

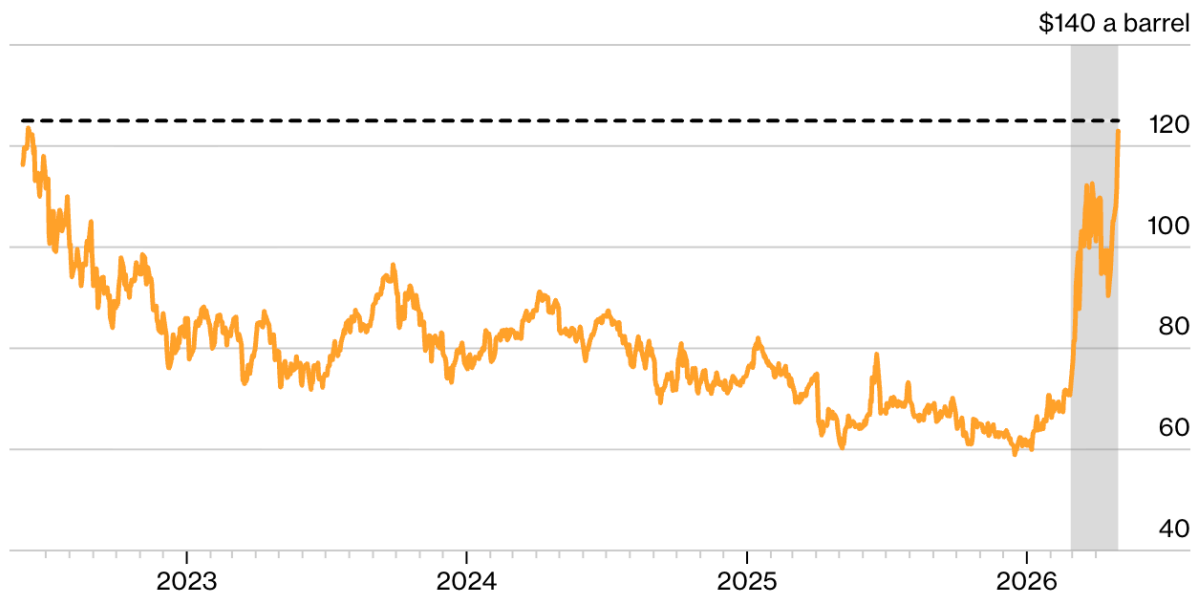
## The Logic of NACHO

*di Paul Krugman*

### Oil Soars to Wartime High

Brent climbed to highest since March 2022

— Brent futures — Iran war



Source: ICE

On Wall Street, TACO — Trump Always Chickens Out — has abruptly been replaced as a favorite meme by NACHO — Not a Chance Hormuz Opens. As a result, oil futures have soared.

I never bought into the TACO meme, which was initially about tariffs: Trump did not, in fact, reverse his destructive tariff policy, although he blinked in his confrontation with China. But NACHO looks right. Hormuz won't open until the economic damage from its closure becomes much more severe.

Realistically, the only way to reopen the Strait of Hormuz is for both sides to stand down — for Iran to lift its de facto embargo on shipping through the Strait, while the U.S. lifts its blockade on Iranian shipping.

Such a mutual stand-down wouldn't require negotiating a formal deal, nor would it require that either regime trust the other. All it need involve is for both sides to stop doing what they are doing. And the way to such a non-deal remains open. Indeed, the Iranians announced on [April 17](#) that they would allow traffic through the Strait to resume. Not coincidentally, the price of [Brent oil futures](#) hit a low of just over \$90 a barrel just after Iran's announcement.

However, Iran reimposed restrictions after Trump refused to end the U.S. blockade. As result, oil prices began to climb again and are currently up around \$30 a barrel since that low.

So what is preventing the reopening of the Strait? Three factors: Trump's ego, his ignorance, and the Iranians' unfortunately justified belief that any agreement they reach with America would be effectively worthless.

Trump's ego is so fragile that he can never admit losing. He cannot bear to face up to the reality that he, more or less single-handedly, led America to the greatest strategic defeat in its history. So he desperately wants to extract concessions from Iran that would lend him a fig leaf and allow him to claim victory.

Thus he deludes himself into believing that he can extract concessions from the Iranians. Moreover, those delusions are reinforced by the people that Trump has surrounded himself with – people who tell him how well the war is going in order to flatter his ego. Consequently, Trump is clearly the worst informed president in modern history about the actual state of America at war.

For example, on Sunday Trump asserted that Iran had only [three days](#) before its pipelines would explode because it was running out of places to store its oil. Yes, that was more than three days ago. No, the pipelines haven't exploded.

Like much of what Trump says about his war, his claim about Iranian pipelines wasn't pure, unadulterated nonsense. Rather, it was adulterated nonsense. Iran's oil industry does, in fact, face technical problems as a result of the U.S. blockade. Iran is running out of oil storage capacity and oil wells can't be turned off and on like a faucet: scaling

back oil production can damage oilfields. Yet all indications are that the Iranians are [fairly well prepared](#) to do the necessary management to address this problem.

What is clear is that is that Trump seized upon a nuanced issue and mangled it in order to proclaim that he is winning after all.

Granted, the U.S. blockade is inflicting major harm on Iran's economy, which is now suffering from [high inflation and soaring unemployment](#). That's why the Iranian regime was willing to reopen the Strait in return for an end to the blockade. But Trump wants more. Exactly what isn't clear.

But in any case he won't get it. For the Iranians know that the Hormuz standoff is also hurting America and the world economy in general. Moreover, they know that Trump is facing what is clearly shaping up to be a major electoral defeat in November due to Americans' anger over the war, its effect on the economy and Trump's constant stream of lies.

Lastly, why should the Iranians trust Trump to honor any deal that they might agree to?

Imagine that the Iranian regime negotiated a deal in which it handed over its stock of enriched uranium in return for an end to the U.S. blockade. What would prevent Trump from reimposing the blockade as soon as he had the uranium in hand, and issuing a new set of demands?

The Iranians are well aware that Trump has betrayed virtually every foreign policy agreement that he could get his hands on. He violated long-standing trade agreements through his unilateral imposition of tariffs. He has repeatedly undermined Ukraine. He has actively worked to destroy NATO. And he cancelled the Obama-negotiated deal limiting Iran's nuclear program. Trump has demonstrated that he is not and will never be a credible negotiating partner.

As a result, Iran won't make any concessions that weaken its strategic position — which means that it won't offer Trump anything that he can use to declare victory.

How will this end? Unless Trump is willing to commit massive war crimes — and the U.S. military goes along — it will end with the non-deal that was already on the table weeks ago: America ends its blockade while Iran opens the Strait. Iran will emerge poorer but strategically stronger. And America will have suffered its worst strategic

defeat in history as a result of a completely gratuitous misadventure to please Trump's ego.

The question now is: how much destruction will the world, and America, have to bear before Trump is willing to accept reality?