

Wolf Warrior Statecraft

Risk Management

05 May 2020

Stirling Larkin, CIO

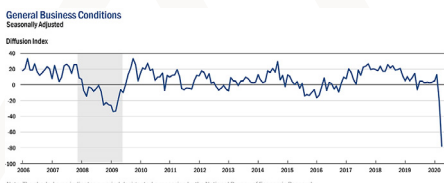


Above and beyond [the US Government announcing that they will begin nationalising US securities via stockmarkets beginning in May](#), the past week has seen an escalation in malevolent actions across the Indo-Pacific basin, tossing another spanner in the works by redoubling Sino-American tensions to a point nearing no safe return.

It is no secret that economic depressions bring political repercussions; 1929 spawned the rise of German and Italian Fascism, the rolling gloom across South America during the 1970's and 1980's gave way to Augusto Pinochet's military junta in Chile and the list goes on.

So, it is not immaterial nor academic that rapidly increasing and acute economic pressure that encumbrance both US and Sino state actors, is leading to proxy tussles online and real-world manoeuvres *terra firma* and across the Pacific high seas.

If the Federal Reserve Bank of New York's (the same member bank who announced the aforementioned US securities nationalisation) recently published [general business conditions diffusion indice](#) dived to these lows during the **Corona Crunch** – double bottoming conditions witnessed during the nadir of the **Great Recession** (highlighted in grey) – it is almost inconceivable to consider what would happen next if Sino-American belligerence materialised.



Yesterday, retired Chinese Air Force Major General and now hawkish professor at the PLA National Defence University, [Qiao Liang](#), said of Taiwanese military reoccupation, “China’s ultimate goal is not the reunification of Taiwan, but to achieve the dream of national rejuvenation – so that all 1.4 billion Chinese can have a good life”, which was clear [Sir Humphrey Appleby-esque](#) doublespeak for military reoccupation of Formosa (Taiwan).

Liang left no room for misinterpretation by adding, “Could it be achieved by taking Taiwan back? Of course not. So we shouldn’t make this the top priority. If Beijing wants to take Taiwan back by force, it will need to mobilise all its resources and power to do this ... You shouldn’t put all your eggs in one basket, it’s too costly.”

Such bellicose alone remains almost inconsequential to the global investor, especially during the era of Trump’s



Twitter, however, what is increasingly becoming consequential and material in yesterday’s diatribe is the reinforcement of Sino pundits remarks by what is now dubbed, the Chinese “**Wolf Warriors**”.

This aggressive new subterfuge, dubbed, “**Wolf Warrior diplomacy**” – named after a patriotic Chinese action film from 2017 in which a Chinese soldier saves the day in a series of adventures across Africa, (The film’s popularity in China [boosted it to become the highest-grossing non-English film ever](#)) – has seen scores of Sino diplomats and embassies around the world open Twitter accounts over the past six months and many of them are now using this US hubbed social media platform to post accusations, boasts and name-calling directed at state actors and individuals they feel have blighted China.



Subsequently, Air Major General Liang’s assertion, went from being an isolated remark to a pseudo diplomatic communiqué, despite the irony that he first came to national notoriety for publishing the 2004 book, “[Unrestricted Warfare: China’s Master Plan to Destroy America](#)”, which was first thought to counter arguments accruing towards the rising tide of Sino nationalism.

Beyond online hubris, this past week saw a coalescence of digital agitations very coincidentally lining up with [impromptu regional skirmishes](#) and also methodically planned forthright manoeuvres.

Purposely timed to coincide with Tuesday, 3 November 2020’s US Presidential elections, Běijing this week publicly announced that it was ‘*carefully considering*’ unveiling the

[Xian H-20 supersonic stealth bomber plane](#) at the [Zhuhai Airshow](#) in early November at a time of heightened regional tension.

The appearance of the bomber at this year’s air show could heighten tensions by directly threatening countries within its strike range, especially Australia, Japan and the Korean peninsula.



If that wasn’t enough, the Chinese Liaoning aircraft carrier strike group completed Formosan Strait exercises, in what was thought to be an obvious attempt at putting pressure on Taiwan’s pro-independence forces, with the strike group sailing through the strait countering America’s unprecedented navigation [twice through the strait](#), recently flagged in our [Anticipating China’s Second COVID-19 Wave](#) update.



Last week also saw [new Chinese nuclear submarines set sail](#), perfectly timed to cruise past the Liaoning strike group (we know this because of the boastings of mainland **Wolf Warriors**).



Beyond nationalist chest-beating, the truly concerning escalation this past week was statements from US officials that a new generation of ground-launched, intermediate-range missiles to trade for

continue over 

