

China Defies Trump – Will the Blockade Fail?

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Dimitri Lascaris (DL): Anyways, we're now at 46 minutes in. Do you want to chat a little bit about the war, the trajectory of the war? I thought we should spend a few minutes.

Rami Yahia (RY): I wanted to maybe start with this little picture here. Maybe that's a good segue. We all know the amazing military strategist Sun Tzu in his very important book, *The Art of War*. But we have someone else here called Don Tzu, who says: "Break an enemy blockade by blockading their blockade". How do you feel about that?

DL: That's as good as Don Tzu has looked in a long time. That's really flattering him. Look, this is a hair-brained idea, you know, as far as I can tell. So I just want to show people a map of Iran so they can understand the challenges we're talking about here. First of all, if you look up in the north there, this is the map of the major ports of Iran. And it's not clear whether their Don Tzu is blockading the Strait of Hormuz or he's blockading in the ports of Iran or both, but let's be clear here I don't think there's any practical way that the US Navy could even begin to blockade the ports in the north. Now, it's not through the northern ports you can see up there on the Caspian Sea – there are four of Astara, Anzali, Noshahr, and Amirabad – I suspect that there is not much oil, if any, going out of those ports to foreign destinations. Although maybe they could, if they wanted to, like maybe one thing they would be able to do if the push came to shove is they could load up a lot of oil tankers with oil, I don't know if this is possible, but they could do it on the Caspian Sea ports and then send it into Russia and put it in storage there. And then store it until there are buyers and then find a way to transport it to buyers. But in any case I don't think there's any way practically speaking for the United States Navy to impose a blockade on the Caspian Sea ports.

So then you can see down in the Persian Gulf, there are a number of ports there's Khoramshar Abadan, Imam Khomeini, Booushehr, where we were during this trip, Shahid Rajaei, and then Shahid Bahonar, I think that that's in Bandar Abbas where we were on this trip as well. And then there's another one, a very important port down in the lower right-hand corner called Chabahr. And you'll see that it is a fair distance away from the Strait of Hormuz in the Arabian Sea near the border with Pakistan. Now, the problem, amongst others, with this

blockade is that the Iranian military has demonstrated a capacity to strike naval vessels within about a thousand kilometers of Iran.

So let's just focus for a second on Chabahar or the ports on the Strait of Hormuz. They're not going to send naval ships into the Persian Gulf. That's for sure. If they're going to blockade the ports in the Persian Gulf, they're going to have to do it on the other side of the Strait of Hormuz because any naval vessels of the United States or any allied country that go into the Persian Gulf are going to get sunk. They're just too close to Iran. So they have to try to blockade all of these Persian Gulf ports in the port of Chabahar by placing naval assets in the Arabian sea or, I guess, in the Indian ocean. And if they want to be safe from attack by land-based forces of the Iranian military – and the Iranians do have naval ships, they have these speedboats, they also have diesel submarines, they call them midget class submarines, they're quite small, I saw one, the picture of one today, I think it carries like a handful of people, but these things can sink ships – so if they want to avoid that, they're going to have to park their vessels, the Americans, up to a thousand kilometers away from the port in question, whether it's Chabahar or another port in the Persian Gulf.

And if you think about it, physically, if you're a thousand kilometers away, in order to actually effectively blockade maritime traffic coming out of the blockaded port or ports, you have to use an enormous number of naval vessels to provide coverage over the zone through which the blockaded ships might try to pass. The further away you are from the blockade port or ports, the more naval vessels you are going to require in order to effectively blockade those ports. If you're close, just imagine, if you're like three kilometers away, you could probably blockade the port, assuming your ships are safe from attack. You could make with maybe like a couple of destroyers and some supporting vessels.

But if you're a thousand kilometers away, you're going to need an armada. And the armada, it costs a lot of money to maintain an armada out there. And in addition, the United States Navy is already stretched. We've seen the Gerald R. Ford, the premier, the crown jewel of America's large collection of aircraft carriers, has been withdrawn from service for like 14 months, because there was some like huge fire in the laundry room, they said, and there's backed up toilets, and it had been at sea a long time, and so it obviously needs a lot of repair work. The Abraham Lincoln, which was in, I believe the Indian Ocean, got chased away and was potentially damaged as well. It's been apparently taken out of service temporarily. So the US Navy is already very stretched thin. Its sailors are tired, they're worn out. We're heading into the summer. It's going to be extremely hot in this part of the world in the next few months. The Americans are going to commit an armada for a sustained period of time to try to blockade the ships. So for that reason alone, I think this is practically speaking a crazy idea.

But then perhaps an even bigger problem that this blockade confronts is this. A lot of these ships that are coming in and out of the Iranian ports and from other ports in the Persian Gulf are Chinese. And as Newsweek reported yesterday, a Chinese general – it's interesting that the Chinese government had a general deliver this message, I don't think that was a random choice. They are signaling that their response is going to be military. He warned the US "not

to meddle in our affairs", noting that "China has trade and energy agreements with Iran". So let's bear in mind that they've already tried to screw with China's access to Venezuelan oil. I don't know if China continues, and maybe you do, Rami, I don't know if China continues to have access to Venezuelan oil. But clearly, the Americans were trying to stop that and Venezuela has the largest proven reserves of oil in the world. So now they're escalating. This is not just an escalation against Iran It's an escalation against China, which has a huge navy. By some measures It's bigger than the US Navy, although they don't have anywhere near as many aircraft carriers.

So in that vein Pepe Escobar posted today – I'm not sure what his source of this information is. I didn't have time to look into this myself. But he says that roughly 500 nautical miles east of the Strait of Hormuz, the Chinese Type 054A missile frigate Daqing has appeared. And he says that the People's Liberation Army Navy can send many more. Of course, this is true. It can. It has many more of these, this type of vessel. I believe the number of vessels in the Chinese Navy is the largest, by the measure of the number of actual naval vessels, it's the largest navy in the world. I think by tonnage, the Americans still have a bigger navy because they have these massive aircraft carriers and other huge ships. But in terms of the number of vessels, the Chinese have an absolutely gigantic navy. And I don't think they're going to just sit idly by if the US Navy starts attacking these ships or trying to seize these ships, or boarding these ships. This could get ugly really fast.

And the Chinese don't seem minded at all to be passive about this. As Al Jazeera reported, I believe it was yesterday, at 11.44 PM, so this was last night: "A US-sanctioned tanker, the Chinese-owned Rich Starry, transited through the Strait of Hormuz on Tuesday, despite the US blockade of the vital oil checkpoint, shipping data from LSEG showed". And so I believe that this is the very first tanker that passed through the Strait of Hormuz after the blockade was announced. So that seems to me as if the Chinese are throwing down the gauntlet. They've made a decision: We want to be the first through the Strait of Hromuz after this. And you couple that together with the appearance of this Chinese frigate and the warning from a Chinese general, the US government, the Trump regime, is playing with fire here. And who knows how other countries will react? How will India react if it is deprived of desperately needed oil from the Persian Gulf because an oil tanker heading for India is intercepted by the US Navy? How will American allies South Korea and Japan react? So this just, I don't know, Rami, what's your view of this? This seems like a fool's errand and doomed to failure.

RY: This comes, Don Tzu's blockade on the blockade of the Strait of Hormuz comes days after he promised that he would be able to open the Strait of Hormuz. He's failed. Iran has never been intimidated by the United States' threats and Trump has basically exposed himself as having no more cards left when it comes to opening the Strait of Hormuz. So he's blocking it himself so that it doesn't seem like Iran is closing it instead. But the reality is that as much as the United States wants to take control of the ports of Iran, whether it is to strike them, control over the Strait of Hormuz doesn't necessarily have to come from the Iranian Navy. There are thousands of drones that can be used to threaten passage of unwelcome ships. And

that will drastically increase the price of insurance for these highly valuable tankers that are passing through the region and then it no longer becomes profitable.

Instead what we're seeing is what the Philippines, South Korea and other countries have decided to do: negotiate passage through the Strait of Hormuz to guarantee the safety of the contents of the tankers. A \$2 million fee over the Strait of Hormuz, acknowledging Iran's sovereignty over the Strait of Hormuz is going to be much cheaper and much more favorable to global trade than whatever form of American kind of "guaranteed security" in the whole area – they couldn't guarantee anything at all for their own ships. So this is kind of what I'm sensing at the moment.

And China as well, as you said, you mentioned one tanker. Yesterday during the evening, I read that two more Chinese tankers were able to pass through the Strait of Hormuz. What I'm seeing beyond the Strait of Hormuz, what we're noticing is a decay of American influence over the world. America as a unipolar hegemony – what we are seeing in the Strait of Hormuz might be comparable to British control and French control over the Suez Canal and all the evolution of geopolitics after the Suez Canal crisis. China is not intimidated by the United States. America can no longer project its power. Oil bankers and private corporations around the world are seeking guarantees from Iran rather than from the United States and inherently, Iran has cemented itself as no longer just a regional power, but to a certain extent of global super power. Because it has control over the main arteries of global trade.

DL: Yeah, and including the – how do you pronounce that again? I always screwed up the Bab el-Mandeb Strait in the Red Sea.

RY: In the Red Sea, yes. And also, I mean there's not a necessary need of Ansar Allah or Yemen to have control over the Bab el-Mandeb. Iran could also target it with their ballistic missiles and their drones. I just truly do not see anyone with a right mind finding any other alternatives to direct negotiations with Iran for stability in the oil markets. That's why we're noticing that no European country is willing to take the risk of these unilateral measures in the Strait of Hormuz because it will come at a cost – the cost of restriction of navigation for their own tankers.

DL: Just again, the correct pronunciation is Bab el-Mandeb, this is the strait between the Arabian Peninsula and Djibouti on the one side and Yemen on the other. So I also want to point out this, Rami, this news that just came out: this is a warning shot from the International Monetary Fund. Today, it's said that the "Middle East war", as it put it, "has upended the world economy". It is warning the IMF that disruptions to oil markets could slow growth, fuel inflation and raise the possibility of a global recession. My experience of the IMF has followed their statements over the years, including when I was working as a lawyer in New York City, and they are systematically unduly optimistic. This is their overwhelming tendency. So if they're using this language, you should assume it's going to be significantly worse.

And in this New York Times article, they are quoted – Pierre-Olivier Gourinchas, the IMF's chief economist, wrote in a report that the "global outlook has abruptly darkened following the outbreak of war in the Middle East. The war interrupted what had been a steady growth trajectory". And the article in the Times says that, according to the IMF – I haven't yet had a chance to read this report – the IMF says that "even if the war is short lived, the damage to the global economy has been done. In the best case scenario, the fund expects global growth to fall to 3.1 % this year from 3.4 % in 2025". So that's a 10 % reduction in growth. And that is down from 3.3 % the fund projected in January. It is also lower than the 3.5 % growth that it was prepared to project before the war broke out and oil ships through the Strait of Hormuz were halted.

So again, I think this is probably quite optimistic and that is their best case scenario – a 10% reduction in growth on average across the globe. And the reduction in growth will of course be uneven. There will be places where there's no growth at all. And in fact, there is a sharp contraction in the economy. Places like Japan, for example, which gets over 90 % of its oil and gas from West Asia. And I believe South Korea gets 75 %. So we're talking about a full-blown economic collapse in these countries, which are key allies of the United States in strategically important Southeast Asia.

So for a whole bunch of reasons, folks, I would not expect this plan to last, this blockade. But it certainly does suggest that Trump is not willing to make concessions, the concessions to Iran, which we have been saying from day one, are going to have to be made in order to reopen the Strait of Hormuz. And I think you can basically kiss goodbye to a return to the status quo ante. Even if it's opened, it's not going to be the way it was. Iran will continue to exercise control. It is probably going to be charging a toll to many, if not all of the vessels that go through the Strait of Hormuz, which is going to either reduce the profits of the oil companies and or the shippers, or it's going to get passed on to consumers or both. And that's just one of the reasons why we're not going back to the world as it was.

Another part of the reason is because all these investors around the world have you know, how vulnerable these Gulf autocracies are, how unstable they are, particularly the United Arab Emirates, which tried for decades to paint itself as an island of stability in this region. That's been exploded. So the world is not going back to what it was, no matter what happens in this war, not the world at large, nor the region of West Asia. It has been permanently altered. And the longer this goes on, the greater the transformative changes happening before our very eyes will be.

END

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