



Rabobank: Top Gun Is Great But This Isn't 1986; Is The US 3 Years Away From Winning This Cold War.. Or Losing It

Description

By Michael Every of Rabobank

Today is the US Memorial Day holiday mourning the military personnel who have died while serving in the US armed forces.

The military-flick 'Top Gun: Maverick' [is out too, and is going to gross a record \\$154m in its opening three-day run](#), while internationally it has taken in \$124m. I can confirm it's classic Hollywood spectacle. Only the US Navy (and the IAF?) can do this kind of thing with no CGI, while Tom Cruise, with none either, may really be the vampire Lestat. It's razzle, dazzle, star-spangled stuff. In fact it's the 1986 Cold War all over again – and the US and global public clearly loves it.

There are other echoes of 1986 today: for one, the US is in a Cold War with Russia again.

Indeed, as Russia flattens most of the Donbas with artillery and may be close to seizing it, despite a possible Ukrainian counterattack in Kherson, the US is arming Kyiv more and may finally rush long-range artillery there to allow it to fight back. This war is just getting started if so, not winding down. As Lawrence Freedman, Emeritus Professor of War Studies, [argues](#), *"The prudent assumption for now is that this is not a short-term emergency but, for those countries supporting Ukraine, a long-term commitment, that there is no easy diplomatic fix, and that Ukraine will keep on fighting for as long as it takes to regain its lost territory."*

One can understand why those fearing Cold and hot war, and hot global inflation stemming from it, think a Donbas 'win' may offer Moscow a face-saving way out: Putin might then declare a unilateral ceasefire; and he just told France's Macron and Germany's Scholz he is ready for a (Melian) dialogue with Ukraine, and would increase flows of agri products and fertilizers if sanctions are lifted.

Yet Andrew Michta, Dean of International and Security Studies, tweets:

*“As the brutality of Russian war against Ukraine increases, many among Western elites increasingly argue that Kyiv should agree to a cease fire in place to end the carnage. To advocate this is strategic myopia of the highest order, for such a deal would be tantamount to Russian victory... Too many Western governments seem unable (unwilling?) to recognize that **we are at an inflection point in history that happens in four/five generations. This is potentially a system-transforming war.**”*

Michta is not alone in geostrategic circles in arguing that a Russian Donbas win would cement violent border change as the new global normal, and that a Russian-flagged ceasefire would be used to rearm to enable them to move on towards new targets both inside and outside Ukraine.

Western unity may still be undermined by such Russian tactics. Germany’s economy minister today bewails that the EU united stance is already “crumbling”, as Europe yet again fails to take any immediate action on energy that would stop Russia fighting **now**, when it counts, because Europe wants to fight this economic war painlessly. Yes, Scholz told Davos, *“The world is indeed at a turning point... it is not only the state of Ukraine that is at stake. It is the system of international cooperation that was designed in the aftermath of two devastating world wars.”* But Berlin is not **doing** much to help, and neither is France – other than talking to Putin.

Very much related, [Corriere Della Sera](#) reports UK PM Johnson is proposing a European Commonwealth, *“a new system of political, economic and military alliances –an alternative to the EU– for countries united by distrust of Brussels and of Germany’s response to Russian military aggression.”*

It claims if the EU summit on 23 June fails to deliver anything substantive on membership Ukraine may embrace the UK idea: and Poland, Estonia, Latvia, Lithuania, potentially Turkey, and I suspect, the Scandinavian countries, despite issues over NATO with Ankara. The paper concludes, *“Thus Putin’s war, now in its fourth month, begins to open the first political cracks in Europe,”* as we alluded to back in [‘Ich Bin Ein Berliner\(?\)’](#) before the war started.

On one hand, the UK is up to its old divide and rule, as it reembraces imperial measurements. On the other, the EU is up to its old selfishness, sanctimony, and hypocrisy. The EU was united against the metaphorical ‘existential’ threat of an outgunned Brexit but is failing against the **literally** existential threat of Russia... to its outgunned east, not its comfortable west. As such, the Baltics, Poland, Ukraine, and Scandinavia may look to the UK more favourably than France reaching out to Putin, not into its pockets or weapon stores; *Von der Leyen saying the EU has to be careful not to stop buying Russian oil too fast else Putin will sell it for more money to others and fight even harder(!)*; and Scholz asking on Twitter if war really has to be fought with violence(!), putting the ‘Ahh, him!’ in *ahimsa*. This White House won’t back an EU split,... but the next might.

Real life is also showing competition to be top gun in the Pacific, where the US holds [territories](#) (as does [France](#)). Beijing is offering a new [Global Security Initiative](#) (GSI) of “*non-interference, respecting the UN Charter, and avoiding a Cold War mentality*”, and, for Pacific Island nations, a ‘security deal’. The Solomons and Samoa have signed, and Vanuatu and Kiribati are expressing interest (the latter despite the Treaty of Tarawa). This is generating [diplomatic pushback from Australia](#) and even [New Zealand](#), which sees the same risks.

Fiji, hosting a Pacific Island summit with China today, has rejected that offer to become the 14th state in the IPEF “free and open Indo-Pacific”. Moreover, the President of Micronesia has warned attendees that China is proposing a “*smokescreen for a larger agenda*” that will “*ensure Chinese control of ‘traditional and non-traditional security’ of our islands;*”; seeks “*control and ownership of our communications infrastructure, as well as customs and quarantine infrastructure.... and mass surveillance of those residing in, entering, and leaving our islands;*”; is intended to “*shift those of us with diplomatic relations with China very closely into Beijing’s orbit, intrinsically tying the whole of our countries and societies to them;*”; and “*increases the chances of China getting into conflict with Australia, Japan, the US, and NZ, on the day when Beijing decides to invade Taiwan,*” as “*To be clear, that’s China’s goal: to take Taiwan. Peacefully, if possible; through war, if necessary.*”

Yes, “That’s only Micronesia.” Except it’s Japan too. The Asia Nikkei reports [China is practicing bombing Japanese targets](#); Tokyo is to increase its defence spending *another* 30% on top of a recent boost; PM Kishida says he fears East Asia is the “next Ukraine”; [and the government has approved the export of weaponry](#) to ASEAN, India, and Australia.

Symbolically, despite the new ‘Top Gun’ enemy being anonymous, China’s Tencent withdrew co-financing for the movie when they saw how ‘USA!’ it was. It is not being shown in China; and so Cruise gets to show his jacket with the Taiwanese and Japanese flags on it, which had been removed in the early trailer.

Yet this *isn’t* 1986: is the US three years away from winning this Cold War, as it was back then, or three years away from losing it?

The West is hardly united: the US is hardly united either. Cruise is warned in the new Top Gun, this time the US enemy matches him technologically. **That’s entirely plausible given western firms and universities have spent decades giving away their technology to [China](#), and [US asset managers are overlooking geopolitics, and China’s politics, economy, and demographics](#) to expand their investments there.** (Although actual business supply chains are looking to diversify.)

Moreover, Secretary of State Blinken does not want to call a Cold war a Cold War, with all the associated policy shifts. That is despite President Biden repeating to a US Naval Academy graduating class that right after being elected, China’s Xi Jinping cautioned him that democracies are on the decline and that “[one day autocracies will run the world](#).” Biden stressed to the class, “***We’re living through a global struggle between autocracies and democracies. Xi [is] wrong***. Each of you, as you go out into the world, will not only be a proud member of the Armed Forces of the USA, you’ll be representatives and defenders of our democracy,... That’s why you swear an oath, not to me as your commander-in-chief or any political leader, but to the Constitution. Our nation is placing in you great trust and great faith.” Just not enough joined-up power across all required dimensions,

soft, hard, and economic/financial, as critics allege.

Unlike in 1986, there is no replacement for an ageing Cruise in the Hollywood pantheon, only an army of social media influencers or YouTubers; and there are no replacements for much of the ageing US military for the same reasons, especially at sea. Meanwhile, the PLA –which answers to Xi (not Li for analysts LARPing ‘power struggles’) and belongs to the CCP not China– is seeing huge growth and grey-zone utilization of China’s merchant marine, which dwarfs that of the US.

‘Top Gun: Maverick’ perhaps implies further smashes lie ahead for markets, as does “system-transforming war”. Beyond Russia-Ukraine, more war, shifts of alliances in the Pacific, and weaponization of commodities and the US dollar, consider @GMichaelRentzJR of Gnosis Freight tweeting, “*Would a state backed American Ocean Carrier work?*”; Russia saying it might take commodity payment in crypto, which may be their death knell given the current vibe in DC; or India and Russia agreeing barter trade for fertilizer in rupees, but priced in dollars.

This *will* all flow on to the Fed. Even in the most mundane terms, Friday’s US personal consumption expenditure (PCE) data were as expected in m-o-m and y-o-y terms, yet because the y-o-y deflator (i.e., inflation rate) fell back again *due to predictable base effects*, the market decided ‘Inflation is transitory again!’ and rallied hard. Yet **when ‘Top Gun’ came out in May 1986, the PCE deflator was 2.0% y-o-y: Friday’s was 6.3%. Fed Funds was at 6.75%: Friday’s was 1.0%**. There looks to be a lot more firepower required yet, sorry.

Crucially, inflation and Fed hikes cannot be ‘nearly over’ until the *geopolitical* situation is. Worse, the policy responses assumed in thinking things are nearly over — **fewer Fed hikes; risk-on stock rallies; launching idiocies like Luna 2.0; lower bond yields; and less Western geostrategic action on Russia (and China)** — only guarantee far larger problems ahead.

On markets, if the Fed wanted a sign that animal spirits were subdued and markets were listening to it, last week showed the complete opposite: **so they will have to try harder**.

On geopolitics, ask yourself who is global top gun, how they got there, and how they can now stay there: **and, if they can’t, what happens next**.

Don’t just follow the mainstream market trend – be a maverick, not a goose.

posted by Tyler Durden

Category

1. Army-Wars-Conflict Zones-Military Tech.
2. Main
3. Politics-Geopolitics-Gov.-Events

Date Created

06/01/2022