

Larry Johnson: Middle East in a Multipolar World

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#Nima

What Benjamin Netanyahu said in his interview on 60 Minutes, he mentioned that for the United States, the war is not over, which was repeated, by the way, yesterday by Donald Trump. He said, we are not done with the war against Iran, and we have something like 70% of what we had in our mind before this war started. I don't know what that means, this 70%. Where does it come from? But Benjamin Netanyahu said the same thing: we accomplished a lot. What is the mindset behind this 70%? And what do they want to achieve? And what have they achieved so far?

#Larry

Were you going to play a clip, or just jump into it?

#Nima

No, we can jump in because 60 Minutes doesn't let us use their clips. They're going to take our talk down right after, and we'd have to remove it.

#Larry

Okay. Well, let's see. What did the United States and Israel accomplish? They killed off one layer of leadership in Iran and brought together now a leadership group that all fought together—not directly—but they all fought in the Iran-Iraq War of 1980–88. So now you've got a full government of combat veterans who have been to war. They know what war is. So this notion that there's a great division between the so-called moderates and the so-called extremists, you know, that's just a load of Western propaganda—not true. Instead, you've probably got, I would argue, greater unity within Iran's leadership now than you've had at any time in the past. I'm not sure all of the previous ones... It is true, I guess, I was told that even Ayatollah Khamenei, the father, even he fought in the Iran-Iraq War. Of course, he would have been, you know, well into his 40s at that time.

What else did they accomplish? Oh, they basically got all of the U.S. military bases in the Gulf region deactivated or destroyed, right? They got that accomplished so that the United States' ability to sustain its presence in the Gulf is not what it was. They've depleted a large number of essential weapons systems. And to rebuild those, they need to go to China and beg China to give them rare earth minerals in order to reproduce those. They've managed to unite the Iranian people around a government that previously there was opposition to. But now even those who were considered, you know, like the Lego guys—you know, those kids creating the Lego videos—they actually were previously somewhat critical of the government. But now they are the most effective propaganda arm of the Iranian government, something we've never, ever seen before.

Yeah, so great accomplishments by the West. Oh, I forgot the most important one. They achieved the shutdown of the Strait of Hormuz, the crippling of the global economy, and the likelihood that the United States and Europe will be faced with serious stagflation. Other than that, they haven't done much. So you get my sarcasm throughout this. This is an unmitigated disaster for the United States and Israel. Instead of weakening Iran, they've strengthened Iran. And through it, Iran has strengthened its relations with Russia and China. And in turn, Russia and China have seized this opening, seized the initiative to move forward with creating a new international security architecture in the Persian Gulf, one that displaces the United States and leaves the United States weaker, actually.

#Nima

It seems that Iran's response to Trump's proposal was somehow unthinkable on the part of Donald Trump, because he came out here, Larry, and said it's totally unacceptable what Iran had to say to this proposal. And basically, what we've learned from the new proposal, or the response from the Iranians, is they're repeating the same points. They're not changing anything with that standpoint plan.

#Larry

This is so reminiscent of what has gone on with Russia in terms of trying to negotiate with Russia and Trump's. You know, Vladimir Putin laid out Russia's positions very clearly on June 14th, 2024, and they haven't deviated from that at all. Not at all. So here comes Iran and lays out, you know, the four essentials. There are six other things, but the four critical ones are: lift the sanctions, unfreeze the assets, we're going to control the Strait of Hormuz, and we'll talk later about nuclear enrichment and such. That's it. They haven't changed. And the United States keeps acting like this is something new and dramatic.

So I think Iran understands that there is no real viable negotiation with the United States until such time as the economic chaos that is unfolding around the world hits the United States and creates enormous political pressure on Trump. I mean, right now, he's only at about 33% support, maybe

lower. And, God, I saw him yesterday. He put out a Truth Social message about how he's happy with the polls. They're lying to him, absolutely lying to him. So he's going to have a wake-up call at some point. And it'll only be then that—I don't give much chance that negotiations will succeed.

This war is not necessarily going to end through negotiations. It's going to end with the reality that the United States has to accept we no longer have the military power that we once thought we did. Oh boy, and that's going to be a shocking revelation. Because the average American really believes, man, all we got to do is go in there and drive our battleships into the straits and blow up those Iranians and kick ass. It's just all we got to do is just, you know, have enough guts to do it. It's like, guys, you don't understand. You know, try that and see what happens.

#Nima

But Larry, the tone in the United States, based on the latest polls, is changing because 64% of Americans believe that the United States is not winning against Iran in the Middle East.

#Larry

Correct.

#Nima

And only 13% believe that the United States is winning. Yep. That's... that's totally against what Donald Trump is trying to picture for us, with those beautiful AI-generated photos that he's putting on his social account.

#Larry

Hey, speaking of AI-generated photos, that AI-generated photo of me—come on, dude. Who is that? Wow. But there's, you know, that's actually probably a good parallel. The Trump foreign policy, it's being operated on artificial intelligence. And if you will, I had an experience with AI. I asked it a particular question to review a particular video, and it came back and said, yes, this video was made by so-and-so. And it wasn't. I mean, it was someone else. So I wrote back to the AI, I said, hey, you're wrong, it's this. It comes back and goes, oh yeah, my bad, I made a mistake. So once you encounter that, you realize the limits of AI. And, you know, some things are good, but some things are bad.

And, you know, Trump's foreign policy is just—it's a mess. There's no coordinated, coherent strategy at all. So, like, he's going over to meet Xi Jinping, right? And so what does the Trump administration do? It announces new sanctions against a Chinese company that took satellite photos that showed the reality of what was going on in the Middle East. Yeah, I'm sure Xi's going to be real happy with that. You know, so, you know, Trump, you know, you want to find ways that you can make the trip

as conflict-free as possible. Instead, Trump seems to be heaping up one more contentious issue after another on the agenda.

#Nima

You know, the guy is totally confusing foreign policy and diplomacy with what he knows as the deal, some sort of real estate deals that he was dealing with during his lifetime, I would say. Because whenever you put pressure on these countries, they're not in a cave. They're going to fight back. This is the main reason that Russia is in its position the way it is right now. Iran is the way that they're fighting back with the case of the blockade. They're not caving. That's the reason. I don't see... China shows that they... Today, China is different from what it was, I would say, before 2022. And with the tariff war, we've seen how China hit back at the United States and how they were coming back and fighting the Trump administration. I don't know how it's going to help Donald Trump, but it doesn't seem that he's learning anything today when it comes to diplomacy and how to deal with how foreign policy works. And he's continuing with the same sort of attitude.

#Larry

Yeah. Well, there's the assumption that China is much weaker, or Iran is much weaker, than is the case. Right. I came upon a new statistic yesterday, or I'd asked about it, that I was talking to someone who was making the case about how weak China was. I said, well, let's look at the debt-to-GDP ratio offhand. And I said, I'm not sure what it is for China, but I suspect it's far worse for the United States. And lo and behold, the numbers were this: if you look at the central federal government only, sort of the national-level government, China's debt-to-GDP ratio is 29%. What is that of the United States? 123%. It's probably higher now.

#Larry

Now, if you take in the broader government, government at all levels — like, let's say, at the national level and then at the federal or the state level, whatever, or canton level, and down to cities and such — so take the broader government, all levels. The debt for China is 85% or 88%, and for the United States, it's 140%.

#Larry

So again, the economic strength lies with China. And then if you take total economy-wide debt, like the average citizen, their debt, the total debt for China is 302%. For the United States, 720% or 719%. Double, more than double.

#Larry

So my point in all this is the United States is acting like China is an economic basket case. And, you know, we're like the guy who's a meth or heroin addict going to talk to somebody about their drug addiction, that they have a problem, you know, when they're addicted to smoking cigars.

#Larry

We've got a far more critical problem. And then the way the world economy has changed. Right now, I think we made this point on Friday, that in 2000, Japan had five of the top ten banks in the world, with the number one bank in the world at the time considered Deutsche Bank in Germany, followed by BNP Paribas. Jump ahead now to 2025. China's got the four largest banks, followed by two American banks. And then you get, I think, the British HSBC, Paribas Bank, BNP Paribas Bank, and Mitsubishi. I think that rounds out the top. Notice that Japan, four of the five banks disappeared off that list, and China has taken over. Now, there's something called the derivatives market. So we saw this in 2008 with the collapse of the housing market. So a derivative means, let's say that you—let's do it like a casino.

So you go in and you place a bet that you're going to, on roulette, that it's going to hit 12 red. Okay, so the first derivative is I'm standing in the audience watching. So you know what? I'm going to bet you that Nima's going to win. And someone else says, oh, I'll take that bet. I'll bet you he's going to lose. And then you got another group of people that are sitting there watching, you know, me watch you. And they go, you know what? I'm going to bet that Larry is right. And someone else says, no, I'm going to bet Larry's wrong. So now they're betting that my prediction about what you're going to do, that my prediction is going to be right or wrong, and then their prediction. And then someone else says, hey, you know what? I'm going to bet that those guys who are betting against Larry, you know, so you see how this builds up.

That's the derivatives market. There's a derivatives trader named Alex. He has a YouTube channel, Reportify, and he's been involved with the derivatives business for 20 years. He says that market is \$600 to \$700 trillion—basically speculative bets, people leveraged in such a way that if the bets go sideways, they could lose a lot of money. What's interesting is he identified the top 10 banks that are involved with all this activity. None of them are Chinese; they're all Western banks. I find that fascinating, that the Chinese don't get directly involved with all this speculative stuff, that they appear to stay much more grounded. So what this means coming into this week's talks with Trump and Xi is that the Chinese are in a very, very strong position, and Trump has no trump cards to play.

#Nima

The other point that it doesn't seem that Donald Trump is getting is these countries—the relationship or partnership, whatever we can call it—between Russia and China, between China and Iran, Iran and Russia, they don't interfere in the internal affairs or in what is important for their security. They don't dictate. They don't force each other. They cooperate with each other. This is the whole point,

in my opinion, in the case of the partnership or relationship between these countries. And the Trump administration doesn't seem to get it. That's why they may ask. I would say, I don't know what is your understanding of this visit of China and what he's going to ask.

#Larry

Yeah, I'm not sure. Whatever he asks, he's got very little leverage. Maybe he wants to see if he can get China to pressure Iran to back off and to stop, and China's not going to do that. I think the U.S. delegation is operating on the assumption that because China is, on paper, a major importer of oil, that it's under more pressure than the United States with respect to that shortage, and therefore will be looking for a way out. But I put up a piece at sonar21.com last night that lays out—and it's based upon a video done by Kevin Wamsley. He lives in China. He's actually from the area where I live in Florida, Sarasota. And he walks through in detail that actually China is not vulnerable in the way that the West thinks. They're just the opposite. They have a much more stable, predictable path forward.

And this is where the Western experts consistently overestimate China's fragility and underestimate China's resiliency. And, you know, we're going to see that this week where, you know, Trump thinks he's got some pressure, can, you know, leverage China, except let's look at what China's doing. Not only does it have the top four banks in the world, but it's starting to unload U.S. Treasuries. It's not buying them, it's getting rid of them, and it's buying up gold and silver. It's setting up an alternative payment system to SWIFT called CIPS, Cross-Border Interbank Payment System. And China's reaching out to establish commercial relations with countries around the world, whereas the United States is doing all in its power to try to damage China. You know, again, if I'm the Chinese, I'm not sure I'd take the meeting with Trump.

You know, I'd tell him, just go pound sand, you know, because everything that the Trump administration has done has involved sanctions against China or against different Chinese companies. It's not, there's, you know, we're not sending him a thank-you note for anything. And we saw how that backfired early on a year ago with the trade sanctions, the tariffs. The Chinese said, okay, we'll stop buying U.S. soybeans. The soybean market in the United States basically crashed because they said, well, we'll buy from Brazil. Brazil makes plenty of soybeans. Exactly what happened. So, you know, Trump's actions hurt American farmers, didn't protect them, and made them more vulnerable. So I see, you know, China knows how to play that game. They are much, much smarter at it than the United States is.