

Pepe Escobar: Why U.S. Iran Policy Is Backfiring

The interview argues that current U.S. policy toward Iran is reckless, self-defeating, and accelerating a wider geopolitical shift. It claims China and Iran are strategically exploiting the crisis to weaken the petrodollar and expand alternative trade and payment systems. The discussion warns that any disruption in the Strait of Hormuz or Red Sea could trigger major global economic chaos, while also linking the Iran and Ukraine wars to a broader struggle over a new world order. It concludes that Washington is losing leverage as its allies, media narrative, and military credibility come under strain.

#Nima

Pepe, I think what we're witnessing in the Trump administration is a combination of hubris and stupidity. It's not just about, you know, the same day that Pete Hegseth was talking about how the leadership in Iran has gone into hiding or gone underground—we've seen the Iranian president out on the streets. Somehow he's talking about these people as if they're hiding like rats. This sort of language, and getting together with Donald Trump arguing that these people are sick because of their genetics, because they're not like us—this is the same sort of attitude as Benjamin Netanyahu's government. They're calling Palestinians Amalek.

Amalek is the same. It's a racist comment. But when it comes to this stupidity—how the Trump administration somehow feels that the Chinese government would help him against Iran—China is just watching how the United States is diminishing its image, its power, and, you know, destroying its reputation all around the world. Why would they help you? Even your partners, your allies in Europe, don't want to help you. How come you bring China into the picture and ask them to do that? It's unbelievable, the level of, you know, stupidity. What do you make of the Trump administration and the way they're trying to manipulate the mainstream media?

#Pepe

I'm more interested in the—look, maybe I'm getting too old, Nima, for your audience. But look, I have, what, 42 years as a foreign correspondent all across the planet, everywhere that matters. I thought I had seen all sorts of shit, but this goes beyond anything. So I don't even bother to follow the details anymore. My inbox is flooded with stuff every day, because I'm on the mailing lists of everything you can imagine—publications I even stopped subscribing to, like the Washington Post or The Economist. I still get things all the time. So the most important thing, and the most challenging, is the Chinese reaction. And it's not just the Chinese reaction.

It's how the Chinese have been playing the game, which is what I put in the headline of my column: how Iran and China have gained the chessboard. And it's a beauty to see now. So, you know, backtrack a few years—China was building what they never admit outright, because they know how it's going to be interpreted in Washington: a plan to overhaul the international system, the system of international relations, to the benefit of China, to the benefit of the Global South. So they started building multilateral organizations. Their incentives were toward BRICS and the SCO, to make BRICS and the SCO much more consequential, right? They kept expanding the Belt and Road Initiative, the New Silk Roads. They turbocharged their diplomacy.

Their diplomacy now is much more active and proactive than before, when it was basically passive and reactive. Not anymore. And, of course, they're working very closely, especially with Russia, to organize an alternative payment settlement system—inside BRICS and outside BRICS. The CIPS, the China International Payment System, which, by the way, is being used by Iran to pay for what they buy from China, and by China to pay Iran in yuan for the energy they buy from Iran. CIPS now, if I'm not mistaken, has over 150 nations already—maybe not all direct members, but they're getting there. They're going to start using CIPS sooner rather than later. So they don't even need BRICS for that.

If BRICS, because of its internal contradictions, cannot—especially this year, when the Indian government, which I call the traitor government, is hosting the BRICS summit in New Delhi—if they cannot reach an agreement on an alternative payment system, on which mechanisms they all agree, etc., China is already moving ahead with CIPS. And more and more countries in the Global South will start settling their trade with China through CIPS. China has been building this system, especially since Xi Jinping came to power in 2012. The New Silk Road, the Belt and Road Initiative, was launched in 2013—only one year after Xi took office—and then it started to pick up speed very, very fast. Now, Iran—and this is something that, of course, we'll never have official confirmation of in Tehran or in Beijing—but it's obvious that they discussed this at the highest level.

It's obvious—it's part of their strategic partnership. Iran offers China, on a plate, the single move capable of turning the petrodollar upside down. It didn't come from China, it didn't come from BRICS, it didn't come from an alternative payment system. It came from a country at war, attacked by the so-called most powerful army on the planet, fighting to survive—and still, in the middle of the war, they came up with the definitive move, which people in the U.S. with a brain knew would happen. I think I told you, and on many other podcasts, that this is something many of us were discussing in 2017, 2018, 2019—many years ago, even before COVID. What would happen if the Strait of Hormuz were blocked?

And that goes back to those Goldman Sachs projections that oil could reach not 100, not 150—which could happen in the next few days—not 200, which could happen in the next two weeks, but 700. And that would mean the total collapse of the global economy. We're already on that road. So Iran makes one move, which was certainly discussed with China, because don't forget, when Iran made

that move, they had already clinched a deal with China authorizing free passage for any tanker delivering energy to China. And with this single move, the whole Ponzi scheme could collapse. That's why, once again, I decided to write a short first column—just to give readers an idea of how mind-bogglingly game-changing this whole thing is.

And it takes just one single move—and it doesn't take a nuclear bomb, it doesn't take ballistic missiles—in the middle of a war. That explains the absolute desperation of the Americans now, because this is something they can't even reverse. They can't send a strike force to Hormuz; they'd be decimated if they did. Everybody knows that. The southern shore of the Persian Gulf—the Iranian shore—is packed with anti-ship missiles, with swarms of drones, with mines not even deployed yet, and with those fast boats that can wreak havoc around any tanker. That's it. They have countless ways to block passage through the Strait of Hormuz even further. So that's what it takes.

You choose your choke point, you strangle it, and that's it. You've got the empire like this—hanging by a thread. And that's where we are now. It's immensely impressive. And, of course, we could say this is the culmination of how China has been playing the game, gaming the chessboard all along. That's why I made an analogy with Go—Weiqi, the game of Go. When you control the board, the game plays itself. So China was already controlling the chessboard. This latest Iranian move, even if it wasn't foreseen before, was something the Chinese had thought about strategically: if that happens, how do we profit from it? Well, you control the board, so the board reaches this particular juncture.

You can corner the empire. You can surround your enemy with just one move. And that's why this is, analogically and metaphorically, beautiful—because it's a mix of chess, which the Iranians play better than almost anybody, and Go. It's a mix of chess and Go. Absolutely fascinating. And now the empire is hanging by a thread, in total desperation. And the people who had foreseen that—they don't have a say in government. You can ask a lot of Goldman Sachs analysts; they knew this was coming. You can ask, for instance, we were in touch with Zoltan Pozsar when he was the chief analyst at Credit Suisse. Zoltan wrote about this in detail, you know—but not too late.

#Nima

Pepe, I think if Donald Trump were running Iran, he'd ask every country to pay him before passing through the Strait of Hormuz. Yes, exactly.

#Pepe

And the Iranians are not asking for money. No. They're saying, "Okay, come to us, we'll discuss. If we think it's okay, you can go. You don't have to pay us anything." It's an invisible toll booth—a toll booth where you don't need to insert your credit card into a machine to get a ticket and go through. No, you need to talk to the owner.

#Nima

The other move that could be, you know, somehow a facilitator to Petro-Iran would be Iran asking all these countries to sell their oil and gas through Petro-Iran, through Iran—and then using the CIPS, you know, instead of using SWIFT. And these are...

#Pepe

Yeah, this is the next stage, Nima. And this is something that the Chinese can, with their usual finesse—very sophisticated—suggest to people, especially the GCC petromonarchies. Of course, the Chinese already told Saudi Arabia about that. They already said that sooner or later, everything they buy from them is going to be in petroyuan. The Saudis couldn't do that before because, obviously, they would have been literally invaded by the Americans within 24 hours, and all their money in London and New York would have been confiscated. But from now on, all bets are off. And that's one of the major "ifs" I had.

All these American bases totally destroyed in West Asia—they probably won't be rebuilt. So this means no more empire of bases in West Asia. The GCC will need a new umbrella, a new security umbrella, especially because, if they have a brain and look at what the American umbrella did for them, they're learning their lesson. And who's going to provide that umbrella in the future? There are only two candidates: Russia and China. There you go, once again. But this is still too far from where we are at the moment. We're at stage number one, I'd say—the possible beginning of the end of the petrodollar. And that, in itself, is already enormous.

#Nima

I think the move in Ukraine is, you know, in the process of getting connected with the conflict in West Asia, because somehow all these Arab states are asking themselves: what's the point of having U.S. bases in our countries if they're not providing us with security? So who's able to do that? And the Iranian government, the Iranian generals—they're saying it doesn't matter what happens with this war on Iran, they're not going to accept any U.S. bases in these countries. I don't see, Pepe, the United States gaining anything as time goes by. What would be the point of going back to Saudi Arabia? What's the gain, what's the benefit for Saudi Arabia? What are they going to do for Saudi Arabia? These are the questions right now in the minds of the leaders of these countries. So who's going to replace the United States?

#Pepe

Assuming they have a plan, Nima, most of them don't. Don't forget, these are ruthless gangsters—most of them. One family ruling a whole nation. Artificial nations, most of them. MBS—and this is very hard to confirm—but according to many of our sources who have access to the House of Saud, he's still in bed with the Americans. That means he's against Iran. There's no evidence he's even

trying to play a mediator role. So some of them don't have brains at all. And don't expect anything really intelligent coming from MBZ and the Emirates. He was basically sitting on a gigantic laundering machine and a gigantic scam, of course, profiting the Americans. He doesn't have a plan B. And now his business model for Dubai, specifically, is dead.

And it may be in Abu Dhabi as well. If the Iranians decide that's it—let's wipe Abu Dhabi's oil production off the map—that's something they could do at any moment. So we shouldn't put any trust in these people. Maybe the Qataris, because the Qataris are... well, I've had a few interactions with them, and some of them, even though they're completely brainwashed by the Anglo-American elites—especially the Anglo elites, and some by the old French elites—they might see that, okay, that's it, let's do something else. At least be good neighbors with Iran. And they're going to invest their money. Qatar is already doing that; they're investing most of their funds in Europe.

So it's different. Bahrain is dead. Bahrain doesn't count for anything. Bahrain is collapsing right in front of our eyes, right? So there's going to be a major reorganization of the GCC. We still don't know where or how. But obviously, anyone who thinks for two seconds about what happened will realize that the American protection umbrella is dead—and it's probably not coming back. And this, once again, coming back to our main theme, was the other side of the petrodollar. The other side of the petrodollar was: we, the most powerful army in the history of the galaxies of Star Wars, will protect you. So basically, the GCC was buying protection from the Americans. Look at what's happening now.

#Nima

Pepe, here's what the U.S. Energy Secretary said about the Strait of Hormuz.

#Pepe

Oh my God, this guy is an absolute asshole. Oh my God, he's the asshole. Please, play it. Please. Sorry, sorry, sorry.

#Speaker 03

There's a big debate over whether you were prepared for what's happening in the Strait of Hormuz. If you were prepared, then why is the Strait of Hormuz effectively closed right now?

#Speaker 04

Because it's right near the Iranian shoreline. The world is abundantly supplied with oil and energy. We knew there would be a short-term disruption in energy flows. And to hear Chuck Schumer say that we didn't—it's just so, he knows how foolish that is. And to say things to try to undermine the United States in the midst of a world-changing conflict just boggles my mind. But this mission was

carefully planned out. It's been superbly executed. On the other side, we'll be in a much better place. The greatest driver of terrorism in the world, the greatest threat to global energy supplies, will be defanged. Yes, we have disruption to get there, but we're going to be in a much, much better place in the not-too-distant future.

#Speaker 03

Mr. Secretary, let's talk about Russia. The Treasury Department is temporarily lifting sanctions on—

#Pepe

No comments, Nima. It's imbecilic. It's pointless. You know, he spells out his own stupidity, so we don't need to comment on that.

#Nima

Yeah. But the bigger question, Pepe, would be Russia—and how the conflict in Ukraine connects to the conflict with Iran. These two wars happening at the same time, the combination of both, are somehow reshaping Russian strategy. How do you see Russia, and the way Russia views the conflict in West Asia?

#Pepe

Let's wait. It's too early to tell. If I'm back in Russia next month—and I hope I will be—I'll be able to ask this in person to a lot of people who matter. But I can't imagine, from the echoes I'm getting, that there isn't a lot of discomfort in Moscow's decision-making circles about the whole thing. But of course, at the same time, they know this is the same war, by the way. It's not two different wars. It's the same war—the same war against Russia and against Iran. Not by accident, two of the existential threats to the empire, according to their own national security strategy, even if they tried to soften that a little bit in the last redaction.

Two top BRICS interlinked, and two top proponents of a new system of international relations. So it's a war against two top BRICS—three top BRICS, because it's also against China. So this is, de facto, a hot war against the BRICS. We thought it would take a long time for this stage of hybrid war to turn hot, but it got there in a flash. People in positions of power in Moscow know this very, very well. There's a very serious debate about what to do with Ukraine now. Many well-positioned people, including those in the intel apparatus, are saying, "That's it. Let's go for the head of the snake. That's it. It took too long."

Let's finish this war now. But that's not President Putin's strategy. So the least we can expect is a serious debate at the highest levels—at the Security Council level in Russia—on whether we're going to change our strategy now. Are we going to keep doing what we're doing, but more forcefully? Are

we going to launch a super offensive and finish this off before the end of the year? Or, as some more well-informed, patriotic, serious but already exasperated people are saying, "No, that's it, let's finish it off now." So, you know, the debate is on. I hope I can get more from the inside next month.

#Nima

Does it mean they feel the negotiations with Steve Witkoff and George Kushner are going nowhere?

#Pepe

Nobody believes in these negotiations, Nima, especially now. The same two—Tweedledee and Tweedledum—were negotiating with the Iranians, and we saw what happened. The same two. Jared Kushner couldn't negotiate how to buy a hot dog on Fifth Avenue in New York City, and now he's posing as a bloody diplomat. Witkoff is slightly more prepared, but still, come on, he's a rookie. He doesn't understand how diplomacy works. And he's dealing with the best diplomatic corps on the planet—the Russians—not to mention the best-prepared leader in the world, Vladimir Putin. It's pathetic. So obviously, because the Russians are so polite, so respectful of diplomatic norms and processes, they play along. But now it's different.

If they're interested in finding a real solution to their problem—the Ukraine problem, let's put it that way—they're going to have to change their strategy. Otherwise, this war could go on not for another year, but for another two, three, even four years. It's obvious the European position isn't going to change, even if they don't have the money to pay for the war. Even if Trump—neo-Caligula, neo-Crassus, whatever—decides to abandon them, which he won't. The U.S. will be leading from behind. But NATO is the same thing. NATO's armies are a joke compared to a battle-hardened army like the Russians have now. Yet they still insist the war will keep going, and they're going to rearm because there will be a war against Russia by 2030, according to NATO internal documents. The madness didn't disappear because of the war on Iran.

#Nima

I think before wrapping up, Pepe, the other aspect of the conflict—or the war—would be if the Houthis or the Yemenis decide to...

#Pepe

Close the Bab al-Mandab, the Red Sea—that would be hugely, hugely influential. Do you see that happening anytime soon? Yes, quite possible. There are some, uh, our contacts in Sana'a—there are some echoes. They're not saying it explicitly; they're just saying it's on the table. We may decide to get into the war side by side with Iran. And, of course, the first thing they'll do is close the Bab al-Mandab, and by extension, the Red Sea. So that's it. They can do it. If that happens, then in terms of the global economy, it's mega. We are in chaos—it's going to be mega, mega, mega, mega chaos.

And they can do it. And of course, if they are attacked by Israel, then all bets are off. Then they'll go all the way. Our friend Larry—this is amazing.

#Larry

Brother Pepe, hey man.

#Pepe

Holding on.

#Larry

Holding on.

#Pepe

Holding on. Wonderful. I love your ersatz Porteño accent.

#Larry

It's wonderful. It's Spanish with an Italian accent, okay? That's beautiful.

#Pepe

Before I leave, Larry, can I ask you a question? Sure. Maybe to launch your next hour—give me your, how could I put it, Cheech and Chong interpretation of the Trump armada going to liberate the Strait of Hormuz. Well, he's still looking for it.

#Larry

Come on, everybody, let's go get him charged. He looks behind—nobody's there.

#Pepe

There's nobody there.

#Larry

I'm watching. You'd laugh if people weren't dying, you know, and if there wasn't so much destruction being caused. This would be hilarious—like a Monty Python skit on cocaine. Just totally messed up and crazy. And they keep jumping from one narrative to another, and lying throughout. For example, they claimed those two KC-135s ran into each other and one plane crashed. No, that

didn't happen—it was shot down. I've got that confirmed. It was shot down. They're effectively out now of THAAD missiles and Patriot 3s, the PAC-3s. They're depleted, and nobody seems to grasp that.

So, I mean, it's lie after lie being presented in this narrative, and they're still waiting for Iran to surrender. We've got them right where we want them. And Iran is like, okay, you started this, we'll finish it. The fact is, I guess the CIA tried to brief Trump on the danger of closing the Strait of Hormuz. So the good news is, the CIA was doing its job. But, as is typical in so many of these instances, the president decides, "Oh, I know best," and ignores the intelligence—at which point the intelligence community starts leaking out, "We told him. He just ignored it." So I don't see how Trump gets out of this, frankly.

#Pepe

Well, the CIA is covering their asses now. This is what they do, right? Yeah. Yeah. I mean, they obviously told him this, and the people with an IQ over 10 in the Pentagon also know it, because they gamed it before.

#Larry

Yeah. You know, you see when the Wall Street Journal puts out a pretty detailed article about how Trump was warned about this and warned about that—whenever you see that, that's how the game is played in Washington. If the policy is going great and everybody agrees on it, there are no leaks, or only leaks that put the administration in the most favorable light. But when it's going south, then it's every man for himself—every man and woman for themselves. So they start leaking and putting out information about what's really going on. And Trump can try as hard as he wants to cover that up, but he can't do it.