systematically, can we clearly examine China's future.

2. A Very Brief History of Human Civilization

Homo sapiens, the last major species to appear on Earth, first emerged on the African savannas near the equator some 100,000 to 200,000 years ago. Homo sapiens is not only a social animal, but also an individualistic one with a highly developed brain. There is no other species on earth that is simultaneously both highly social and highly individualistic. It was exactly the unique combination of these traits that allowed human beings to set themselves apart from the other primates who came before them and create civilizations of unprecedented sophistication within such a short span of time. It is in this context that I

define civilization as the difference between human beings and their hominid ancestors. The history of human civilization is both the economic history of energy capture and use, and the political history of social organization. The interplay between economics and politics has given us complex civilizations that are uniquely human.

In *“Li Lu on Discussion of Modernization” (2014)*, I divided the history of human civilization into three stages of advancement: the Hunter-gatherer Civilization, or Civilization 1.0; the Agrarian Civilization, or Civilization 2.0; and the Modern Science and Technology Civilization (Modern Sci-tech Civilization) or Civilization 3.0. **This article will focus on the evolution of socio-political institutions during the great leap from an Agrarian civilization to a Modern Sci-tech Civilization. The analysis will inform our understanding of the current Sino-US conflicts.**

In the days of Agrarian Civilization, both farming and animal domestication required favorable natural conditions, and that explains why most civilizations were born on the Eurasian plate. This plate is divided into east and west by the Himalayas (the Roof of the World) and a boundless tundra. Throughout the agrarian era, these two parts of human civilization developed independently, with little to no direct contact (except for brief contact during the 13th century rule of the Mongol Empire). Therefore, we have always referred to them as Western Civilization and Eastern Civilization.

Around the start of the Common Era (CE), two powerful empires emerged almost simultaneously – the Roman Empire in the West and the Han Dynasty in the East. Both of these empires had large populations, vast territories, and well-developed transportation networks connecting all corners of their empires. Both reached the pinnacle of Agrarian Civilization.

The Roman Empire and the Han Dynasty both fell after about 400 years of being founded. Both regions descended into periods of conflict and war. In the East, after a tumultuous period of about 300 years, the various states in China were unified and imperial rule of old was largely restored. During the dynasties of Sui, Tang, and Song Dynasties, Chinese civilization reached new heights. Having been passed down for 2,000 years, the Chinese imperial was considered a wonder during the days of the agrarian age. In the West, though, after the demise of the Roman Empire, the region did not see the rise of another unifying empire. Though the Muslim empire emerged at one point and amassed a considerable amount of land, it was never the brilliant civilization the Roman Empire was, and it never had the population, technology, and social structure either. This marked the first major point of divergence for the two civilizations’ developmental trajectories.

Then, after emerging from 1,000 years of the Middle Ages, Europe, which was home to the northern barbarians during the Roman Empire, saw the rise of several very dynamic nation

states. These vibrant states discovered the American continent during the Age of Discovery, each appearing on the scene with a burst of energy. They experienced the Age of Discovery, the Renaissance, the Enlightenment, the Protestant Reformation, the Scientific Revolution, the Industrial Revolution, various colonial wars and many other changes. These European states became the most dynamic centers of activity on the world stage. They were also the first ones to usher in the new era of human civilization. I call this Civilization 3.0 – the Modern Science and Technology Civilization. This is the second major point of divergence between the East and the West. The emergence of Modern Sci-tech Civilization brought the population centers of both sides together for the first time. By this time, the East and the West were no longer independent of each other. They became very connected, and worked together to create a new world order – one that has had profound impact on all of mankind till the present day.

3. Institutional Innovations in China during Agrarian Civilization

Both instances of East-West divergence took place against the complex backdrop of new economic realities and evolving socio-political structures. **It is important to note that, in Agrarian Civilization, photosynthesis was the primary source of energy. So, land was the most valuable resource, and the main source of conflict in the Agrarian Civilization.** For this very reason, Agrarian Civilization was never able to solve this inherent problem: when there was more land, the population grew; when the population reached a certain point, the land was no longer able to support the large population; and finally social development would stagnate and fall into the Malthusian Trap. Eventually, population levels came back down because of various "natural and man-made disasters". Agrarian Civilization was an era of economic scarcity, with frequent land grabs at the center of most conflicts. Winning such conflicts relied on a combination of the right geographic location and political organization, as well as the ability to mobilize the society at large.

The geographic environment in which the Chinese civilization developed includes the Himalayas to the west, frigid grassland to the north, and oceans to the east and south. On this land, two mighty rivers, the Yangtze and the Yellow Rivers, flow from west to east, forming vast, fertile, alluvial plains suitable for agriculture. Together with their tributaries, the two rivers form a well-developed, accessible transportation network (waterways are a cheap mode of transportation). Given such favorable conditions, a government would need only to amass a critical amount of economic power, and it would be able to extend its power throughout its territory by means of a cheap transportation network. But the rise of a powerful nation also requires institutional innovation for its domestic political organization.

In the 5,000 years of Chinese history, the first 3,000 years were the most consequential, as breakthroughs in political innovation laid a solid foundation for stability in the next 2,000 years. The greatest of them were the reforms of Chinese statesman and philosopher Shang

Yang (商鞅, 390-338 B.C) which took place during the reign of Duke Xiao of Qin (秦孝公). At the core of his reforms was the introduction of a system of meritocracy to replace family ties as a means of allocating political power. Human beings are descended from animals, so it is not surprising that the earliest social relationships were simply based on blood relationship. Even though individuals were rewarded for their successes on the battlefield, the spoils of victory were still distributed along bloodlines before Shang Yang came along. Merit could be passed down just like wealth. The heroes of the battlefield would be knighted with land, and aristocrats and monarchs would also grant land to their blood relatives. That was basically how power and economic resources were distributed in the feudal era – east and west alike – until such a system was utterly disrupted and turned on its head by Shang Yang. He instituted a meritocracy and stipulated that merit could not be passed down to the next generation. The only power that could be inherited was imperial power. Under the new policies, wealth could be inherited, but political power could not. His reforms were truly revolutionary. They upended the feudal system and allowed the rise of Qin from a small marginal state to an empire that eventually unified China. Shang Yang’s policies came to motivate everyone from all over the state of Qin. It grew very strong and defeated the other states. After unifying China, the Qin Dynasty instituted the same system across all its territories. Then came the Han Dynasty and its “Election System” (举孝廉制, a system based on the virtues of filial piety), which reinforced the system of meritocracy. This system was the precursor to Keju system (科举制, Imperial Examination System), which was fully instituted soon after the Sui Dynasty ended. The Keju system tested candidates for official government posts by assessing their ability to handle public affairs, but as well as their grasp of general knowledge. It offered everyone a path of upward social mobility, and a fairer way of allocating political power. On the whole, the Shang Yang Reforms laid the cornerstone for a relatively stable political system in the following 2,000 years. This system witnessed the rise and fall across various dynasties, propelled the Chinese Empire to the apex of Agrarian Civilization, and seemed to mark “the end of history” in that era.

Meanwhile, the West had only relatively small and fragmented areas of alluvial plains suitable for agriculture. As for transportation, there was the Mediterranean Sea, almost completely landlocked like a lake; but with a narrow strait connecting it to the Atlantic, it was calm and therefore easy to navigate. It was an ideal place for the birth of an empire. Along the Mediterranean basin, there were agricultural plains in Egypt and a smaller one on the Iberian Peninsula (where Spain and Portugal are located). But all of these plains were much smaller than those in China. At that time, the forests on the European continent were still virgin lands that had never been cleared for farming. Against that backdrop, the Roman Republic was already rising from the central region of present-day Italy. This region had a limited amount of arable land, and so its expansion was fueled in large part by conquering other regions. The Roman political system had always been a hybrid system of meritocracy in the military, bloodline inheritance in politics (the number in the Senate grew from dozens of families at

the earliest to one to two hundred families). The empire's largest granary was in Egypt, but it paled by comparison to those found in China's Yangtze and Yellow River basins. So there was a large disparity between the rich and the poor; and slavery was a necessity. The good life enjoyed by the aristocrats was built on the backs of the slaves. These economic realities inevitably impeded political reform. With about one-third of its population as slaves, a hybrid political system of feudalism and meritocracy, it was impossible to create a society that was of "one heart and one mind". Compared to the Chinese society after the Qin and Han dynasties, the Roman Empire had several inherent problems: aristocrats vs. plebians; free citizens vs. slaves, and a shaky economic foundation dependent on slavery and continued conquests. Once expansionary conquests were no longer feasible, the civilization itself had nowhere to go but down.

Both Roman Empire and Han Dynasty were threatened by invasions from the barbarians to the north, but in very different geographic contexts. The northernmost part of the Han Dynasty territory was the Mongolian steppe, suitable only for herding and not for farming. The northern part of the Roman Empire was at roughly the same latitude but was much warmer due to North Atlantic currents from the Gulf Stream, and therefore suitable for farming. Still, agriculture was delayed by thousands of years because of its dense forest coverage. When the northern barbarian tribes learned to clear the forests for farming, agrarian civilization began its gradual ascent. By then, though, the conflicts between Roman Empire and Germanic barbarians had already intensified. In the fifth century AD, the Roman Empire was brought down by Germanic tribes. After the collapse of the empire, the Roman political system failed to regain a foothold in Europe due to its inherent weaknesses. The Roman system was not the best political system in Agrarian Civilization.

More than 1,000 years after the fall of the Roman Empire, small nation states of the original empire and emerging vassal states in northern Europe were still in the midst of various wars. There was still no unified empire in the West. The European medieval period was very similar to "the Spring and Autumn period and the Warring States period (770 BC to 221 BC)" in China. However, when considering the 2,000 years history of the stable Chinese Empire since the Qin and Han dynasties as a whole, one can certainly see a clear divergence between Eastern and Western civilizations. At that time it was China that stood at the apex of Agrarian Civilization, because of her institutional innovations in political organization.

4. Emergence of the Modern Sci-Tech Civilization: the Second Point of Divergence between the East and the West

After 1,500 AD, developments in the East and the West saw another great divergence. This set the history of Europe and China (after the Spring and Autumn Period and the Warring States Periods) on completely different paths, with the starting point marked by the Age of Discovery. Advancement in sailing and navigation technology enabled the discovery of the

New World. The Europeans landed on the shores of the Americas, largely by chance. And the Atlantic was to Europe as the Mediterranean was to the Roman Empire. By way of a cheaper mode of transportation (sailing), Europe quickly took over the largest agricultural plains on Earth – North America and South America. In *“Li Lu on Discussion of Modernization”*, I argued that, in the beginning, various natural conditions limited the development of agriculture in the Americas. Isolated from Eurasia, they also had underdeveloped agricultural practices, negligible animal domestication, and sparse populations. Without the immunity that the Europeans had to all the germs they brought with them, large numbers of the native Americans succumbed various plagues brought by the Europeans, and the native populations were all but decimated. The Europeans were quick to take over these vast American plains so suited to growing crops. Through their American colonies, these European states could access granaries substantially larger than those of the central plains of China, leading to a tremendous burst of sustained economic growth.

In Agrarian Civilization, if an economy followed the normal course of progress, it would grow until it fell into the Malthusian Trap. But, the West’s fall into this trap was preempted by another epochal event – the scientific and technological revolution. The Age of Discovery not only brought material wealth to the peoples of Europe, but also generated a strong curiosity in science and technology, thus triggering ideological and spiritual revolution. Europe underwent a fundamental transformation from the Renaissance, the Protestant Reformation to the Enlightenment. That was the historic context in which Scientific Revolution was born.

Multiple factors such as Scientific Revolution, transatlantic free trade, an autonomous American continent, and competition among European feudal states, together brought about great advances in human civilization. The Scientific Revolution and free market economy emerged right around the same time; and that combination resulted in hundreds of years of sustained and compounded economic growth, which finally allowed the economy to break through the bottleneck of Agrarian Civilization, and land itself was no longer a constraint on economic growth. This period saw exponential economic growth that was fully capable of supporting any level of population growth. In fact, we still have not seen the upper limit of such growth even today. **It was then that mankind ushered in the era of Modern Sci-tech Civilization. This era has been marked by unlimited and sustained compound economic growth driven by the dual engines of modern science and technology and the free market.**

In a free market, people willingly exchange products and services, benefiting both parties such that 1+1 is greater than 2. When knowledge is exchanged, both sides gain from the other without losing what it had to start, sparking a multiplier effect, such that 1+1 is greater than 4. So, when science and technology know-how is used to make products and services, and then exchanged on the free market, a lasting, mutually reinforcing virtuous cycle is created. The insatiability of human needs and desires fuels the never-ending innovation and delivery of new products and services. The market plays the vital role of multiplier, and keeps

the cycle going at the rate of 1+1 is greater than 4. The bigger the market, the more efficient it is. The more efficient the market is, the more needs are met. The more these original needs are met, the more demand is created. A self-sustaining virtuous growth cycle ensues. This is known in economics as compounding. When everyone has access to science and technology and free market, competition is reduced to, and centered around, the size of the market. Relatively speaking, bigger markets are more efficient; more efficient markets have greater capacity; and greater capacity means larger economies. These larger economies can sustain stronger military, making it easier for them to win over their competitors. The shift from competing for land to competing for markets reflects the transition from Agrarian Civilization to Modern Sci-tech Civilization. This is exactly the shifting tide that we have been witnessing for the past five hundred years.

In the beginning, Europe was still living in the Agrarian Civilization, and the various feudal states were still waging wars over land and fighting over territory. But gradually, all of these warring states began to break free of the constraints of the land itself and discovered new drivers for economic growth. Participants in the economy were no longer only aristocrats or plebians. Businessmen, capitalists, new classes of industrialists and consumers emerged as active participants in the economy. As economies crossed over from Agrarian Civilization to Modern Sci-tech Civilization, political structures and people's demands changed too.

In this new era, old rivalries among European countries quickly turned into competition for colonies. Market size was what colonial powers were interested in; and colonies were a good source of raw materials, markets, and labor. As the first real global empire, the British Empire's most important contribution to a new world order was its global free market system that included its own colonies that ran on its own currency (the Pound Sterling). This market system gave her a decisive competitive advantage over other major powers. So early on in the transition from Agrarian Civilization to Modern Sci-tech Civilization, European countries were waging wars of colonial aggression abroad and wars among rivals at home, both in the interest of colonial expansion. Land and markets were both at the center of it all.

As economic progress accelerated during the transition from Agrarian Civilization to Modern Sci-tech Civilization, rival European powers began searching for the best type of political system for the new era, and that process produced a series of institutional innovations. By the twentieth century, three different camps had emerged: fascism as practiced by Germany, Japan and Italy, communism under the leadership of the Soviet Union, and liberalism led by the United States and Great Britain. In the nearly 100 years of conflicts and wars that followed, first to fall was fascism (at the end of World War II), and next came communism (the end of the Cold War). By the early 1990s, liberalism had won a resounding victory. The United States emerged as the legitimate single superpower in the new world order, ushering in a new era of "The American Order", and marking the end of the previous era.

5. *The Global Market System under the American Order*

Shortly after the end of WWII, **the United States withdrew victorious from the occupied territories of Europe and Japan, making it the first country in the history of man to do so voluntarily.** Since WWII started as a fight over territory, this act was completely different from any that had ever preceded it, including that of the Roman Empire, Chinese Empire or the British Empire. The new American Order already had the distinct features of Modern Sci-tech Civilization. **If it can be said that what mattered in Agrarian Civilization was the size of the territory, I argue that it is the size of the market that matters in Modern Sci-tech Civilization.** Market size is what determines whether an economy can really succeed in the long run. The market economy has a decentralized structure organized around individuals and small entities (companies). It is market size – not national borders – that determines the amount of energy that is brought to bear. In this way, the dynamics of Agrarian Civilization and Modern Sci-tech Civilization are very different. Withdrawing victorious from occupied territories as a world superpower did not mean that the US gave up the fruits of victory. Postwar era, the United States has gone on to create a tightly woven global market system by establishing of a series of international institutions, including the United Nations, the Bretton Woods system, the IMF and the World Bank. It has made sure to remain in control of setting the rules, accessing the markets, and imposing and lifting sanctions. In post-war Europe, the United States quickly brought its European allies into this system with The Marshall Plan. Even though they lost the war, Germany and Japan, were also incorporated into the system through a series of constitutional amendments. The US has also built a network of military bases throughout the world with a series of treaties and security arrangements, such as NATO, US-Japan, and US-South Korea alliances. This serves to secure the safe transportation and supply of raw materials in the American-led global market. **As the creator of the American Order, the United States has always retained the rights to make rules for the market, admit membership to access the market, and impose and lift sanctions on states that violate the rules. At the same time, it has borne most of the costs – military and economic – of safeguarding this global market. Rights and obligations together form the core of this American Order.**

The United States has also established and promoted her set of ideological values, which we now know as her soft power. In Agrarian Civilization, imperial China established a political system structured around Legalism, and a belief system rooted in the values of Confucius and Mencius. This system of beliefs was intended to achieve the willing submission of its people through subtle cultural and spiritual influence. Similarly, the American ideology promotes freedom, democracy, human rights, constitutional government, the rule of law, free markets, free competition, free trade, and the sanctity of private property. These universal values are so powerful that they have been adopted by almost everyone in the world. It is the very combination of hard and soft power that has brought the United States such tremendous success. Since the end of WWII, the US has managed to avoid another world war, and, for

the most part, has kept the peace in the world. On top of that, she has also created the largest global market in human history. Since the end of the Cold War, this market has been open to everyone around the world, giving everyone the opportunity to create wealth like never before. At the same time, science and technology have been advancing by leaps and bounds. Instant messaging and the Internet are connecting almost everyone around the globe. Mankind has achieved unprecedented progress in areas such as education, gender and racial equality, the alleviation of poverty, and human rights. Average life expectancy has increased significantly. What we are left with since the end of colonialism is a world of almost all independent autonomous countries. We have seen a significant reduction in war-related deaths and violence. It is fair to say, by all measures, the 70 years since the end of WWII, especially the 30 years since the end of the Cold War, have been the best times in the history of mankind. The deeply revered US ideologies and "The American Dream" have been spreading all around the world, and winning the hearts and minds of peoples everywhere. American culture and American brands increasingly become global culture and global brands.

However, one must recognize that ideology and power are inherently different. In China, for example, the question of a “belief system” (道统 Confucius orthodoxy) versus a “political system” (政统 political orthodoxy) has been debated throughout the ages. The former refers to Confucius ideology, whereas the latter refers to the powers of the imperial ruler. These have always been distinct concepts. A similar distinction also holds true in the American context. Ideologically, the United States advocates that all men are created equal and are all entitled to universal human rights. A closer look, however, shows inconsistencies in the way it conducts domestic and foreign policy, and inconsistencies in the way it treats different countries and their peoples. Its stance in international relations often does not square with what it advocates at home. This is especially true for countries, for whatever reason, find themselves on the opposite side of an issue. Two examples come to mind – Cuba and North Korea. The United States has completely excluded both of them from the global market. The case of Cuba is particularly telling. Cuba has diplomatic ties with many countries but not with the US (limited ties restored in 2015). Because of the American embargo, Cuba has not had access to the global market and has remained a poor developing country. The United States can also take former allies who become enemies, such as Iran, and kick them to the sidelines through sanctions. Since the collapse of the former Soviet Union, Eastern Europe has been invited and welcomed into this global market because of political democratization, whereas Russia has been marginalized since Putin came to power. China is actually a special case. It has not undertaken any reforms in its political institutions and is still governed by a completely different political system from that of the US; yet China has been more or less fully integrated into the American-led global market. Today, however, the different schools of thought in the US are coming together on China policy, agreeing that the existing WTO rules as we know them are no longer effective, given the current realities in China.

One of US economic hard powers is the US Dollar as the default currency of global trade, finance, and settlement. So, in theory, the United States can track each and every cross-

border transaction in the world, whether it is in goods, services or investment. In that sense, all the international business flows of all banks everywhere is somewhat under American supervision. This is why American sanctions are so effective, as evidenced by the developments following Trump's announcement of America's unilateral withdrawal from the Iran nuclear deal. ZTE and Huawei, two Chinese companies, have also fallen victim to American sanctions.

America's hard powers also includes its global network of military bases, the sheer size of its economy, its huge domestic market, its open investment climate, its competitive tech sector, and its world-class universities. So, whenever a global financial crisis strikes, investors around the world will flock to the safe havens of the US Dollar and American assets. This remains true even after what happened in the 2008 crisis.

The United States has always acted decisively whenever it was necessary for it to use its military or economic hard power, as demonstrated by the two Iraq wars and the quantitative easing measures during the 2008 crisis. The latter is a typical example of the US tapping into international capital to bail out a domestic market in crisis. The US has effectively put all the countries in today's global market into three concentric circles, according to how close they are to itself. There is the inner circle with most of the WTO members; then there is the periphery for limited-access participants; and finally there is the outer circle for countries under comprehensive sanctions. **Today's global market is dominated and governed by the American Order.** In *"Li Lu on Discussion of Modernization"*, I argued that **the ironclad rule of Modern Sci-tech Civilization is that the biggest market will eventually become the only market that matters.** Other stand-alone markets will be relatively inefficient and unable to compete; so the American-led market is the only one that matters. Therefore, access to this market determines which countries will prosper and which countries will live in poverty. The US holds that key.

In his memoirs, LI Zhenzhi (李慎之 1923-2003, counselor and translator to Chinese leaders) recounts what DENG Xiaoping said about Sino-US relations while en-route on a visit to the US. It was DENG's first official visit to the United States after his return to power. DENG said the reason for attaching such great importance to the relations was based on his observation that in the postwar era, countries who aligned themselves with the US had all become rich, whereas those who sided with the Soviet Union had stayed poor. This observation is still relevant today and is an accurate description of the present global order.

Naturally, the United States relies mostly on soft power to keep the American Order in times of strength and confidence. But peeling away layers of soft power, one can still find the kernel of hard power. Whenever the US becomes less confident, it dispenses with the niceties of soft power, and unabashedly resorts to hard power. Those on the receiving end of American hard power are likely to conclude that while the US implements democracy at home,

internationally it resorts to hegemony. **As the creator of the American Order, its prerogatives include market access, market denial, and selective sanctions and penalties. These special privileges are constituent elements of American hard power.**

Since Trump took office, a lot of what we have seen is actually the casting aside of traditional ideology in favor of such hard power. The power Trump has exercised is the power the US has always had. If, once upon a time, there had been a Chinese emperor who ceased to follow Confucian values, and stopped being benevolent, just and magnanimous, that emperor may have later gone down in history as a tyrant; but no one would have been able to do much about it while he was still in power. By the same analogy, America's trading partners all initially protested against Trump's unreasonable trade policies; but within a very short period of time, almost all the countries, except for China, capitulated and signed new agreements that were more favorable to the US. So, the election of Trump has revealed the true nature of American hard power in the context of the American Order.

6. *Sino-US Relations under the American Order*

China's integration into the global market is a modern phenomenon, as China had minimal international trade before 1840 during the Qing Dynasty. The Opium Wars ended China's isolation and eventually forced China into a quasi-colonial trading entity in a global system led by the European powers. With the establishment of People's Republic of China (PRC) in 1949, modern China under the MAO era had a centralized political system, a planned economy, and an independent foreign policy characterized by confrontation with both the US and the Soviet Union. This isolationist policy cut her off from both American-dominated and Soviet-dominated markets. Fast forward to the DENG era, when China implemented a series of market reforms and open door policies. Economically, China moved towards a market-based economy. Politically, her citizenry and society enjoyed more freedom and rights, as long as the rule of the Communist Party was not challenged. Individuals, the society at large, and private companies were given considerably more freedom. On the foreign policy front, China normalized diplomatic relations with the United States, and joined the WTO after successful conclusion of trade negotiations with the US. China's WTO membership marked her final integration into the American-led global market and signified her full membership in the American Order. China was careful to play by the rules of the American Order and keep a low profile; she set about to quietly amass wealth. The result was an economic miracle.

But recent years have seen a change in strategy. With China rising rapidly, areas of incompatibility between China and the US have become increasingly pronounced. In the global arena, China has presented a challenge to American dominance, and conflicts have arisen. On the economic stage, a China-led system of international institutions has been established and often without the participation of the United States. China has also pursued the militarization of the South China Sea. The US economy accounts for 25% of the global

GDP, but it bears the lion's share of military costs associated with the maintenance of the global market. From the American perspective, China's share of global GDP is 15%, but her share of the cost is de minimis, making her a free rider. And to make matters worse, as bilateral frictions mount, the cost of maintaining the American Order has only gone up. To the US, China is becoming more and more like Russia.

In the United States there are four schools of thought on China policy. Till recently, the mainstream school of thought was that of engagement. Its proponents argued that China's market reforms were good for the United States and the international community as a whole, since they believed that economic liberalization would spill over into politics and lead to political democratization, and that China would gradually become more and more like the US. They put their faith in American soft power, believing that the US would exert a subtle influence on China. On the opposite side were the China hawks that supported the school of containment, who argued that the ideologies of the two would never be compatible as long as China remained under the totalitarian rule of the Communist Party. They believed that, as her economic power grew, China's threat level would go from mere adversary to potential enemy. One can see that people from both camps carry a certain amount of missionary zeal that is the hallmark of American tradition. The third school was the school of pragmatism, particularly popular in the business community. The rationale behind this approach was that China's rise has created many business opportunities for American companies. In addition, both were big nuclear states, and should stay friendly. Furthermore, closer economic ties could win China's cooperation and support in addressing global challenges such as global financial crises, nuclear nonproliferation, climate change and counterterrorism. The fourth group was the populists, who came mostly from the lower and middle classes and helped elect Trump. Supporters of populist policy viewed themselves as primarily victims of globalization and the rise of China, citing the ills of unemployment and the hollowing-out of American manufacturing.

The four schools have always had divergent views. But in recent years, in light of all the developments in China, there has been a gradual convergence. There is a growing consensus that granting China WTO membership was a mistake and that China's economic rise is the biggest challenge to the American Order. Abandoning the illusion of China's economic rise will lead to political change, those in the school of engagement are moving closer to the hawks, and closer to the view that China's economic rise will turn China from rival to foe. The populists blame China for everything that is wrong with America, from the widening income gap to the stagnation of the middle class. The pragmatists who used to be staunch supporters of China's integration into the global trading system are now having a change of heart and view China with increasing hostility. The reasons are many – China's restrictive policies toward foreign companies and private companies; mandatory technology transfers; the requirement that companies operating in China set up Communist Party cells; and monopolization or market-dominance by the SOEs (state-owned enterprises). It is not

surprising that by the time Trump started a trade war, there were few China sympathizers left. Indeed, the US has always had few true China experts. People with “empathetic understanding” who take a long-term, holistic and objective view on China, are few and far between. By contrast, China has far more people with deeper understanding of the United States.

Whatever the case may be, the reality of Sino-US relations is that today the American perception of China is approaching its perception of Russia. The US and Russia enjoyed a short honeymoon period following the end of the Cold War. But since Putin has been in power, Russia has emerged yet again as an adversary and potential enemy of the West. Though Russia is a member of the global market, it has remained on the periphery and not in the inner circle. This is due to a series of international sanctions, especially those imposed after the Russian annexation of Crimea several years ago. The Russian economy is heavily reliant on energy and natural resources. Its development has fallen behind in nearly all areas except for the military. And its population is on the decline. It is conceivable that Russia will likely lose its major power status twenty years from now. But China is a different story. More people in the US now views China as potentially the next Russia. This is evident from the broad-based support Trump's trade war has received. Political and business elites from both political parties and even average Americans have more or less arrived at a consensus on this issue. The hawks have even gone so far as to advocate kicking China out of WTO, or set up a new WTO without China and negotiating separate trade deals with China. This is the current context in which we find Sino-US relations under the American Order.

In a span of 20 to 30 years, China has worked her way into the inner circle of the global market. In that process, China's share of global GDP has risen to 15%. If the US were to really implement the decoupling policy being pushed by the hawks, it would be met with a great deal of pushback, and it would incur such huge economic losses that it might even take the US and the world into a prolonged recession. To implement and sustain the decoupling policy, the hawks would need “cooperation” from China to bring about a calculated escalation of bilateral tensions. To a great extent, the recent encirclement of Huawei can be explained in this context. Huawei is specifically being targeted because it is the poster child of China's tech development, and one of the most respected companies in China. But its products and technologies do fall into one of the most security sensitive industries. It is fair to say this is one high-tech area where China convincingly leads the US and the world, and that tends to provoke a sense of unease in many countries because of security concerns. It is very easy for the US to engage in fear mongering, provoke China into over-reacting, and quickly take the situation from bad, to worse, to worst. If and only if Sino-US relations become hostile or devolve into a quasi-war-like state, will the public be able to overlook the high price of the economic losses and schisms caused by China's withdrawal from the global market system. Or, other bilateral issues such as Taiwan, Hong Kong, Tibet, and the South China Sea could end up being the fuse that lights up a Sino-US conflict.

China's wisdom in coping with the current situation is really being put to the test. What are the policy options? What does the trajectory for future development look like? I am of the view that as long as achieving Modern Sci-tech Civilization remains her key objective, China has rather limited options.

First of all, China should avoid making fatal mistakes. One such grave error would be to become an unwitting "collaborator" with the US policy hawks, engaging the US in tit-for-tat, and acting like Russia as the disruptor of the American Order. If this is the case, the outcome would be very predictable. The hawks would quickly unite American mainstream forces and push the economic decoupling strategy. Decoupling would first be taken to the rest of the Five Eyes countries (the UK, Canada, Australia and New Zealand). Europe and Japan would join in, and would soon be followed by the rest of the world. China will be pushed from the inner circle to the peripheral one, where Russia sits now. Though definitely doable, the process would take a huge short-term toll on the global economy, but could yield some long-term benefits for the US. Take for example the case of Huawei. If Huawei were to be completely excluded from the major markets, then 5G technologies in these markets would have a temporary lag vis-a-vis China and the smaller countries cooperating with China. But this also means Huawei could only innovate and operate in a much smaller market. Compared to Huawei, telecom equipment makers of the West would grow faster in freer and larger markets. Sooner or later they would catch up with Huawei. It is conceivable that they could be offering more advanced technologies than Huawei in 5, 10, or 20 years. By then, it would be very difficult for Huawei to maintain its lead. By the same analysis, if China were to leave the global market willingly or reluctantly, becoming isolated, she might be self-reliant for a considerable amount of time. But over time, smaller markets would be overtaken and overrun by larger ones. If so, the Chinese economy would continue to contract in a downward spiral, while the global market would continue to expand in an upward swing.

The second possible fatal mistake would be to take the existing policies to the extreme, and let populist principles guide economic policies. The government would put more restrictions on foreign companies, or even exclude them from the domestic market. SOEs would exercise greater control over the economy. In choosing technologies, domestic Chinese companies would always be picked as winners. China would experience another episode of isolationism, or a so-called self-reliance movement. If so, China will backslide towards nationalism from globalization, without actually leaving the international market. It is foreseeable that this policy option may delay the inevitable for some time, but eventually it would set the China model (State capitalism with Chinese characteristics) on a collision course with the American model (free market capitalism). The outcome will be lose-lose or mutually assured destruction.

Humans have lived in Agrarian Civilization for several thousand years, while Modern Sci-tech Civilization only emerged some 200 years ago, and the American Order of the modern era has an even shorter history of barely seven decades. Human beings are still hard-wired to the old mental model of Agrarian Civilization, and stuck on yesterday's political objectives even today. In Agrarian Civilization, land was critically important. Most legendary figures in Chinese imperial history achieved their status by defending existing territories, conquering new territories, and contributing to the welfare of the future generations. But conflicts and wars in the past 500 years have made it very clear that Modern Sci-tech Civilization has different standards from the previous era in judging a leader's legacy. Things that were once thought to go down in history with eternal glory may now be judged to be the exact opposite. This is why I have made a special point to draw the distinction between Agrarian Civilization and Modern Sci-tech Civilization, reminding us of the blind spot when we apply the old mental models to our understanding of current events.

Today, some people in China hold the view that Chinese economy has become too big to hide, and DENG's strategy of "coolly observe, calmly deal with things, hold your position, hide your capacities, bide your time, and accomplish things where possible" will no longer work. They believe that the US will no longer stand by and allow the Chinese economy to continue to grow. At the same time, they argue that the Chinese political system won't change, which means conflicts with the US are inevitable, and the two countries are destined for war in the future. It follows that the best policy option, given all that, is to take advantage of the current situation, and establish a China-led international trading system, with a view to competing with and eventually replacing the American-led system. This view misreads and misjudges both the American Order and China's powers home and abroad.

Economically, under the American Order, there is a free, competitive global market that provides a level playing field for every member of the WTO. Since the end of WWII, Germany and Japan, both erstwhile enemies of the United States, have developed into major economies accounting for 5% and 6% of the world's GDP respectively. Since the reforms and open door policy, China's share of the global GDP has risen from 1.75% to 15%. The American Order has made all this possible. But the US has seen its share of global GDP drop from about 50% at the end of WWII to 25% today, while shouldering most of the costs in maintaining the smooth operations of this global market. So, generally speaking, the American Order has been basically generous and fair. No WTO member really wants to leave the trading system. As long as China abides by its rules, there is still plenty of room for growth. At present, the United States still has the most dynamic economy in the world, and it remains confident about its competitiveness.

To challenge the existing world order, a nation not only has to be strong at home, but more importantly needs a set of ideologies that is widely accepted by the global community.

Judging by how well the “China Dream” has been received by the Chinese people, China is not quite there yet, and doesn’t have the necessary soft power.

Politically, under the American Order, every nation has free rein to develop as it wishes. The American Order is mainly preoccupied with the rules of access to and exit from the global market. It doesn’t wield much power over other nations’ political choices. The UN Charter states “the Organization is based on the principle of sovereign equality of all its Members”. So in fact, under the American Order, different political systems may develop, provided that they do not directly challenge America’s superpower status. The rapid growth of China’s share of global GDP (from less than 2% to 15%) is proof of this. Indeed, there is plenty of room for sustained growth.

In Modern Sci-tech Civilization, economic development is not necessarily tied to a certain political structure. As a nation’s economy develops, its political system also evolves. In the early stages of economic development, almost all nations have a relatively centralized political system. Even those who chose democracy chose a republic form of constitutional democracy. For example, at the time of industrial revolution, Britain was a constitutional monarchy. In order to establish a global market, it relied on colonial expansion. Those were times of bloody politics. During the early stages of America’s economic development, less than 10% of American citizens even had the right to vote. The US was not a colonial power, but it was the largest country to have slavery at that time. Japan, Germany, and other countries chose even more destructive paths, such as fascism and foreign aggression at the early stages in their development. The good news is with economic development and improving living standards, major western countries have gradually embarked on a path to constitutionalism, democracy, human rights and freedom. This process of political evolution is the effect rather than the cause of economic development in the era of Modern Sci-tech Civilization. For this reason, the US has not placed any hard-and-fast rules on the political system of developing countries, respecting the sovereignty of all individual nations. All members are equal at the United Nations, and there is no inherent discrimination against China. If China can seize this opportunity, playing by and not challenging the global market rules of the American Order, the potential for economic growth is still huge, and the “Thucydides Trap” can be avoided.

Based on this analysis, the appropriate policy option is to stay on the course charted by DENG. In building a new model for relations between major countries, China must try to escape the "Thucydides Trap" by avoiding directly challenging the US, by respecting the US as the superpower of Modern Sci-tech Civilization, and by playing by the rules. Economically, China should continue her market liberalization efforts, promoting a more market-oriented and open economy, carry out SOE reforms (move from managing assets to managing capital), and driving domestic demand, so that China can make due contributions to the global economy. Internationally, China should bear the cost of

maintaining the global market commensurate with her 15% share of global GDP, by supporting American-led international organizations. In this regard, China's response to the 2008-09 global financial crisis was exemplary. Domestically, China introduced a stimulus package (worth 4 Trillion RMB, or 600 Billion USD), implemented a series of stimulus measures, and contributed to half of the world's economic growth in 2008. Internationally, China purchased hundreds of billions of US treasuries in support of US monetary policy. Joining the American initiative to set up the G20, China and other major economies introduced coordinated monetary and fiscal policies, stemmed the spread of the financial crisis, and averted the repeat of the Great Depression of the 1930s. During the crisis, China acted as a responsible stakeholder and was lauded by the international community.

The American Order itself is also a work in progress. Economically and militarily, the order is strong. The latter is enforced through some selective military alliances, such as NATO, US-Japan, US-South Korea and other security alliances, as well as military bases across the globe. Politically, the order mainly relies on soft power. The UN respects the sovereign equality of its members and recognizes the sovereignty, freedom, and equality of each nation. Even when a nation is subject to economic sanctions, it is still politically independent. The arrangements between the US and its allies (including European countries, Five-Eye countries, Japan, South Korea and others) are somewhat similar to a loose confederation. The European Union is a more mature confederate system. In the long run, the ironclad rule of Modern Sci-tech Civilization is that the largest market will eventually become the only market. Even countries such as Iran, North Korea and ISIS, which are excluded from this market, and may reject American values, still have to kowtow to the US Dollar. If a single global market is inevitable, then all countries will converge politically. It is conceivable that countries will grow tighter politically in the coming decades or centuries. Today's global challenges will make this eventuality more likely.

Global challenges, such as climate change, have no national borders and require a global response. It is especially true that rapidly developing countries need to take action. To convince other nations of her world leadership, China must step up to the plate and act responsibly. The rapid development of science and technology presents new challenges to the current economic order, including the impact of artificial intelligence on employment, gene editing, biotechnology and the IT revolution. China could help address these common challenges. In addition, there is the threat of nuclear weapons. No country can tolerate the risk of a nuclear war, but one might ensue as a result of rivalry among major powers. All these challenges provide China with plenty of space to develop within the bounds of the existing global system. On the contrary, if China were to change it forcibly and try to displace the US as the superpower, the consequences would almost certainly be catastrophic.

Presently, China has many problems of her own, dealing simultaneously with the middle-income trap at home, and the Thucydides Trap abroad. To solve the domestic problems,

China must continue to grow its economy. If the problems are handled properly, then they will just be part of her growing pains. If not, they may morph into something entirely different and lead China right into the middle-income trap. To escape this trap and grow into an advanced economy, China is absolutely dependent on the American-led global market under the American Order.

Broadly speaking, we still live under the American Order, one that is still evolving, and hasn't yet arrived at its final destination. Socio-political systems and economic development of China and many other countries in the world are still at the transitional stage of Civilization 2.5 (between Agrarian Civilization and Modern Sci-tech Civilization). In this sense, "history has not ended". A highly unified market will also bring countries and peoples closer socially and politically. As to what final form it may take – confederation or federation, loose or tightly-structured – it is hard to predict. Nevertheless, the existing socio-political structures are the products of Agrarian Civilization, and it is not clear whether they will be applicable to Modern Sci-tech Civilization. Whatever the case may be, each country has the flexibility to design and build its own political system.

China, having built the best political structure for Agrarian Civilization, arguably was the first country to have achieved equitable distribution of political power until then. It behooves China to keep this political tradition when transitioning to Modern Sci-tech Civilization. The United States, having created the global order in Modern Sci-tech Civilization, stands at its pinnacle. China, building on her own experiences and learning from American experiences, must strive to achieve the following three key objectives – avoiding the Thucydides Trap, escaping the middle-income trap, and shouldering her proportional share of the cost of maintaining the global market. The ultimate goal of these endeavors is to realize the comprehensive modernization of China.