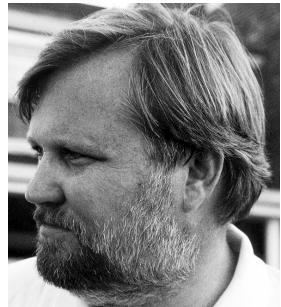

FROM THE FOUNDER



Iran's Ahmadinejad: Crazy or Crazy Like a Fox?

Those of us trying to make sense of the Middle East remain perplexed by the recent rise of Iranian President Mahmoud Ahmadinejad, the lunatic-like leader with decidedly sociopathic tendencies. Not only will Iran soon develop a deliverable nuclear device, he promises, but the first hit will be Israel. These are the rantings of a crazy man. The only question is whether President Ahmadinejad is crazy like a fox.

None of this on the surface makes much sense. If the goal is to go nuclear, why not quietly offer a benign explanation? How about, "All we want, along with our nuclear-armed neighbors Israel and Pakistan, is a regional policy of 'mutually assured destruction' to maintain the peace." Bogged down in Iraq, Washington would have had a hard time convincing the Europeans to stand tough. Instead, Ahmadinejad appears to be actually begging the Israelis (or Americans) to launch a preemptive strike and/or the United Nations to impose sanctions.

What is perplexing is that the Iranians domestically are hardly in a position to withstand either a) a cut-off of their oil exports, or b) economic sanctions by the international community

in the event, as seems likely, this crisis escalates. Consider the numbers. Today, 30 percent of Iranian gasoline has to be imported. Of Iran's GDP, a whopping 54 percent comes from oil. Iran's budget enjoys only two revenue sources: 1) borrowing of about \$8 billion, and 2) oil revenues of \$58 billion. Translation: A cutoff of Iranian oil would be catastrophic—for Iran.

Moreover, curtailment of the supply of Iranian oil to the global market would not neces-

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sarily lead to a global oil shortage or economic catastrophe. The world enjoys enough excess supply plus spare capacity to relatively easily withstand a loss of Iranian oil exports. Indeed, excess supply plus spare capacity amounts to 5.7 billion barrels per day, more than double Iran's oil

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exports. Plus, an Iranian oil cutoff has probably already been largely discounted by the markets. Note too that the Iranian oil industry itself, operating far above capacity maintenance levels because of a lack of investment, risks serious deterioration of its infrastructure in the event of a cut-off.

So why would the Iranian leadership allow Ahmadinejad to place in jeopardy the country's economic future? A growing theory is that the Iranians, sensing the al Qaeda movement is increasingly bottled up, have decided to try to take over the helm of the ship. They are setting in motion a regional and global game plan with the audacious goal of laying claim to the ownership of revolutionary Islamism. The hope is to create the kind of broad-based coalition in the radical Muslim world that the al Qaeda revolutionaries, many either dead or cornered in the mountains of Pakistan, have so far failed to create.

It is important to remember that Tehran never fully trusted bin Laden or his largely Sunni movement. From Iran's standpoint, the less favorable outcome has always been one in which al Qaeda became the radical Muslim world's sole challenger to the West. Indeed, until last year's election of Ahmadinejad, the Iranians were hardly equal partners with al Qaeda and indeed collaborated behind the scenes on various levels with Europe and the United States. One problem is that the Iranians never found their relationship with the West very satisfying. For decades, the State Department was the master at manipulating the Shiite-Sunni fault line. For the Iranians, the recent U.S. involvement with its next door neighbor and the emergence of a relatively benign Shiite Iraqi leadership (a scenario in which the United States increasingly flirts with Iraqi Sunnis) was hardly what had been expected back in 2003 when the United States invaded Iraq and legitimate elections there seemed unimaginable.

Given these frustrations, President Ahmadinejad appears to have been given the mandate to reclaim Iran's position in the world as the leader of the Islamic revolutionary movement (both for Iran and for Shiism). The first step was predictable: demagogue Israel, offering speeches about a second Holocaust while making clear that Iran is not only anti-Israel, but anti-Jewish. What has struck many Western observers is how the Iranian president,

including in his recent visit to Damascus to attend a terrorist summit, has tried to reach out to Sunni factions with the goal of cementing radical revolutionary ties with a kind of new "band of Islamic brothers" mentality.

The upshot is that the Iranians have exited the mainstream, venturing into a more radical, intra-Islamic diplomacy. In this issue of our publication,

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we asked several dozen experts to comment on the seriousness of the situation. By far the most interesting were the comments by former Mitterrand guru Jacques Attali, who quickly paints a disconcerting picture of the Iranian situation in 2025 (page 9). Even if Attali is half correct, what is clear is that the worldwide radical Islamic movement is highly dangerous, highly ambitious, and is not going away anytime soon. You get the sense that the latest gambit involving staged protests over disrespectful Western newspaper cartoons is only the beginning. Dealing with al Qaeda may turn out to have been child's play. After all, in the case of the new Iranian president, who studied traffic planning in a doctoral program, we are talking about an individual who recently wrote that the end of the world will occur within his lifetime. He's fifty years old. ♦

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