

# Michael Hudson: CEASEFIRE FAILING: War About to Explode?

A fragile ceasefire is under strain as ongoing strikes in Lebanon and rising regional tensions threaten to reignite conflict. The discussion highlights how control of the Strait of Hormuz has become a powerful leverage point, with potential to disrupt global oil, gas, and trade flows. It argues that continued escalation could trigger a severe global economic crisis, while the ceasefire offers a brief window for diplomacy. The analysis also explores shifting power dynamics, questioning U.S. strategy, Europe's role, and the response of global players, ultimately warning that without broader cooperation, the situation could spiral into long-term instability.

## #Nima

We had the ceasefire yesterday, you know, late last night. And today we've learned that these sorts of attacks are happening again and again. Israel has attacked Lebanon—more than a hundred attacks. There were also some attacks in Iran, some kind of bombing, you know, involving the UAE together with Kuwait. It seems the ceasefire is starting to shake. But after all, what we've heard from the White House press secretary, Caroline Levitt, is that they're going to meet on Saturday—J. D. Vance, Steve Witkoff, and Kushner.

They're going to meet with their Iranian counterparts to talk about the ceasefire—a two-week ceasefire. So far, the ceasefire is shaky, but... The main issue here is what's going on, and why the United States decided to push for some sort of ceasefire. It's basically related to the reality of war, the reality on the battlefield. But we know Iran has something important in its hands now that it didn't have before—the Strait of Hormuz. They call it a "nuclear bomb" for Iran. What's your understanding of that, and what's the importance of the Strait of Hormuz? And how do you see the current situation with the war?

## #Michael

Well, the Strait of Hormuz controls the OPEC oil trade, but that's only part of the picture. It's not going to matter that much. If Donald Trump had carried out his threats to blow up every bridge and every power plant in Iran—things that would take a century to replace—then Iran would have wiped out all the oil export capacity of the Arab OPEC countries, from Saudi Arabia to the Emirates. That would have left no oil to export at all. But no, I don't think that even if there are ceasefire violations, and Israel does everything it can to break the agreement, it's going to keep attacking.

And the idea of making a ceasefire with the United States is just as absurd as the thought of Russia making a ceasefire with Ukraine and letting Britain, France, Germany, and Estonia keep sending

missiles at Russia, because you have to have all the parties involved. And Israel has already said, "We're not a part of this. We're going to keep shooting." Well, I think that probably the Iranians are only going to retaliate against Israel for this. They're going to try to do what they can to provide arms to their cohorts fighting in Lebanon—arms to Hezbollah and others. But I don't think there will be any major, total attack such as Trump has been threatening, at least for a two-week interim.

And that two weeks gives the rest of the world a chance to create an alternative to what, if the fighting resumes, would be a world depression on the scale of the 1930s. This depression would result from stopping 20% of the oil trade, and I think 30% to 40% of the gas trade, along with much of the fertilizer, ammonia, and sulfur that are needed. All of that would require huge shutdowns of industries, and the whole world would be threatened by chaos. Well, threatening chaos has been the U.S. strategy all along. And now, suddenly, the threat of chaos as a tool to force other countries to follow a policy to avoid it is in the hands of Iran—through its control of Hormuz and the means of exporting the OPEC oil and gas that remain in production right now, such as they are.

And so the question is, what are other countries going to do to support Iran in bringing pressure on the United States and on Israel to prevent the resumption of hostilities that would result in a chronic depression lasting three or four years and leading to a whole restructuring of the world's economic and financial system? So I want to get into what that restructuring would look like. I'd like to talk about the general strategy, because 50 years ago—what's happening today—there was a general logic for it that was all spelled out. And it was spelled out at the place where I happened to be working, the Hudson Institute. The strategy that Iran is following is very much akin to what was discussed then as a means of avoiding world chaos in the 1960s, and that was atomic warfare.

And the question was, how can the world avoid the chaos of being blown up? The answer was the doctrine of mutual assured destruction—MAD. The idea was that if only one country had the atom bomb, as the United States did in 1945, it could threaten other countries with atomic war. But what happens when Soviet Russia develops the atom bomb, and then other countries begin developing it too? The threat of atomic war was the single major concern in foreign policy in the 1960s. Don Brennan at the Hudson Institute coined the term "mutual assured destruction," and Herman Kahn, in 1962—the same year—wrote a book, *\*Thinking About the Unthinkable\**, spelling it out.

The idea was that if other countries not only had the atom bomb but also maintained military parity—with the ability to improve their weapons technology in step with each other—then every major country would be afraid to use the bomb, because their opponents could strike back and both sides would be blown up. So as long as there was parity among the atomic powers, war between them was avoided. The United States, of course, continued to fight its own wars, everywhere from Southeast Asia to Latin America and Africa. But these weren't world wars, and they weren't atomic wars.

The whole idea was that countries understood if they escalated any kind of warfare, their own existence would be threatened—beyond just their economies. Well, that's the situation we're in today. What was threatened in the 1960s was called "atomic winter." In other words, if there were an atomic war, the whole world would essentially go into a winter: production would stop, agriculture would stop, trade would stop. What's threatened today is a "financial winter." And that financial winter would be suffered by the oil-importing countries—from Europe to Japan, Korea, the Far East, most of the Global South, and many Asian countries. So the question is, how can this financial winter be avoided?

Well, what makes the situation between Iran and the United States different from the military situation between the United States and Russia in the 1960s is that Iran can't say, "Well, if we blow up the oil-producing capacity of the Arab OPEC countries, that's going to leave the oil-importing countries in desperate positions." The United States had already thought through what the result would be. Donald Trump even bragged, saying, "Sure, Iran may very well do all of this—and Iran has demonstrated its power militarily to at least wipe out its neighbors' ability to produce oil. But America is now an oil-surplus country and a gas-exporting country, thanks to all the fracking technology that's been developed."

And if the blowing up of the OPEC oil trade raised world oil prices, that would be a bonanza for the American oil and gas companies. While the United States might release its reserves of oil to keep prices down at home, the oil companies would export their oil and gas at the enormously high world prices to Western Europe and Asia—Japan and the rest of Asia—and essentially give America power over its closest allies. So it's up to these allies to decide, "We cannot afford a fight between the United States and Iran, which would destroy our economy." I'll talk later about how it would also damage the U.S. economy financially, but for the time being, the most immediate crisis would be in countries that need their oil to power their factories, heat and light their homes and office buildings, produce fertilizer, and run their railroads and transportation systems—all of that.

Well, making that threat of destroying other countries' access to oil has been at the center of U.S. foreign policy for the last half century, as you and I have discussed in earlier broadcasts. And now that threat is in the hands of Iran. The question is, will other countries—will Western Europe and East Asia—realize that it's up to them to stop this war? Because if there's another attack on Iran, and Iran has already demonstrated its ability to wipe out OPEC oil and gas production, just as it's already wiped out Qatar's helium export capacity, the result will be a global crisis—a financial winter. What will they do?

Well, I guess yesterday at the United Nations, the vote sponsored by the Arab Emirates to blame Iran for being attacked—by having the power to retaliate against the Israeli and American attack by fighting back—that was called an aggression. It's aggression to fight back against being attacked with the threat of being wiped out. If you defend yourself militarily, you're the one to be blamed. Well, China, I think, helped bring some sanity into the discussion by blocking that action from being

passed by the Security Council and voted on in the United States. But it shows how totally insane the U.S. opposition to the rest of the world has become.

The United States and Iran together are threatening the entire world with utter chaos if there's a war. What are the other countries going to do? So far, Saudi Arabia, the Emirates, Bahrain, and others have said, "Why is Iran bombing us? We didn't bomb it." Iran's response is, "You're allowing American bases there. You're letting American planes fly over your territory. You're not doing anything about it." Europe has also said, "We're not joining. Why are you making us suffer? We didn't join the war." Look at Italy, Spain, and even France—they've blocked the United States from using their airfields and military bases for planes to take off and bomb you.

Why are you blaming us? Well, what's to be blamed is their passivity—their inactivity, their refusal to do anything at all to stop the American attack on Iran, which is basically an attack on all the rules of civilization, as we've discussed before. The rules of international law, the rules of war against bombing civilians, the rules against bombing basic infrastructure and utilities. And in the last few days, the assassination of professors and the physical destruction of universities—to do what Israel said: "We must destroy the culture. God has commanded us to treat Iran like Amalek. They are our existential enemy."

Where are the other countries going? Moving to accuse Donald Trump and Hegseth of being war criminals and bringing charges against them to prevent them and the rest of their staff from traveling. It's as if the whole rest of the world is paralyzed and unable to really cope. And it's very hard to see whether it realizes this. For the last week, I've been amazed that the stock markets in the United States, Europe, and even Asia have hardly gone down at all with this threat of world depression—only maybe 1% at most, just marginally up and down, hardly anything. And even more surprising is the fact that today, despite all this danger of national war, none of it seems to have been discounted.

The Dow Jones Industrial Average soared over 1,000 points. Stock markets in Japan and Korea—the most vulnerable to a cutback of oil and gas—recovered by 3%, 4%, even 5%. I mean, just amazing gains. Not from any depression that had gone down, but as if somehow everything is going to be okay. The question, I guess, that all of us have to ask is: is the world just in a state of denial? Can it not think about the unthinkable prospect that the war will really result in mutual, assured destruction between Iran and the oil-importing countries—to what the United States hopes will be its own benefit, to pick up all the marbles? How can they proceed without realizing this?

## **#Nima**

Yeah. When it comes to this, one of the main questions right now is: what will be the future for the GCC countries—Saudi Arabia, Qatar, the UAE, Bahrain, all of them? Looking at what's going on, can

they survive this situation, this hostility against Iran? Somehow they want to fight Iran. Today we've seen the UAE trying to strike some targets in Iran. This is the future they're seeking, but can they survive the situation they're creating for themselves?

## **#Michael**

No, I don't think they can survive. These sheikhdoms—these basically little family sheikhdoms—were created right after World War II, with Kuwait a bit later, with the intent of dividing and conquering all of the Arab countries. Most of them are small family dictatorships, and I think about 88% of the population in the Emirates and Bahrain consists of immigrant labor working there. Saudi Arabia is really the only Arab country in OPEC—along with Qatar—that has a fairly large domestic, native-born Saudi and Qatari population. The others, like Jordan, are populated largely by Palestinians and, increasingly, by Indian immigrants.

Under almost feudal, slave-like terms, the immigrants have their passports taken away. There are no courts for them, and they're regularly abused. These are countries that are backward-looking and essentially a legacy of the whole epoch of Western colonialism—from the Middle East to Africa to Asia. And not only should they be replaced, but Iran makes the following point: even if you get rid of American military bases, as we've insisted, the problem is that your economies are inextricably tied in a symbiotic relationship with the United States. For instance, American artificial intelligence companies, computer companies—Google and others—are deeply connected.

Amazon and others have built huge data processing plants in Bahrain, the Emirates, and other countries to secure access to energy—especially because it's going to be very, very hard for these companies to get enough energy in the United States, given the country's inability to expand electric utilities quickly enough to support the data processing they'll need. The so-called "Magnificent Seven" stocks—all the major information technology, internet, and computer chip companies—can't keep soaring without some reliable source of energy, probably outside the United States.

And of course, that energy outside the United States is exactly what's threatened. That's why Iran has focused on bombing American affiliates in other Arab OPEC countries. It says that what's needed to protect Iran's own national security is to remove the symbiotic economic relationships among the OPEC countries—from Saudi Arabia down through the smaller emirates and little family dictatorships. I don't see how that can be done without some sort of takeover. Iran used to control the Straits, and Oman sits right across the Strait of Hormuz. The island of Qeshm was part of Iran until the 17th century.

The British East India Company seized Oman and broke it away because it wanted to control the seaborne trade route to India, which was the key to British prosperity there. Iran wants to reverse this legacy of colonialism and to prevent the kind of financial and economic colonialism that has made the other OPEC states basically Western. That's why these countries have joined the United States in attacking Iran and pushing for a United Nations resolution blaming Iran for the war—for

defending itself. So even if the immediate war with the United States is settled, that's going to lead to what looks like, I think, an Iranian conquest of the rest of the countries along the oil gulf.

And there will be either some sort of rapprochement or an agreement. Saudi Arabia has tried to reach a modest agreement with Iran, but its own government, its national savings funds, and the funds of its wealthiest families are all invested in the United States—largely in the information technology companies that have been investing in their own OPEC countries for what I've described as data processing plants. And also just because they thought that by investing in the United States, that was supposed to provide them with military protection. Well, what Iran has shown is that all of this is a fiction. The whole idea that Israel protected itself with the Iron Dome is lost.

The idea that the United States is protecting the Arab countries from attack, takeover, or any threat to their way of life has been blown apart. The United States isn't a protector—it's pursuing control over the world's oil trade. Now that it has seized Venezuela's oil and managed to isolate Russia's oil trade, it's gained the ability to create chaos in other countries that could be subjected to U.S. oil sanctions whenever it chooses. You can see what the basic dynamic is. What the United States has done by attacking Iran has led Iran to respond, and now Iran is essentially in the very position the United States had hoped to be in.

The United States' policy has been so self-defeating that it's produced the exact opposite of what it intended. That's what happens when you underestimate the fact that if you try to take over other countries, they'll fight back. Other countries aren't stupid, and they don't have a corrupt private-sector military-industrial complex making weapons that don't work. Their governments—like those of Russia and China—have actually created weapons that do work. That's left the United States at least a decade behind in missile technology, air technology, and other military systems. The United States was completely unprepared to really wage a war with Iran.

But the neocons around Trump, who financed his political campaign and supported his appointment of a cabinet that's personally loyal to him without question, have cut themselves off from any kind of realistic feedback—any real estimation of what the effects of this war will be. They've left out of account all the trade dynamics, the financial dynamics, the military dynamics at work. There's been a kind of tunnel vision in U.S. policy. Now you can see the genius of the Iranian strategists, who look at the big picture and understand what they have to do to defend themselves. And there's no way they can attack the United States the way they've been able to attack Israel or the Arab OPEC countries.

But they can stop the oil trade. And again, by controlling the Strait of Hormuz, or simply by bombing Hormuz and wiping out the oil and gas production of the OPEC countries, they can use that as leverage over the rest of the world—to show that you'd better put pressure on the United States and isolate it from attacking them. Because if they're going to be destroyed, their only defense is to

destroy the OPEC economies, and that would destroy everyone else's economies as well. So an attack on them would be an attack on your economies, causing a depression, an economic collapse, unemployment, and all the things that come with a great depression or financial winter.