

Richard Wolff & Michael Hudson: Why US Pressure is Forging China-Russia-Iran

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#Nima

The current situation with the war between Iran and the United States, from what we've heard so far, it seems that Donald Trump and the people in the Trump administration are somehow divided. Some of them, most of them, or those people who supported Donald Trump — the Adelson family and others — are pushing Donald Trump to again attack Iran. These are the leaks from Washington we've heard just hours ago. And on the other hand, there's the situation with the economy and how the U.S. Treasury Secretary is trying to put pressure on the Iranian economy. And here is what Scott Besson said in terms of the strategy on their part.

#Guest

And into the country, we are partnering with our Gulf allies who, having been fired upon for almost 40 days, are much more willing to share the bank accounts of members of the Iranian regime in their countries. We are reaching out to banks, including Chinese banks, to remind them that any Iranian goods and the purchases thereof are forbidden, and that the dollars would be sanctioned, and that we will press for secondary sanctions if there's a problem.

#Nima

So the Gulf... Yeah, part of that, what is going on, for example, with the case of the UAE — the UAE seems to have decided, they have announced that they have decided to get out of OPEC, which would somehow try to help Donald Trump and his administration. On the other hand, Donald Trump was arguing that if Iran is not able to export its oil, their oil wells are going to explode and everything is going to be devastated in Iran. And here is what the head of the Iranian parliament posted yesterday. He said, three days in, no well exploded. We would extend to 30 and live stream the well here. And that was the kind of junk advice the U.S. administration gets from people like Scott Besson, who also pushed the blockade theory and cranked oil up to 120. Next stop, going to be 140. The issue isn't the theory, it's the mindset.

#Nima

Richard, let me start with you and your understanding of their trying to put pressure on the Iranian economy. Scott Besson said that. And even before this war started, with those protests in Iran, then riots in Iran, it's all about putting a lot of pressure on the Iranian economy, then breaking down the economy from within, then bringing down the Iranian regime, the so-called regime. What is your understanding of the current situation? Because they're somehow talking about the Iranian economy as though this blockade is bringing some sort of new opportunity for the Trump administration, which is not the case looking at what's going on, for example, between Iran and Pakistan. Pakistan has opened six lines of communication through Pakistan. You know, the tankers go to Pakistan and go through on land to Iran. This is the reality of what's going on with the blockade. Your understanding, Richard.

#Richard

Okay, let me begin by making an even stronger comment about Scott Besson than I have in the past. Beyond being embarrassed by the fellow, his slavishness to every whim of Mr. Trump is clearly what got him into his job. Nothing else could explain it. And taking seriously one comment after another from him is, I think, a fool's errand. There's nothing there but bluster. It's the bluster that he copies from Mr. Trump. Lots of threats, lots of dire warnings, very little performance. Everyone should remember, Mr. Trump thought he could solve the problem of Iran in a day or a week. He was going to do it right after he got elected as part of the "no more wars" that he ran his campaign on. All of that was bluster.

All of that proved to be as phony as a \$4 U.S. currency bill, which, for those of you who don't get the joke, is funny because there is no such thing. It's the same thing with Mr. Besson. He's going to boycott, and we've told the Chinese banks. I'm sure the poor bankers in China are trembling because Mr. Scott Besson and Mr. Trump have threatened. You know how many threats against China they've made in the last year and a half? Fifty. And they've almost all either been retracted or never made any difference, had no reality beyond verbiage. All right, now, let's deal with the current situation. The United States guaranteed everybody, above all itself, that it could solve the problem of Iran with a nice short war. You know, like the 12-day war last year in June.

They would go in there, they would assassinate a political or religious leader, Ayatollah Khamenei, etc., and the government would fold, and Iran would split into five countries, all of which would be additions to the Gulf states, run by local people picked by the United States, and maybe Britain would be allowed to have one in honor of King Charles' visit. That's the level of mentality that you're dealing with here. And that proved, like so many of their dreams, unrealizable—couldn't do it, misunderstood it, didn't understand the drones that the Iranians have, didn't understand the missiles that the Iranians have, didn't understand the Caspian Sea and the corridor that gives Russia and Iran a way to move between each other without crossing any other national border. Nobody can interfere.

We don't even know what they've been building there for the last years of their relationship. And remember, China has an even bigger unguarded border with Russia. So China, which is the world's manufacturing colossus—more important, according to Paul Krugman, than the manufacturing base of the United States, Britain, France, Germany, and Italy combined. Okay, so you have the greatest manufacturing capacity in China, which can move everything easily into the border with Russia, which can move everything easily down the Caspian Sea right to Tehran, which is close to the Caspian Sea. Okay, so this is the notion. They don't have the equipment. They don't have—stop! This is all make-believe. And it's make-believe for people who've never looked at the map, who don't understand the geography here, or anything else.

That's the first. Now, the second thing: a big item in the news, and you referred to it, is the decision of the United Arab Emirates to quit OPEC. That is very important. OPEC was a solid organization, basically run by Saudi Arabia, with the others going along in the interest of controlling the market, at least to a certain extent. And what this means is that Saudi Arabia, which is the one most affected by this decision, is much weaker in terms of its ability to control the oil business in the world. And that's important not just because it makes life difficult for Saudi Arabia, but because Saudi Arabia can't control—everybody else is now going to be troublingly dependent on what the Saudis, in their desperation, may now do. Why did the United Arab Emirates go?

Well, I'm not privy, but here's my best guess. Saudi Arabia and the United Arab Emirates, like most of the Gulf countries, took their dollar holdings and not only purchased U.S. Treasuries and U.S. stocks and bonds, but, getting greedy, used those stocks and bonds to leverage—in other words, as collateral for big loans, which is normal at this level of business. Michael knows all about it—financing an ever-bigger role for themselves in whatever their projects were. And remember, they want Abu Dhabi to be the global center of finance and wealth. They have enormous debts. They have to service those debts. And in order to service the debts, they have to have oil revenue. And they've got to have it now. Not next week. Not next month. Now. Or else what? They either go to the United States and sell their dollar assets, which, for all I know, they have already done.

They're desperate. Even if they haven't done it, they're desperate. And I think what they're doing is looking at the oil business, deciding that we will never again see oil prices this high, that the transition to non-oil is going to be greatly stimulated by all of what's going on now. So here's the best idea: sell as much oil as you can at the current high prices. That was what they could not do as part of OPEC, and that is what they can do if they're not part of OPEC. If I understand correctly, their capacity is millions of barrels per day larger than what they are now selling. So they can sell much more, take advantage of these high prices, lock in an enormous gain, take care of all of their debts, and accumulate for the coming period when oil will no longer be what it was throughout their history to this point.

So they're taking care of themselves in a bad situation. And I don't think it's all that different in the other Gulf states. Could be, but not all that different in terms of their behavior and their dependency. So, sure, they want a big swap arrangement with America. They want to get their

hands on a lot of dollars in a hurry, which is all that the swap really does, because they really need it. It's the same problem. The freedom from OPEC and the swap allow them to handle a desperate situation. All that this means is that Iran has even more leverage over this situation than we may have given them credit for. Last point, and I know these are disparate things, but they do link together. The United States announced with great pride that their current economic growth is at 2% a year.

Now, for the United States, that's quite nice. China's is roughly 5%. And that relationship, that the Chinese are growing two to three times faster than the United States, has been maintained as the relationship for the last 30-plus years. China is catching up and surpassing. And the very measures that Scott Pessent says, "We will do this to you, do that to you," someone should shake him by the lapels and say to him, "You've got it wrong, Jack. You're not the dog wagging the tail. You are becoming the tail of a different dog. And you're teaching that dog how to treat you in a few years differently. And you ought to think about that before you continue this disastrous cementing of the alliance between China, Russia, and Iran."

#Michael

Nima, I have a choice. You began by asking about the effect of the American sanctions, and then Richard brought up the issue of the swap agreements. I have quite a bit to say about both. What do you want me to discuss?

#Nima

I think it's better to start with the sanctions and the way that Scott Pessent is trying to put pressure on an economy.

#Michael

Okay. It's obvious that Trump has been told by his military that a physical invasion of the army is out, and also that even an air attack, certainly by airplanes, is also out. So the U.S. cannot do the military response that Trump has thought has been the major threat all of this time, because the military has told him, we're going to lose. Every game plan that they've done shows how heavily they're going to lose. So what can Trump do? All that he can do is apply sanctions. And so he's turned the strategy over, away from the military, to Pessent basically for financial sanctions. And that means choke points. Well, all of these choke points are really, as Pessent's quote was, it's all about China.

The whole idea is to prevent China from benefiting from the resumption of OPEC trade, and especially from trade with Iran itself, that is denominated in Chinese currency and will basically be based in China. So what can other countries do to cope with all of this? They're all faced with the following problem: if they do nothing, if they let Trump impose these sanctions preventing their

banks from processing any deposits or transactions or payment transfers that come from Iran, then these whole banks are going to be presumably put out of business. Well, the only way that they can solve this, and it may take a little bit of time, is to break free of all of these threats.

Well, how do you do that? In other words, I think rope-a-dope is the only way of breaking free. For instance, the only way to prevent—the U.S. tried to threaten other countries by saying, we're going to block all of your foreign banks from the SWIFT bank clearing procedure if you don't follow our diplomatic direction. Well, what happened was that China created an alternative, the Cross-Border Interbank Payment System, that charges much less for processing transactions than SWIFT. So now countries have an alternative to using the SWIFT system. Well, this is a model for what they can do to cope with the financial sanctions that Trump is imposing.

If Trump is going to weaponize the dollar system and the international financial system in the way that he's tried to weaponize the SWIFT system that was ostensibly run out of Belgium, well, then the alternative is to create an independent but parallel system for all of this. And I guess you could say that, well, the United States could block all transactions with these banks. This is mutually assured financial destruction.

The U.S. is saying, we will destroy your economy, your financial system that is needed to operate your economy if you don't isolate Iran and isolate China in the way that we've said. Well, all they can do is call his bluff and say, well, you can try to freeze everything, we will work together as quickly as we can to create an alternative system so that in the future our banks will become completely independent—so independent of the United States that you won't have any power over us to create a choke point like this again, because we won't be using you. We're de-dollarizing everything. And it probably will take them a few years to develop this. But what Trump is doing, in one point after another, is weaponizing finance, weaponizing trade. The same thing is happening with his weaponizing the oil trade.

What can other countries do? Well, number one, they can say, all right, you're going to cut off our oil supply. What we're going to do is reorient our energy trade with Russia, Iran, and other friendly countries away from the U.S. But most of all, and this is a point that's been made by environmentalists in the last week, we can move away from oil and gas and carbon emissions. We can move towards wind power, wind and solar power, and nuclear power. Well, the irony is that all of these three alternatives to oil and gas use technologies that are developed by China. And so what Trump is doing, just as in weaponizing SWIFT, weaponizing the banks, and weaponizing the oil trade, is to drive other countries into China's orbit for all of this.

So ultimately, it's going to be destructive because it's driving other countries away from an international system that is based on America's ability to turn the world economy into choke points. Well, scale is important in this. The more countries that opt out of this U.S. choke point system, the easier it will be to join an alternative to the whole purpose of trade and investment—to try to make it the way it was supposed to be before the United States weaponized everything, and to make trade

and investment a system of mutual gain, which is the basic principle of Chinese policy. All of this is going to create, for the short term, the threat of a breakdown in the world economy. And what's going to happen? This is the lead-in, this is the transition to what Richard just did. What does this have to do with the UAE withdrawing from OPEC?

#Michael

Here's the problem that Saudi Arabia and the Arab Emirates have, just as Richard described. They're very highly debt-leveraged themselves, despite all of the investment that they have in the U.S. So what are they going to do? Saudi Arabia has already said what it's going to do. Well, we're not going to be able to export oil and have earnings that we then transfer into our U.S. accounts and invest in trying to make more money by buying U.S. bonds and stocks. In fact, we have to meet the shortfall in our earnings that we need in order to keep many of our businesses afloat. We have to begin selling U.S. investments. Well, the problem is that these investments are not only U.S. government bonds, which have gone down in price as interest rates have gone up.

But a lot of these investments are in private capital investments, which are illiquid. And the U.S. economy right now is itself the most highly debt-leveraged economy in the world, just as it was in 1929 before the stock market crisis that brought on the world depression. So the UAE has the same problem that Saudi Arabia has. Well, suppose they want to sell their Blackstone investments, because they've put a lot of money into investments like private capital. The problem is that Blackstone's put a block on withdrawals from the system. And there are many other private capital investments that everybody's trying to get out of and recover at least what they had put in originally.

But the investments they have in many of these technology companies and investment vehicles are selling at a great discount—20%, 30% off the discount if you withdraw your money now—because there's a realization, as Jamie Dimon has just said in the last few days, that the whole U.S. financial system is over-leveraged. And so, what can the UAE do to the U.S.? It says, well, look, your attack on Iran—you didn't talk about, you didn't consult us before you attacked Iran. This is causing us a financial problem. You're threatening to impose a huge loss on us as we sell these American investments that we've recycled to your economy at a huge discount. So, Besant has said, well, we have an alternative. These are the swap agreements.

Instead of you having to sell, let's say, \$100 million worth of your investments in U.S. securities and crash their price in the process, we will create a swap agreement. You give us \$100 million of your currency, we'll give you \$100 million of U.S. dollars as a swap. So you don't have to sell any of your investments, and therefore you don't have to crash the U.S. market. That is all that Besant really cares about. He doesn't care about saving Iran or Saudi Arabia from taking a loss. He wants to prevent the U.S. banking system and the U.S. financial market from taking a loss. And what Besant has said is, well, what we've done for the Arab Emirates, we can do for all the other countries. Right now, you're having throughout the whole Global South a crisis as a result of the rise in energy prices.

Well, what can Besant do? These countries are then telling the United States, well, because of your war with Iran and the blockage of oil transport through the Strait of Hormuz and the rising price, we can't afford both to import the oil that we need to keep our factories going and our houses lit and pay the debts that we have to you. So we're going to have to cut back something, and we're going to have to put our own interests first, because we're not going to suffer a destruction of our economy just to pay all of the loans that you've made to finance a system that you've locked us into, where we run rising, rising deficits. So I think Besant is saying, we're just going to print the money. We're going to turn the whole world economy into what we've done with the U.S. economy—a Ponzi scheme.

We will lend you the money to keep afloat for all of this system that is running a continued deficit. We'll just keep printing the money to keep at least the financial system afloat. That's what it all is. And so, by threatening, on the one hand, trying to keep the financial system afloat by these swaps, and on the other hand, threatening to block all the banks in countries that have Iranian bank accounts—which are, I think, a lot of countries—he's threatening to crash the financial system. So that's what we call an internal contradiction in the whole American imperial strategy. Something's got to give, one way or another. Either of these ways, the world economy has to be broken down and crashed as a result of the U.S. attack on Iran and the consequences of drastically raising international oil prices and preventing oil trade altogether.