This article is carefully reviewed by Alasdair MacLeod in his America’s financial war strategy dated April 20, 2017.

[**PLA Strategist: The U.S. Uses Its Dollar to Dominate the World**](http://chinascope.org/archives/6458)

[**Editor’s Note:** In April, Qiao Liang, a People’s Liberation Army (PLA) Major-General, gave a speech at a book study forum of the Chinese Communist Party’s (CCP’s) Central Committee and government office. Qiao is the PLA strategist who co-authored the book, “Unrestricted War.”

In his speech, Qiao explained that he has been studying finance theories and concluded that the U.S. enforces the dollar as the global currency to preserve its hegemony over the world. The U.S. will try everything, including war, to maintain the dollar’s dominance in global trading. He also discussed China’s strategy, to rise as a super power, amid the U.S.’s containment.

The following are excerpts from his speech.] [1]

**I. The Situation Surrounding China and the Secret of the U.S. Dollar Index Cycle**

**A. The First Financial Empire in History**

People working on economics or in the finance field are probably more suited to talk about this topic. I will discuss this topic from the [national] strategy angle.

On August 15, 1971, when the U.S. dollar stopped being pegged to gold, the dollar ship threw away its anchor, which was gold.

Let’s take a step back. In July 1944, to help the U.S. to take over the currency hegemony from the British Empire, President Roosevelt pushed for three world systems: the political system – the United Nations; the trade system – the General Agreement on Tariffs and Trade (GATT), which later became the World Trade Organization (WTO); and the currency financial system – the Bretton Woods system.

The Americans’ desire was to establish the U.S. dollar’s hegemony over the world via the Bretton Woods system. However, from 1944 to 1971, the dollar didn’t gain that power. What blocked the dollar? It was gold.

When the Bretton Woods system was set up, the U.S. promised the world that the U.S. dollar would be pegged to gold while every other country’s currency could peg to the dollar. One ounce of gold was fixed at US$35. With this promise, the U.S. couldn’t do anything according to its own will. In other words, the Americans couldn’t print an unlimited number of dollars. Whenever it printed a dollar bill, it had to add one additional ounce of gold into its treasury as a reserve.

The U.S. made that promise to the world because it held eighty percent of the world’s gold reserve at that time. The Americans thought that, with that much gold in hand, it was enough to support the U.S. dollar’s creditability.

However, it was not that simple. The U.S. stupidly got involved in the Korean War and the Vietnam War, which cost it dearly. The Vietnam War especially cost US$800 billion. The cost became so much that the U.S. couldn’t bear it. Based on the U.S.’s promise, every time it spent US$35, it meant a loss of one ounce of gold.

By August 1971, the Americans had about 8,800 tons of gold left. They knew they were in trouble. Other people continued creating new trouble for them. For example, French President De Gaulle didn’t trust the U.S. dollar. He asked the French Finance Minister and Central Bank President and was told that France had about US$2.3 billion dollars in reserve. He told them to sell all of that for gold. Some other countries followed suit.

Thus, on August 15, 1971, then U.S. President Nixon announced that the U.S. stopped pegging the dollar to gold. It was the beginning of the collapse of the Bretton Woods system, and also a way in which the Americans cheated the world. However, the world didn’t realize it.

People trusted the U.S. dollar because it was supported by gold. The U.S. dollar had been the international currency, the settlement currency, and the reserve currency for over 20 years. People were used to the dollar. When the U.S. dollar suddenly lost its tie to gold, it then, in theory, became a pure piece of green paper. Why did people still use it?

In theory people could stop using it., Bbut in practice what would people use for international settlement? Currency is a measure of value. If people stopped using the U.S. dollar, was there any other currency they trusted?

Thus, the Americans took advantage of people’s inertia and forced the Organization of the Petroleum Exporting Countries (OPEC) to accept the U.S. condition that the world’s oil trade must settle in U.S. dollars. Previously, oil trades were settled in any international currency, but, since October 1973, settlement was limited to the U.S. dollar only.

After unpegging from precious metal, the Americans linked their dollar to oil. Why? The Americans were very clear: people might dislike the U.S. dollar, but they could not live without energy. Every country needed development and thus needed to consume energy. In this way, the need for oil translated into the need for the U.S. dollar. For the U.S., this was a very smart move.

Not many people had a clear understanding of this at the time. People, including economists and financial experts, didn’t realize that the most important thing in the 20th century was not World War I, World War II, or the disintegration of the USSR, but rather the August 15, 1971, disconnection between the U.S. dollar and gold.

Since that day, a true financial empire has emerged, the U.S. dollar’s hegemony has been established, and we have entered a true paper currency era. There is no precious metal behind the U.S. dollar. The government’s credit is the sole support for the U.S. dollar. The U.S. makes a profit from the whole world. This means that the Americans can obtain material wealth from the world by printing a piece of green paper.

This has never happened in the world before. Throughout mankind’s history there have been many ways for people to obtain wealth: an exchange with currency, gold, or silver, or using war to grab things (however, war is very costly). When the U.S. dollar became just a piece of green paper, the cost for the U.S. to make money became extremely low.

Without the restriction of gold, the U.S. can print dollars at will. If they keep a large amount of dollars inside the U.S., it will certainly create inflation. If they export dollars to the world, the whole world is helping the U.S. to deal with its inflation. That’s why inflation is not that high in the U.S.

However, once the U.S. exports its dollar to the world, it doesn’t have much money. If it continues to print money, the U.S. dollar will keep devaluating, which is not good for the Americans. Therefore, the U.S. Federal Reserve is not, as some people have imagined, a central bank that prints money irresponsibly. The Federal Reserve knows what “restriction” means. From its establishment in 1913 through 2013, the Federal Reserve only printed US$10 trillion.

This may lead people to criticize China’s Central Bank, which has printed 120 trillion yuan (around US$20 trillion using an exchange rate of 6.2 yuan per dollar) since 1954. Actually this does not mean China is printing money without any restriction either. Since its opening up, China has earned a lot of U.S. dollars and also a large amount of dollars has flown into China as investments.

China’s foreign currency control prevents the U.S. dollar from circulating in China. When the U.S. dollar comes, for circulation in China, China’s Central Bank has to print a corresponding amount of renminbi instead.

However, a foreign investor can withdraw its money out of China after making money. Also we need to spend our foreign reserves to buy energy, products, and technology. As a result, a large amount of U.S. dollars has flown out of China, but a corresponding amount of renminbi has stayed in China. You can’t destroy those renminbi, so China ends up with more renminbi than its foreign reserve.

China’s Central Bank admitted that it overprinted 20 billion yuan. This huge amount all stayed in China. This is a topic that I will discuss later – why we should make the renminbi an international currency.

**B. The Relationship between the U.S. Dollar Index Cycle and the Global Economy**

The U.S. avoided high inflation by letting the dollar circulate globally. It also needs to restrain the printing of dollars to avoid a dollar devaluation. Then what should it do when it runs out of dollars?

The Americans came up with a solution: issuing debt to bring the dollar back to the U.S. The Americans started to play a game of printing money with one hand and borrowing money with the other hand. Printing money can make money. Borrowing money can also make money. This financial economy (using money to make money) is much easier than the real (industry-based) economy. Why will it bother with manufacturing industries that have only low value-adding capabilities?

Since August 15, 1971, the U.S. has gradually stopped its real economy and moved into a virtual economy. It has become an “empty” economy state. Today’s U.S. Gross Domestic Product (GDP) has reached US$18 trillion, but only $5 trillion is from the real economy.

By issuing debt, the U.S. brings a large amount of dollars from overseas back to the U.S.’s three big markets: the commodity market, the Treasury Bills market, and the stock market. The U.S. repeats this cycle to make money: printing money, exporting money overseas, and bringing money back. The U.S. has thus become a financial empire.

Many people think that imperialism stopped after the U.K. became weak. Actually, the U.S. has conducted a hidden imperialism through the U.S. dollar and has made other countries its financial colony. Today, many countries, including China, have their own sovereignty, Constitution, and government, but they are dependent on the U.S. dollar. Their products are measured in dollars and they have to hand over their material wealth to the U.S. in exchange for the U.S. dollar.

This can be seen clearly in the cycle of the U.S. dollar index over the past 40 years. Since 1971, when the U.S. started to print money freely, the U.S. dollar index has been dropping in value. For ten years, the index has kept going down, indicating that it was overprinted.

Actually, it was not necessarily a bad thing for the world when the U.S. dollar index went down. It meant an increase in the supply of dollars and a large outflow of dollars to other countries. A lot of U.S. dollars went to Latin America. This investment created the economic boom in Latin America in the 1970s.

In 1979, after flooding the world with U.S. dollars for nearly 10 years, the Americans decided to reverse the process. The U.S. dollar index started climbing in 1979. Dollars flew back to the U.S. and other regions received fewer dollars. Latin America’s economy boomed due to an ample supply of dollar investment, but this suddenly stopped as its investments dried up.

The Latin American countries tried to save themselves.

Argentina, which once had its per capita GDP among the ranks of the developed countries, was then the first to drop into a recession. Unfortunately, then Argentine President Galtieri, who came to power through a military coup, chose to use a war to solve the problem. He turned his eyes toward the Malvinas Islands (which the British called the Falkland Islands), which are 400 miles away from Argentina. These islands had been under British rule for over 100 years. Galtieri decided to take them back.

Of course, he couldn’t take on a war without the U.S.’s blessing. He sent an intermediary to inquire about the U.S.’s opinion. U.S. President Reagan answered it lightly: it was between you and the U.K.; the U.S. had no position and would stay neutral. Galtieri took it as acquiescence by the U.S. He started the war and took over the islands with ease. The Argentinians were crazy.

However, then U.K. Prime Minister Margaret Thatcher claimed that they would absolutely not accept it and forced the U.S. to speak out. Reagan tore off his neutral mask, issuing a statement to blame Argentina for the invasion and to stand by the U.K. The British dispatched a task force with an aircraft carrier, travelling 8,000 miles, to take the Malvinas Islands back.

At the same time, the U.S. dollar appreciated and international capital flew back to the U.S. just as the U.S. wished. When the Malvinas Islands War started, investors around the world concluded that a regional crisis had started in Latin America and the Latin American investment environment would deteriorate. So investors withdrew their capital from there. The Federal Reserve, at the same time, announced an increase in interest rates, which further accelerated the withdrawal of capital from Latin America.

The Latin American economy dropped to the bottom. The capital leaving there went to the U.S.’s three big markets. It gave the U.S. the first bull market since the dollar had been unpegged from gold. The U.S. dollar index jumped from 60 to 120, a 100 percent increase.

The Americans didn’t stop after making big money from their bull market. Some took the money they just made and went back to Latin America to buy the good assets whose prices had just fallen to the ground. The U.S. harvested handsomely from Latin America’s economy.

If this had happened only once, it could be argued as a small probability event. As it has occurred repeatedly, it indicates an intended pattern.

In 1986, after the first “ten years of a weak U.S. dollar following six years of a strong dollar,” the U.S. dollar index started to decline again. Ten years later, in 1997, the dollar index started climbing. This time, the strong dollar also lasted for six years.

During the second ten-year weak U.S. dollar cycle, U.S. dollars went mainly to Asia. What was the hottest investment concept in 1980s? It was the “Asian Tigers.” Many people thought it was due to Asians’ hard work and how smart they were. Actually the big reason was the ample investment of U.S. dollars.

When the Asian economy started to prosper, the Americans felt it was time to harvest. Thus, in 1997, after ten years of a weak dollar, the Americans reduced the money supply to Asia and created a strong dollar. Many Asian companies and industries faced an insufficient money supply. The area showed signs of being on the verge of a recession and a financial crisis.

A last straw was needed to break the camel’s back. What was that straw? It was a regional crisis. Should there be a war like the Argentines had? Not necessarily. War is not the only way to create a regional crisis.

Thus we saw that a financial investor called “Soros” took his Quantum Fund, as well as over one hundred other hedge funds in the world, and started a wolf attack on Asia’s weakest economy, Thailand. They attacked Thailand’s currency Thai Baht for a week. This created the Baht crisis. Then it spread south to Malaysia, Singapore, Indonesia, and the Philippines. Then it moved north to Taiwan, Hong Kong, Japan, South Korea, and even Russia. Thus the East Asia financial crisis fully exploded.

The camel fell to the ground. The world’s investors concluded that the Asian investment environment had gone south and withdrew their money. The U.S. Federal Reserve promptly blew the horn and increased the dollar’s interest rate. The capital coming out of Asia flew to the U.S.’s three big markets, creating the second big bull market in the U.S.

When the Americans made ample money, they followed the same approach they did in Latin America: they took the money that they made from the Asian financial crisis back to Asia to buy Asia’s good assets which, by then, were at their bottom price. The Asian economy had no capacity to fight back.

The only lucky survivor in this crisis was China.

**C. Now, It Is Time to Harvest China**

It was as precise as the tide; the U.S. dollar was strong for six years. Then, in 2002, it started getting weak. Following the same pattern, it stayed weak for ten years. In 2012, the Americans started to prepare to make it strong. They used the same approach: create a regional crisis for other people.

Therefore, we saw that several events happened in relation to China: the Cheonan sinking event, the dispute over the Senkaku Islands (Diaoyu Islands in Chinese), and the dispute over Scarborough Shoal (the Huangyan Island in Chinese). All these happened during this period. The conflict between China and the Philippians over Huangyan Island and the conflict between China and Japan over the Diaoyu Islands, might not appear to have much to do with the U.S. dollar index, but was it really that case? Why did it happen exactly in the tenth year of the U.S. dollar being weak?

Unfortunately, the U.S. played with too much fire [in its own mortgage market] earlier and got itself into a financial crisis in 2008. This delayed the timing of the U.S. dollar’s hike a bit.

If we acknowledge that there is a U.S. dollar index cycle and the Americans use this cycle to harvest from other countries, then we can conclude that it was time for the Americans to harvest China. Why? Because China had obtained the largest amount of investment from the world. The size of China’s economy was no longer the size of a single county; it was even bigger than the whole of Latin America and about the same size as East Asia’s economy.

Since the Diaoyu Islands conflict and the Huangyan Island conflict, incidents have kept popping up around China, including the confrontation over China’s 981 oil rigs with Vietnam and Hong Kong’s “Occupy Central” event. Can they still be viewed as simply accidental?

I accompanied General Liu Yazhou, the Political Commissar of the National Defense University, to visit Hong Kong in May 2014. At that time, we heard that the “Occupy Central” movement was being planned and could take place by end of the month. However, it didn’t happen in May, June, July, or August.

What happened? What were they waiting for?

Let’s look at another time table: the U.S. Federal Reserve’s exit from the Quantitative Easing (QE) policy. The U.S. said it would stop QE at the beginning of 2014. But it stayed with the QE policy in April, May, June, July, and August. As long as it was in QE, it kept overprinting dollars and the dollar‘s price couldn’t go up. Thus, Hong Kong’s “Occupy Central” should not happen either.

At the end of September, the Federal Reserve announced the U.S. would exist from QE. The dollar started going up. Then Hong Kong’s “Occupy Central” broke out in early October.

Actually, the Diaoyu Islands, Huangyan Island, the 981 rigs, and Hong Kong’s “Occupy Central” movement were all bombs. The successful explosion of any one of them would lead to a regional crisis or a worsened investment environment around China. That would force the withdrawal of a large amount of investment from this region, which would then return to the U.S.

Unfortunately, this time the American’s opponent was China. China used “Tai chi” movements to cool down each crisis. As of today, the last straw to break the camel’s back has yet to occur and the Camel is still standing.

The camel didn’t break. Therefore, the Federal Reserve couldn’t blow its horn to increase the interest rate, either. The Americans realized that it was hard for them to harvest China, so they looked for an alternative.

Where else did they target? Ukraine, the connection between the EU and Russia. Of course there were some problems under Ukraine President Yanukovych’s administration, but the reason that the Americans picked it was not simply because of his problem. They had three goals: teach a lesson to Yanukovych who didn’t listen to the U.S., prevent the EU from getting too close to Russia, and create a bad investment environment in Europe.

Thus, a “color revolution,” took place, which the Ukrainians themselves appeared to have led. The U.S. achieved its goal unexpectedly: Russian President Putin took over Crimea. Though the Americans did not plan it, it gave the Americans better reasons to pressure the EU and Japan to join the U.S. in sanctioning Russia, adding more pressure to the EU’s economy.

Why did the Americans do this? People tend to analyze it from the geo-political angle, but rarely the capital angle. After the Ukraine crisis, statistics showed over US$1 trillion in capital left Europe. The U.S. got what it wanted: if it couldn’t get dollars out of China, it would get dollars out of Europe.

However, the next step didn’t occur as the Americans planned. The capital out of Europe didn’t go to the U.S. Instead, it went to Hong Kong.

One reason was that the global investors preferred China, which claimed the world’s number one economic growth rate, despite the fact that its economy started to cool down. The other reason was that China announced that it would implement the Shanghai-Hong Kong Stock Connect. Investors over the world wanted to get a handsome return through the Shanghai-Hong Kong Stock Connect.

In the past, Western capital was cautious about entering China’s stock market. A key reason was China’s strict foreign currency control: you can come in freely but you can’t get out at will. After the Shanghai-Hong Kong Stock Connect, they could invest in Shanghai’s market from Hong Kong and leave immediately after making a profit. Therefore, over US$1 trillion stayed in Hong Kong.

This is why the hand behind “Occupy Central” has kept planning a comeback and has not wanted to stop. The Americans need to create a regional crisis for China, to get the money back to the U.S.

Why does the U.S. economy rely so desperately on capital flowing back to its market? It is because, since 1971, the U.S. has given up producing real products. They called the real economy’s low-end or low-value-creating manufacturing industries garbage industries or sunset industries and transferred them to developing countries, especially China. Besides the high-end industries, such as IBM and Microsoft, that it kept, 70 percent of its people moved to finance and financial services industries. The U.S. has completely become a hollow state which has little real economy to offer investors a big return.

The Americans have no choice but to open the door of the virtual economy, which is its three big markets. It wants to get the money from the world into these three markets so that it can make money. Then it can use that money to harvest other countries.

The Americans only have this one way to survive now. We call it the U.S.’s national survival strategy. The U.S. needs a large amount of capital flowing back to sustain its daily life and its economy. If any country blocks that capital flow, it is the enemy of the U.S.

**II. Whose Lunch Will China Take If China Rises Quickly?**

**A. Why Did the Birth of the Euro Lead to a War in Europe?**

On January 1, 1999, the euro was officially born. Three months later, NATO started its war against Yugoslavia. Many people thought the U.S. and NATO fought the war to stop the Milosevic administration’s genocide of the Albanians, a scary humanitarian tragedy. After the war, this was soon proved to be a lie. The Americans acknowledged it was a setup, done jointly by the CIA and the Western media. The goal was to attack the Federal Republic of Yugoslavia.

However, was the Kosovo War really to attack the Federal Republic of Yugoslavia? The Europeans first overwhelmingly believed in this theory. However, after this 72-day war, they found they had been cheated.

When the euro was first created, the Europeans had a lot of confidence. The euro’s exchange rate to the U.S. dollar was 1:1.07. After 72 days of bombing, the Europeans found something was not right: Their euro was ruined. The euro lost 30 percent of its value; one euro could only get 0.86 dollars. The Europeans realized that they had been cheated. This was why later, when the U.S. insisted on having a war with Iraq, France and Germany were strongly against it.

Some people say that the Western democratic countries don’t fight among themselves. It is true that, since World War II, the Western countries haven’t fought among themselves, but that does not mean they do not have any military conflicts or economic or financial wars among themselves.

The Kosovo War was an indirect financial war that the Americans fought against the euro. On the surface it was against Yugoslavia, but the euro got the real hit. This was because the birth of the euro touched the U.S. dollar’s lunch. Before, the U.S. dollar was used to commanding 80 percent of the international transaction market. It dropped to 60 percent of the market. The euro cut a big pie from the dollar.

The European Union (EU), a US$27 trillion economy when formed, surpassed the economy of the North American Free Trade Area (FTA) with a size of US$24-25 trillion, becoming the world’s largest economic zone. For such a large economy, of course the EU didn’t want to use the dollar to handle its trades, so it created the euro. The introduction of the euro took away one third of the dollar’s settlement business – as of now, 23 percent of the world trade is settled in euros.

In the beginning, the Americans were not vigilant about the euro. It was a bit late when they found out that it would challenge the dollar’s hegemony. So the U.S. needed a way to press down the EU and the euro, as well as other possible challengers.

**B. What Is the U.S. Trying to Balance with Its “Asia-Pacific Rebalance” Strategy?**

China’s rise made China the new challenger [to the dollar’s global dominance]. The fights over the Diaoyu Islands and the Huangyan Island were the U.S.’s latest attempt to suppress its challenger.

Though these two political events around China’s border didn’t cause a large amount of capital to flee out of China, the Americans achieved their partials goals – two of China’s efforts died. At the beginning of 2012, China, Japan, and South Korea were close to reaching an agreement on the negotiation of the Northeast Asia FTA. In April 2012, China and Japan had also reached a preliminary agreement on currency exchange and on holding each other’s national debts. However, the conflict over the Diaoyu Islands and Huangyan Island occurred, blowing away the FTA and the currency exchange.

A few years later, China finally finished the negation with South Korea on the bilateral FTA, but it does not have much significance. Why? The original Northeast Asia FTA, once established, would include China, Japan, South Korea, Hong Kong, Macao, and Taiwan. It would be the third largest economy in the world, with a size of over US$20 trillion. Furthermore, it would likely expand south to integrate with the ASEAN FTA, forming the East Asia FTA. That would become the largest economy in the world, with a magnitude of over

US$30 trillion in size.

We can further imagine that the East Asia FTA could continue expanding: adding India and South Asia in the south, the five Central Asian countries in the north, and the West Asia countries (part of the Middle East) in the west. This Asia FTA would then have a scale surpassing US$50 trillion, more than the EU and U.S. combined. For such a big FTA, would it use the euro or the dollar to settle its internal trade? Of course not. This meant that the Asian Dollar would be born.

I think, if indeed there is an Asia FTA, we should promote the renminbi to be the primary currency of Asia, just as the U.S. dollar first became the currency of North America and then the currency of the world. Pushing the renminbi to the international stage is far more than what we talked about previously with the “Renminbi going abroad” or letting the renminbi play a role in the “One Belt, One Path.” It will, along with the dollar and the euro, share the world.

If the Chinese could think of this, couldn’t the Americans think of it? When the Americans announced that they would shift their focus to the East, they pushed the Japanese to create an issue over the Diaoyu Islands and they supported the Philippines to have a confrontation with China over the Huangyan Island. We can’t be so naive as to think this was just caused by the right-wing Japanese or by the Philippines President Aquino.

It was the Americans’ deep and careful thought to prevent the renminbi from being a challenger to the dollar. The Americans were very clear about what they were doing. If the Northeast Asia FTA were formed, with its chain reaction, the renminbi, the euro, and the dollar each would claim one third of the world trading market. Then for the U.S., would it still have the currency hegemony if it had only one third of it? Without a real economy, if it were to lose its currency hegemony, how could the U.S. remain as the world’s dominator?

Once one understands this, he will know why, behind every one of China’s problem, the U.S. is there. The U.S. is preventing China’s “trouble” [to the U.S.] up front. Thus it has created troubles for China everywhere. What does the U.S. try to “rebalance” in the Asia-Pacific? Does it really want to play the role of balancer between China and Japan, China and the Philippines, and China and other countries? Of course not. It has only one goal in mind: nullify the trend of China’s rise.

**III. The Secret That the U.S. Military Is Fighting for the Dollar**

**A. The Iraq War and Whose Currency Was Used for Oil Trades**

People all say that the strength of the U.S. is based on three pillars: currency, technology, and military force. Actually today we can see that the real backbone of the U.S. is its currency and military force. The backing of its currency is its military force.

Every country in the world spends a large amount of money when it has a war. The U.S., however, is unique. It can also make money while spending money on a war. No other country can do that.

Why did the Americans fight a war in Iraq? Many people would answer, “For oil.” However, did the Americans truly fight for oil? No. If they indeed fought for oil, why didn’t they take a single barrel of oil out of Iraq? Also, the crude oil price jumped to US$149 a barrel after the war from a pre-war price of $38 a barrel. The American people didn’t get a low oil price after its army occupied Iraq.

Therefore, the U.S. fought the war not for oil, but for the dollar. Why? The reason was simple. To control the world, the U.S. needed the whole world to use the dollar. It was a great move in 1973 to force Saudi Arabia and other OPEC countries to install the dollar as the settlement currency for oil trades.

Once you understand that, you can understand why the U.S. fought a war in an oil producing country. The direct result of fighting a war in an oil producing country was to increase the price oil. Once the oil price shot up, the demand for the dollar also went up.

For example, if you had US$38, you could buy a barrel of crude oil before the war. After the war, the price went up over four times to $149. Your $38 could only get you a quarter of a barrel. How could you get the other three quarters? You had to use your products and resources to trade the Americans for dollar. Then the U.S. government could openly, legitimately print more dollars. This was the secret.

I also want to tell everyone, the U.S.’s war in Iraq was not only for that goal. It was also to keep the dollar’s hegemony. Saddam didn’t support terrorists or Al-Qaeda, nor did it have weapons of mass destruction. But why was he still hung? It was because he played a game between the U.S. and EU. After the euro was created in 1999, he announced that Iraq’s oil trade would be settled in euros. This angered the Americans, especially when many other countries followed suit. Russian President Putin, Iranian President Ahmadinejad, and Venezuelan President Hugo Chavez all made the same announcement. How could the Americans accept this?

Some people may think what I said was a fairy tale. Let’s take a look at what the America did after it won the Iraq War. Before they arrested Saddam, the Americans rushed to form the temporary Iraqi government. The first order that the temporary government published was to announce that the Iraqi oil trade switched from the euro back to the dollar for settlement. This showed that America was fighting for its dollar.

**B. The Afghanistan War and the Net-flow of Capital**

Someone may say, “I can see that [the Americans fought] the Iraq War for the dollar. Afghanistan does not produce oil. Then it shouldn’t be for the dollar that the Americans fought the Afghanistan War. Also the war was after the September 11 attack. The whole world knew it was to revenge the Al-Qaeda and punish the Taliban which supported the Al-Qaeda.”

Was that true? The Afghanistan War started a month after September 11. It started in a rush. By the middle of the war, American used up all of its cruise missiles. As the war continued, the U.S. Defense Department had to open its nuclear weaponry. It took out 1,000 nuclear cruise missiles, replaced the nuclear warheads with conventional warheads, and fired another 900 cruise missiles to win the war. Obviously the Americans were not ready for this war. Why did they rush into it?

That’s because the Americans couldn’t wait any longer. Their financial life was in big trouble. In the early 21st Century, as a country without real material producing industries, to keep it running at the current level, the U.S. needed to have a net inflow of US$700 billion from other countries every year. After the September 11 event, the global investors showed great concern about the investment environment in the U.S. As a result, US$300 billion fled from the U.S.

This forced the U.S. to fight a war quickly to stop the fleeing. It was not only to punish the Taliban and Al-Qaeda, but also to rebuild the global investors’ confidence. After the first cruise missiles exploded in Kabul, the Dow Jones index jumped up 600 points in one day. The capital that left the U.S. started to flow back. By the end of 2001, US$400 billion came back to the U.S. This showed again that the Afghanistan War was fought for the dollar and for capital.

**C. Why Will the Prompt Global Strike System Replace Aircraft Carriers?**

Many Chinese have great hope for China’s aircraft carrier. They have seen aircraft carrier’s importance in the past and China’s Liaoning ship let China join the rank of owners of aircraft carriers.

However, though the aircraft carrier is still a symbol for a major power in the world, it is now only a symbol.

That is because the aircraft carrier is a product of the logistics era. When Great Britain was at its peak, it pushed for global trade – it sent its products to the world and took back the world’s resources – so it needed a strong navy to ensure safety over the water. The creation of the aircraft carrier also served to control the ocean and the sea path. At that time the saying was, “Logistics is the key.” Whoever controlled the ocean controlled the flow of global wealth.

Now capital is the key. A few strokes on a computer keyboard can move billions or even trillions [of dollars] of capital from one location to another. An aircraft carrier can keep up with the speed of logistics, but it can’t keep up with the flow of capital. It is thus unable to control global capital.

Then today, what measure can keep up with the direction, speed, and volume of the flow of global capital over the Internet? American is developing a huge prompt global strike system that will allow it to hit any capital-concentrated region with ballistic missiles, supersonic planes, and cruise missiles that travel at five or ten times sonic speed. The U.S. claims that it can hit any place on the earth in 28 minutes. No matter where capital is, as long as the Americans do not want it to be there, its missiles can go there in 28 minutes and drive the capital out. This is why the prompt global strike system will inevitably replace aircraft carriers.

Of course, the aircraft carrier also has its own value, such as safeguarding the sea path or conducting a humanitarian mission. It is a good platform over the sea.

**IV. The “Air Sea Battle” Will Not Solve the U.S.’s Problem**

America brought up the concept of “Air Sea Battle” when designing responses to China’s rise. It was first introduced in 2010. As a war concept, it meant jointly combining the powers of the air force and the navy when fighting against China. The creation of this concept showed that the American military was getting weaker. In the past, the U.S. thought that it could use either air strikes or the navy to strike China. Now it finds that the use of only one source does not provide it with military superiority over China. It needs to join the two forces together. That’s how this “air sea battle” concept came into being.

The Americans think that China and the U.S. won’t get into a war in the next ten years. After studying China’s military development, the Americans realize that the U.S.’s current military capability does not guarantee itself an advantage over China’s strengths, such as China’s ability to attack aircraft carriers and to destroy space systems. Therefore, the U.S. needs to spend another ten years to develop a more advanced battle system to offset China’s advantage.

It may mean that the U.S. has moved the timetable of a war with China to ten years from now. Though there may not be a war for ten years, we must prepare ourselves for it. If we don’t want a war to happen in ten years, we need do get our things done within the next ten years, including preparing for war.

**V. The Strategic Meaning of the “One Belt, One Road” Strategy**

The Americans like basketball and boxing. Boxing shows the American’s typical nature of respecting power: a direct hit with full strength and the hope of knocking the opponent out. Everything is straightforward.

The Chinese are quite the opposite. Chinese prefer ambiguity and “using softness to conquer strength.” One doesn’t seek to knock his opponent out, but he will defuse all of his opponent’s attacks. Chinese like Tai-chi, which is a higher level of art then boxing.

The “One Belt, One Road” strategy reflects this philosophy.

Throughout history, whenever a great power rises, there is a corresponding globalization movement. This means that globalization is not a phenomenon that has continued from the past all the way to the present; rather it belongs to a great power. The Roman Empire had its own globalization. The Qin Dynasty in China (around 200 B.C.) had its own globalization.

Every globalization was initiated by a rising empire. And that globalization was also limited by the empire’s own strength. The farthest location that the empire’s power could influence and its transportation means could reach defined the boundary of its globalization. Therefore, in today’s view, both the Roman Empire’s globalization and the Qin Dynasty’s globalization were only considered to be a regional expansion. “Globalization” on today’s terms started with the British Empire. The U.S. continued the British trade globalization for a while. Then it switched to U.S. dollar globalization.

China’s “One Belt, One Road” is not simply to join the global economic system, which is a globalization under the U.S. dollar. As a rising super power, the “One Belt, One Road” strategy is the beginning of China’s own globalization. It is a necessary globalization process that a super power must have during the phase of its rise.

“One Belt, One Road” is the best super power strategy that China can bring up at this moment, because it is a counter measure to the U.S. strategy of shifting focus to the East.

Someone may ask: “A counter measure should be in the opposite direction of the force coming toward you. How can you turn your back on the U.S.?” (The U.S. is pressing China from the east over the Pacific Ocean, but China turns its back on the pressure and moves to the west.) That’s right. The “One Belt, One Road” strategy is China’s indirect counter to the U.S. shift to the East. China turns its back on the U.S. [to avoid direct confrontation]. You pressure me [from the east], I walk to the west, not because I want to avoid you, nor because I am afraid of you, but rather because this is a smart move to defuse the pressure you bring to me.

The “One Belt, One Road” strategy does not require the two paths happen in parallel. It should have priorities. Sea power is still China’s weakness, so we can focus on the land path first. The “One Belt” is the primary direction. This also means that we need to revisit the importance of the army.

Some people say that China’s army is the best in the world. It is true if it is inside China: the Chinese army will beat whoever invades China’s land. The problem is that China’s army may not have the capability to go outside China to fight and win a war?

I talked about this issue last year at the Global Times annual meeting. I said that America chose a wrong opponent when it chose China as its opponent and pressured China. The real threat to the U.S. in the future is not China, but rather the U.S. itself. The U.S. will bury itself. That’s because it has not yet realized that a big era is coming and the financial capitalism that the U.S. represents will reach its peak and then start falling. On the one hand, the U.S. has already taken full advantage of benefits that capital generates. On the other hand, via the technological innovation that the U.S. leads, the U.S. pushes the Internet, big data, and cloud computing to an extreme. These tools will eventually become the forces that end financial capitalism.

Taobao.com and tmall.com, both under the Alibaba company, registered 50.7 billion yuan (US$8.2 billion) in sales on November 11, 2014. A few weeks later, the total Internet sales plus the in-store sales in the U.S. market in the three-day Thanks-giving weekend was only 40.7 billion yuan (US$6.6 billion). The 50.7 billion yuan is only the sales for one-day on Alibaba, not including 163.com, qq.com, jd.com, and other online stores in China, nor including any physical store sales.

All Alibaba’s sales were done via Alipay (an electronic payment system). What does Alipay mean? It means that currency is out of the trade platform. The U.S. hegemony is based on its dollar. What is the dollar? It is a currency. In the future, when we stop using currency to complete sales, the traditional currency will be useless. Will the empire that is established on currency still exist? That is the question that the Americans should think about.

3D printing also represents a future direction. It will create fundamental change to the human production process. When the production process changes and the trading process changes, the world will go through a fundamental change. History shows that these two changes, not other factors, are the real cause for society’s change.

Today’s capital may disappear when currency disappears. When the production method changes along the line of 3D printing, the human world will step into a new social mode. At that time, China and the U.S. will stand at the same starting line of the Internet, big data, and cloud computing. The competition at that time will depend on who will be the first to step through this new door, not on who will press the other down. From this point of view, I say that the U.S. has chosen the wrong opponent.

America’s real opponent is itself and this change. America has shown a surprising slowness in realizing this point. That is because America has too much invested in keeping its hegemonic position. It does not want to share power with other countries, nor does it want to step together with others into the new social door behind which there are still many things unknown to us.

**Endnotes**:
[1] China Publication Online, “Qiao Liang: The U.S.’s Strategy of Shifting Focus to the East and China’s Strategy of Going to the West – China’s Strategic Choice in the Game between China and the U.S.,” April 15, 2015.
http://www.chuban.cc/dshd/jqjt/201504/t20150415\_165579.html.