

BELFER CENTER IRAN NUCLEAR NEGOTIATION WORKING GROUP

IS A NUCLEAR DEAL WITH IRAN POSSIBLE?

AN ANALYTICAL FRAMEWORK FOR THE IRAN NUCLEAR NEGOTIATIONS

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Abstract

Employing a variety of diplomatic approaches, processes, and tactics over the last several years, multiple international negotiators have been unable to conclude a nuclear deal with Iran. This raises the possibility that—beyond barriers such as mutual hostility, misperception, and flawed diplomacy--no deal is feasible in the current circumstances. This paper develops a “negotiation analytic” framework that precisely relates one’s preferred input assumptions about the parties, their interests, their no-deal options, and possible deals to determine if a “zone of possible agreement” exists and, if so, its location. This graphical approach conceptually disentangles the questions 1) whether a worthwhile deal is possible at all, from 2) how to design the most promising process and tactics to achieve one. If, as seems likely under a plausible set of input assumptions, the Iranian regime’s current no-deal options appear superior to potential agreements, purely tactical and process-oriented initiatives will fail. To open space for a worthwhile nuclear deal—in order to avoid both military conflict and a nuclear-armed Iran—the U.S. and like-minded countries should embrace a relentless and creative strategy to worsen Iran’s no-deal options while demonstrating the value to Iranians of a “yes”. We note that some actions simultaneously worsen Iranian no-deal options while improving the U.S. situation as long as (and if) there is no agreement. Downplaying both coercive options and upside potential, as international negotiators appear to have done, works against this two-pronged strategy to create and widen a zone of possible agreement. If and as such a zone opens up, sophisticated diplomacy and negotiation will be keys to actually reaching a worthwhile agreement.

In recent months, the international negotiations over Iran's nuclear program have provided reason for hope as well as dismay. Tough new sanctions were approved in June 2010 by the United Nations Security Council, followed by even stronger measures imposed by the U.S., the EU, and others. Outgoing Israeli intelligence chief Meir Dagan publicly asserted that Iran's nuclear program was progressing more slowly than previously indicated,¹ which was touted by U.S. Secretary of State Hillary Clinton as a sign of progress for U.S. policy.² Despite these hopeful signs, however, the latest round of talks in January 2011 between Iran and the "P5+1" countries – the U.S., UK, France, Germany, Russia, and China – yielded no progress, calling into question the impact of the sanctions and what, precisely, the U.S. could do next to halt Iran's nuclear drive.

Analysts and policymakers have offered various explanations for the failure to make progress toward a negotiated resolution to the nuclear dispute with Iran. A survey of these explanations would surface a multitude of barriers to a nuclear agreement – decades of hostility and estrangement, domestic politics on both sides, and poor tactics and missed opportunities, to name a few. Indeed, U.S. tactics with respect to the Iran nuclear negotiations became a major point of contention in the 2008 U.S. presidential campaign, with candidate Obama stressing engagement and candidate McCain emphasizing sanctions and force.

The inability of multiple international negotiators, via a variety of diplomatic processes, to conclude a nuclear deal with Iran raises the possibility that no deal is feasible in the current circumstances. This paper will seek to separate the question 1) whether a deal is possible from 2) how best to overcome obstacles and devise tactics to reach a worthwhile deal.

This is a distinction that in more routine contexts is intuitively familiar. For example, if you are seeking to buy a house and have an absolute upper limit of \$400,000, but the current owner of the house—who solely cares about price--has another credible offer for \$500,000, no deal is possible, regardless of your negotiating skill or bargaining approach. If, on the other hand, the house's owner has a credible offer of \$375,000, a deal is possible, but by no means inevitable. Whether it is reached and what price is agreed--within the zone of possible agreement from \$375,000-400,000--depends on the negotiating tactics of both parties.

In negotiating parlance, whether a deal is feasible is said to depend on the existence of a "zone of possible agreement" (ZOPA). A "ZOPA" is a range of potential deals that are better in terms of all parties' perceived interests than the best alternative to a negotiated agreement (or "no-deal option") of each party.

Sometimes no-deal options consist of alternative offers or their absence (as in the house-selling example above); in other cases, no-deal options entail different consequences of walking away. For example, refusing to settle a lawsuit normally implies (facing the no-deal option of) going to court, with its attendant costs and risks. A firm's no-deal option in union bargaining will often be

¹ Charles Levinson, "Israelis Push Back Iran Bomb Timeline," *Wall Street Journal*, January 7, 2011.

² Interview of U.S. Secretary of State Hillary Clinton by Jill Dougherty of CNN, January 12, 2011, <http://www.state.gov/secretary/rm/2011/01/154539.htm> (accessed January 24, 2011)

a strike. Failing to come to agreement with one potential alliance partner may lead to negotiations with another, or simply going it alone. In these cases, there might be no ZOPA in the initial negotiation, if one side were, respectively, absolutely convinced it would prevail in court, believed it would quickly break a strike, and or judged that it would find an even more appealing alliance partner quickly or do better solo.³ Opening up a ZOPA would require actions to alter these perceptions.

Across these and more complex cases, a necessary—but not sufficient-- condition for each party's reaching agreement is that the deal appear superior, in terms of each party's subjectively perceived interests, to its best no-deal option.

To explore whether a nuclear deal with Iran is possible – i.e. whether there is a ZOPA - this paper will introduce a simple analytical framework designed to visualize the ZOPA and therefore the range of feasible deals, and how they would be affected by different policy choices. The major conclusion of this paper is, in a sense, the framework itself – that is, the need to consider separately the distinct elements of the Iran nuclear negotiations, make deliberate assessments with regard to each of them, and to put them in proper analytic relationship to each other in order to draw valid conclusions.

In particular, discussions of Iran negotiations often confuse or conflate several relevant factors that, when properly considered, bear a precise relationship to each other and to the prospects for a deal. These include: each side's interests, each side's no-deal option (and implied minimum acceptable conditions for a deal), each side's stated bargaining position, the range of possible agreements, actual or threatened costs, as well as actual or promised incentives and benefits.

It is frequently asserted that negotiating with the Iranian regime is not unlike haggling in the carpet bazaars of Tehran, where one must keep one's wits or be outsmarted by the savvy merchants. But no wiles will help the poor carpet consumer whose best offer is less than what the merchant can rapidly and confidently get elsewhere. To have any hope of a nuclear agreement with Iran, the U.S. must take advantage of the apparent delay in Iran's nuclear program to create and expand a ZOPA. If in fact no such zone of possible agreement can be created, then alternatives, however unpalatable, must be considered.

Policy Assumptions

In our analysis, we have made a few policy assumptions that are widely-held, including, importantly, by the U.S. and allied governments. Nevertheless, some analysts disagree with one or more of these assumptions. The strength of the analytical framework discussed below in part lies

³ There is no expectation that perceptions of a ZOPA are common knowledge. In fact, the essence of many negotiating situations is uncertainty over the existence, let alone the location, of a ZOPA. Typically, each side has a view of its own limits (implying "its end" of the ZOPA), but faces considerable uncertainty about that of the other.

in its hospitality to a wide range of possible assumptions that reflect different points of view and thus different implications for the negotiations.

First, our analysis assumes that Iran is pursuing a nuclear weapons capability. This reflects the judgment of the U.S. intelligence community.⁴ We do not assume, however, that Iran will actually build a nuclear weapon, though this obviously is a possible outcome.

Second, we assume that a major U.S. aim is to prevent Iran from acquiring such a nuclear weapons capability. This was the U.S. objective under President George W. Bush, and has remained so under President Obama. As recently as December 10, 2010, Secretary of State Hillary Clinton asserted, “There may be no greater strategic threat than a nuclear-armed Iran...the United States is determined to prevent Iran from developing nuclear weapons.”⁵ Whether this also implies a firm commitment to prevent Iran from developing a nuclear weapons capability, short of building an actual nuclear weapon, is unclear. While U.S. officials’ statements on this point are inconsistent, U.S. actions appear to support the more ambitious policy aim.

Third, we assume that the time remaining before which Iran could produce nuclear weapons if it chose to do so is relatively short. This reflects the U.S. intelligence community’s judgment that “Iran is technically capable of producing enough highly-enriched uranium for a weapon in the next few years, if it chooses to do so.”⁶ It remains unclear whether the U.S. official estimate has changed, despite the previously-cited Israeli intelligence judgment.⁷

Finally, we assume, as does the U.S. intelligence community, that “Iran’s nuclear decisionmaking is guided by a cost-benefit approach.”⁸ This does not imply anything approaching perfect rationality, nor does it assume that Iranian leaders’ valuation of costs and benefits resembles our own. It assumes, rather, that the regime acts in a roughly purposeful fashion to advance its interests as best it sees fit.⁹ Therefore, understanding how the regime assesses its interests is vital to predict behavior.

⁴ In his February 2, 2010, statement for the record to the Senate Select Committee on Intelligence, Director of National Intelligence Admiral Dennis Blair stated, “We continue to assess Iran is keeping open the option to develop nuclear weapons in part by developing various nuclear capabilities that bring it closer to being able to produce such weapons, should it choose to do so.”

⁵ Hillary Clinton, Remarks at the Brookings Institution’s Saban Center for Middle East Policy Seventh Annual Forum, December 10, 2010, <http://www.state.gov/secretary/rm/2010/12/152664.htm> (accessed Dec. 22, 2010).

⁶ Blair statement, Feb. 2, 2010.

⁷ The London-based International Institute for Strategic Studies, respected for its work on Iran’s nuclear program, estimated on Feb. 3, 2011, that Iran would need “at least two years” to build its first nuclear weapon, a quicker pace than suggested by Israeli officials. For more, see <http://www.iiss.org/publications/strategic-dossiers/irans-nuclear-chemical-and-biological-capabilities/press-statement/>

⁸ Ibid.

⁹ We are fully aware of the roles that misperception, miscalculation, “irrational” escalation, emotion, and the like can play in negotiation—and the extensive literature on these subjects. However, a (weakly) rational

A Simple Analytical Framework

Introduction

Much of the popular discussion of negotiations, whether on the Iran nuclear issue or anything else, centers upon tactics. Examples include whether we employ intermediaries or deal directly, negotiate with counterpart officials or through back channels, operate publicly or in secret, seek to deeply empathize with differences of culture and perception or let issues speak for themselves, engage in small talk and relationship-building or get straight to the point, bully or charm, show our cards or keep them close to the vest, focus early on guiding principles or on specifics, start with exaggerated demands or more reasonable ones, seek to build momentum by tackling easy issues first, press hard for early closure via deadlines or let the process proceed at a more relaxed pace, etc. Such “at-the-table” matters are not trivial, but they are only one dimension of a negotiation, albeit the most visible. The second dimension is deal design – that is, creatively structuring potential agreements so that they maximize value for all parties and prove sustainable. The third, more architectural, dimension is setup – that is, the parties, their interests and no-deal options, the sequence of approach, and actions to shape those factors to increase the likelihood of a successful outcome, once at the negotiating table. In this paper’s “negotiation analytic” framework, we focus on parties, interests, and no-deal options in the context of potential deals.¹⁰

Specifically, we will seek to address the first two of what we believe are three critical questions facing U.S. policymakers on Iran. First, within the existing setup, is any mutually acceptable deal possible, given each side’s perception of its interests and no-deal options? That is, is there a zone of possible agreement (ZOPA)? Second, if not, can moves to change the “setup” or deal design alter one or both party’s calculations to make a deal feasible, or create a ZOPA?

The third question, not addressed here, pertains to those process choices that would be most likely to realize a deal were one feasible. In addition, beyond the “two party” setup around

baseline, such as this paper provides, remains useful for analysis—with such factors later incorporated as appropriate.

¹⁰ For a fuller, relatively accessible description of the methodological approach of this paper, see Lax, David A. and James K. Sebenius. *3-D Negotiation*. Boston: Harvard Business School Press, 2006. For more technically minded readers, the “negotiation analytic” methodology adopted in this paper lies between conventional game theory and decision analysis. See Sebenius, James K. “Negotiation Analysis: A Characterization and Review.” *Management Science* 38, no. 1 (January 1992): 1-21; Raiffa, Howard, John Richardson and David Metcalfe, *Negotiation analysis: The science and art of collaborative decision making*. Cambridge, MA: Belknap Press of Harvard University Press, 2002. For an updated account, see Sebenius, James K. “Negotiation Analysis: Between Decisions and Games.” In *Advances in Decision Analysis*, edited by Ward Edwards, Ralph Miles and Detlof von Winterfeldt, 469-488. Cambridge: Cambridge University Press, 2007; and for this approach applied more specifically to international negotiation problems, see either Sebenius, James K. “Challenging Conventional Explanations of Cooperation: Negotiation Analysis and the Case of Epistemic Communities.” *International Organization* 46, no. 1 (Winter 1992): 323-365; or Sebenius, James K. “International Negotiation Analysis.” Chapter 14 in *International Negotiation: Analysis, Approaches, Issues*. 2nd ed. Edited by Victor Kremenjuk, 229-252. San Francisco: Jossey-Bass, 2002.

which this paper is based, a more complex negotiation analysis would probe related questions such as:

- The most effective ways to manage each side's complex "internal" negotiations "on its own side of the table" as well as how U.S. moves could affect the internal Iranian negotiations and vice versa;
- How best to negotiate potential durable coalitions of parties as diverse as Russia, China, the E.U., the Gulf Arab states, and Israel that would be able and willing to impose ortighten sanctions on Iran and/or provide incentives to it;
- How to counter Iran's ongoing and future moves to divide or weaken potentially adverse coalitions of parties; and
- The relationship between early conciliatory moves for engagement and building wider support for possible later moves, if necessary, to confront Iran more forcefully.

The analytical framework we employ to address these questions requires a few basic "inputs." These include the parties, their key interests and no-deal options, as well as potential agreements. We provisionally treat the negotiations as if they involved only two monolithic parties, the U.S. Executive Branch and the Iranian regime, though we will later discuss and relax this constraining assumption.

U.S. and Iranian Interests and No-Deal Options

Assessing U.S. and Iranian interests and no-deal options is not straightforward, with analysts sharply divided in their judgments. Rather than wade too deeply into such disputes, we offer the following simple assessments of how the Iranian regime and the U.S. government judge their interests and no-deal options. In the U.S. case, these can be drawn largely from officials' own statements, whereas in the case of the Iranian regime, which is considerably less transparent about its calculations, they must be inferred from actions, behavior, and the numerous studies on the regime's ideology.¹¹

While Iran has consistently denied its interest in acquiring nuclear weapons or the capability to produce them, many observers judge that Iran places a high priority on a nuclear weapons capability given its defiance of Security Council resolutions, its failure to satisfy IAEA concerns, and its history of concealed facilities.¹² The Iranian regime's overriding interest appears to be its own survival, and therefore the persistence of the current velayat-e faqih system of government ("guardianship of the religious jurist" or absolute power of a ruling cleric). The development of a nuclear weapon would serve this interest by acting as a deterrent, a fact openly

¹¹ For a particularly useful study of the attitudes of Iranian "Supreme Leader" Ayatollah Ali Khamenei, see Karim Sadjadpour, *Reading Khamenei*.

¹² Residual doubts are fairly commonly expressed by credible outsiders as well. Example: Yukiya Amano, the U.S.-backed head of the International Atomic Energy Agency, was forthright in a recent interview criticizing Iran's failure to cooperate or answer critical questions about highly suspicious activities. Yet he stated, "Despite all unanswered questions, we cannot say that Iran is pursuing a nuclear weapons program." Source: *Der Spiegel online*, January 11, 2011. <http://www.spiegel.de/international/world/0,1518,738634,00.html>

acknowledged by Iranian officials in the late 1980s, when they cited the need for such weapons in light of Iran's concerns about threats from Iraq and Israel,¹³ and likely reinforced by the contrasting examples of a non-nuclear Iraq (invaded) and nuclear North Korea (not). A nuclear weapon would serve other likely regime interests as well, by strengthening Iran's military and political position in the Gulf region and admitting it to the exclusive global club of nuclear powers. The regime certainly has other interests, and its primary interest of regime survival depends not only on deterrence of external threats but also upon economic prosperity and domestic stability, among other things. Understanding these interests is vital for U.S. policymakers, as it is by satisfying or threatening them that the U.S. gains leverage in the nuclear negotiations.

U.S. interests implicated by Iran's nuclear ambitions are manifold. Unlike their Iranian counterparts, U.S. officials frequently and explicitly describe the nature of the threat to U.S. national security. In recent testimony to the House Committee on Foreign Affairs, Under Secretary of State William J. Burns stated the following:

"A nuclear-armed Iran would severely threaten the security and stability of a part of the world crucial to our interests and to the health of the global economy. It would seriously undermine the credibility of the United Nations and other international institutions, and seriously weaken the nuclear nonproliferation regime at precisely the moment when we are seeking to strengthen it. These risks are only reinforced by the wider actions of the Iranian leadership, particularly its longstanding support for violent terrorist groups like Hizballah and Hamas; its opposition to Middle East peace; its repugnant rhetoric about Israel, the Holocaust, 9/11, and so much else; and its brutal repression of its own citizens."¹⁴

Omitted from this statement is the damage that Iran's successful development of a nuclear weapons capability would have on U.S. influence and credibility in the Middle East and beyond. Given Washington's longstanding role as an external guarantor of stability in the region and its repeated commitment to prevent Iran's nuclearization, failure in its aims would inevitably damage America's standing.

The United States' and Iran's no-deal options are more difficult to judge, as they require a certain amount of speculation about how each side assesses what would transpire absent a negotiated agreement. In this case, each side in assessing its no-deal option would need to understand the likely outcome of Iran's nuclear program, and how relevant external and internal parties would react to this outcome.

The Iranian regime likely views its own no-deal option favorably. The most negative alternative to a negotiated agreement – attack by U.S. or Israeli forces – has been downplayed by the United States. Top U.S. officials, including both Secretary of Defense Robert Gates and Chairman

¹³ For examples, see the Nuclear Threat Initiative's chronology of Iran's nuclear program, available at http://www.nti.org/e_research/profiles/Iran/Nuclear/chronology.html (accessed Dec. 22, 2010).

¹⁴ William J. Burns, "Implementing Tougher Sanctions on Iran: A Progress Report," Statement before the House Foreign Affairs Committee, Washington, DC, December 1, 2010, <http://www.state.gov/p/us/rm/2010/152222.htm> (accessed Dec. 22, 2010).

of the Joint Chiefs of Staff Admiral Michael Mullen frequently warn about the downsides of military action against Iran, though noting that the possibility remains “on the table.”¹⁵ They similarly inveigh against Israeli military action.¹⁶ Perhaps more importantly – if one believes that actions speak louder than words – the U.S. has made no overt show of laying the groundwork, militarily or diplomatically, for an offensive against Iran, but appears instead to be signaling the construction of a regional containment regime consisting of missile defenses and other such defensive measures.

Thus, in the absence of a negotiated agreement, the Iranian regime may foresee few insuperable impediments in the path toward a full nuclear weapons capability, though the timing of that trajectory will certainly be affected by actions of outside players. Consecutive rounds of sanctions have reportedly had an impact on the Iranian economy, but not apparently on the regime’s nuclear ambitions. Iran may also question the resilience of the current sanctions regime, given the gradual degradation of sanctions against Iraq in the 1990s, or the international community’s speedy accommodation of Pakistan’s nuclear status that same decade.

If Iran sees as its no-deal option an obstructed but still feasible path to a nuclear weapons capability with few lasting penalties, the U.S. no-deal option is the far bleaker, mirror-image of this scenario. Absent an agreement limiting or eliminating Iran’s nuclear program, the likely outcome over time appears to be at least an Iranian nuclear weapons capability. The U.S. will seek to “contain” Iran, though containing a nuclear-capable Iran will presumably be more difficult than containing a non-nuclear Iran, which itself has proven a formidable challenge. At the same time, the U.S. – from a position of weakened influence and credibility – will need to maintain an international coalition in support of sanctions, when many countries may have a greater interest in accepting and accommodating Tehran’s new status and resuming full economic and political relations. Over the longer term, the emergence of a nuclear-capable Iran may well spur other Middle Eastern powers to seek nuclear weapons capabilities of their own, presenting the U.S. with a new and challenging outburst of nuclear proliferation.

It is important to note that simply because Iran and others may discount the possibility of a U.S. military attack does not mean that U.S. policymakers have ruled one out as a “no-deal option.” It is possible that this option remains under active consideration even while U.S. officials are publicly downplaying and even warning against it.

Potential deals

While a range of creative options might be envisioned, with many possible provisions and linkages to issues such as trade and energy development, we will initially focus on outcomes ordeals limited to nuclear issues of central concern to policymakers. Moving from the most “U.S.-favoring” to the most “Iran-favoring” possibilities, these include a rollback of the Iranian nuclear program, to a freeze of Iran’s uranium-enrichment activities, to strong restrictions on enrichment,

¹⁵ See for example Adm. Mike Mullen, “Columbia University Press Avail,” <http://www.jcs.mil/speech.aspx?ID=1364> (accessed Jan. 24, 2011).

¹⁶ See for example Paul Richter, “Gates Warns Against Israeli Strike on Iran’s Nuclear Facilities,” *Los Angeles Times*, April 16, 2009.

to weak restrictions on enrichment, to nuclear “latency”, to actual weaponization, and to an Iran with many warheads and missile delivery systems.

Some Initial Notes About the Formal Analytic Framework

With these interests, no-deal options, and possible agreements in mind, we can begin to construct the analytical framework. The framework begins with a purposefully basic setup – two monolithic parties facing a range of simplified deals and the no-deal options which currently prevail. Using this framework, the effects of sanctions, military threats of varying credibility, and other cost-imposing moves can be represented, as can the effects of incentives and inducements embodied in potential agreements. As an output, the framework will provide an illustration of the existence and location of the “zone of possible agreement,” and the range of deals which fall within that ZOPA, given a particular combination of costs, incentives, and no-deal options. Going forward, we can manipulate the framework to represent different combinations of no-deal options, include other potential deals, and consider how other policy decisions affect the ZOPA and range of plausible deals.

Some advance caveats are in order, given the purposeful simplicity of this framework. With the basic framework laid out, the effects of these caveats can be depicted and taken into consideration.

First, the Iran nuclear negotiations clearly involve not just two parties, but rather a range of players such as China, Russia, Israel, the Arab states, and others, each of which has its own interests and no-deal options. In addition, the U.S. and Iran themselves are hardly monolithic, but rather comprise internal parties such as, on the U.S. side, the White House, Congress, and others. Preferences and interests are only sensible, especially in a political context as riven with divisions as Iran’s, to the extent they are understood “factionally.” The presentation of incentives or imposition of costs on Iran by the U.S. involves complex negotiations with these external and internal parties. It is entirely possible that the failure of these negotiations could result in one side being blocked by an internal party from exploiting a ZOPA when it opens. In fact, this may have been precisely what occurred in October 2009, when Iranian and P5+1 negotiators in Vienna provisionally agreed to a nuclear fuel swap, only to have it scuppered by factions in Tehran. We do not fully explore such internal negotiations in this paper, but they are implicitly represented—not ignored—by the version of the framework we present.

Even within our relatively simple two-party setup, valuations and preferences - relative as well as absolute – and no-deal options are often vague, frequently contested among analysts and policymakers alike, and are shaped by distrust and partisan perceptions. This paper presents our own assessment of how Iranian and U.S. decisionmakers perceive their interests and no-deal options, but it is vital to note that these assessments, and more importantly each side’s perceptions of the other, are only as good as the available information. Indeed, as we will discuss further below, besides actually achieving an agreement, one purpose of negotiations is learning for the purpose of making more confident judgments about one another. In the absence of reliable information on the opposing party, we are left to shadow-box and to make inferences at a distance.

Laying Out the Framework

[Note: throughout the presentation of the graphical framework, we try to keep the exposition straightforward. However, many analytic issues, potential objections, and elaborations arise along the way that we have chosen to treat in footnotes parallel to the main presentation.]

The graphical representation of our framework begins with two axes; the horizontal axis represents value for the United States, and the vertical axis represents value for the Iranian regime (Fig. 1). Thus, moving “up” means increasing value for the Iranian regime (where higher “value” is associated with meeting Iranian interests more fully), and moving “right” means doing the same for the U.S. Running between these axes is a downward-sloping “frontier” representing the a stylized range of possible outcomes for Iran’s nuclear program. While a range of creative options might be envisioned, and are later discussed, we will initially focus on outcomes or deals limited to nuclear issues of central concern to policymakers. Those options in the upper left are best for Iran, and those in the lower right are best for the U.S. The absolute locations of the deals are merely illustrative, but their order is meaningful.¹⁷

This representation of the spectrum of possible nuclear deals is purposefully simplistic. In reality, the spacing between the deals might be irregular, and each party might perceive that spacing differently. Furthermore, it is possible that, from one or the other party’s perspective, there is no practical difference between two deals. For example, the consequences for the U.S. of an Iranian nuclear weapons capability may be roughly the same as those of Iran possessing an actual nuclear weapon. Different outcome evaluations than those shown would simply require a redrawn “frontier.”¹⁸

¹⁷ Were we to move further “southeast” on the diagonal line, we might include “regime change” as an outcome; similarly, moving further northwest might entail a large Iranian nuclear arsenal plus ballistic missile delivery capability. Moreover, the potential “deals” displayed on the diagonal line are limited to nuclear issues; other, more complex deals, perhaps with other linkages—economic, political, security, etc.—will be discussed subsequently.

¹⁸ Deals that simultaneously improve each side’s outcomes would cause the frontier to bow “outward” or become convex.

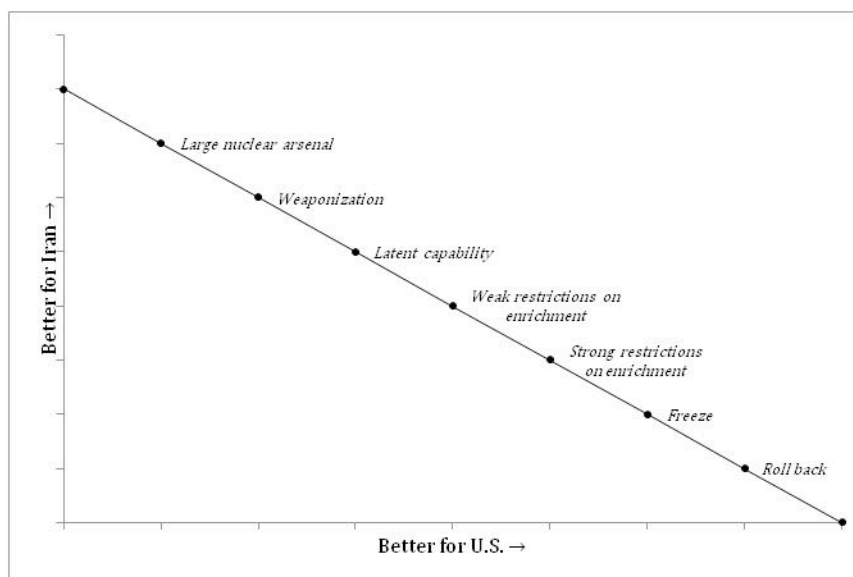


Fig. 1

In Fig. 2, we introduce a series of lines perpendicular to the axes. Line AB, which crosses the deal frontier at “freeze,” represents the United States’ stated position that Iran must, at a minimum, freeze its uranium enrichment at current levels.¹⁹ For purposes of illustrating the framework, we have indicated line CD, which crosses the frontier at or near “weaponization,” as the likely outcome given current U.S. policy--under the presumption of tightening sanctions but no military action.²⁰ Asked in June 2010 about the effects of greatly enhanced U.S. and Security Council sanctions, CIA Director Leon Panetta responded “Will it deter them from their ambitions with regards to nuclear capability? Probably not.”²¹

Presumably, somewhere between these two lines lies the true U.S. minimum (or “redline”), representing the “most nuclear” Iran the U.S. could accept before turning to more costly alternatives to negotiation (including containment or military action).

¹⁹ The relevant UN Security Council resolutions, including UNSC Resolution 1929, actually call for Iran to suspend all uranium enrichment and reprocessing activities (which corresponds to “rollback” on the indicated frontier). However, we judge that the United States’ willingness to consider swapping Iran’s indigenously-produced low-enriched uranium (LEU) for highly-enriched uranium (HEU)--in the context of the aborted October 2009 agreement-- indicates an implicit acceptance by the P5+1 of some low level of uranium enrichment by Iran. In addition, the P5+1 has in the past (in 2008, for example) offered Iran a “freeze-for-freeze” arrangement whereby Iran would freeze uranium enrichment in exchange for a “freeze” on new sanctions, as a prelude to a full suspension.

²⁰ Of course, those who judge that the most likely outcome of current U.S. policy would be more (or less) favorable to U.S. interests would shift the location of line CD to the right (left).

²¹ ABC News “This Week” Jake Tapper interviews CIA Director Leon Panetta Sunday, June 27, 2010 <http://abcnews.go.com/ThisWeek/week-transcript-panetta/story?id=11025299&page=1> (accessed Jan. 24, 2011).

Line EF represents, from the Iranian regime's perspective, the minimum acceptable outcome of Iran's nuclear program, and presumably therefore the outcome it would achieve if undeterred. Its placement reflects the view, discussed earlier, that the Iranian regime deems at least a nuclear weapons capability as vital to its interests. Different factions within Iran may prefer less or more conciliatory outcomes, and the internal struggle amongst those factions could cause EF to move up or down accordingly.

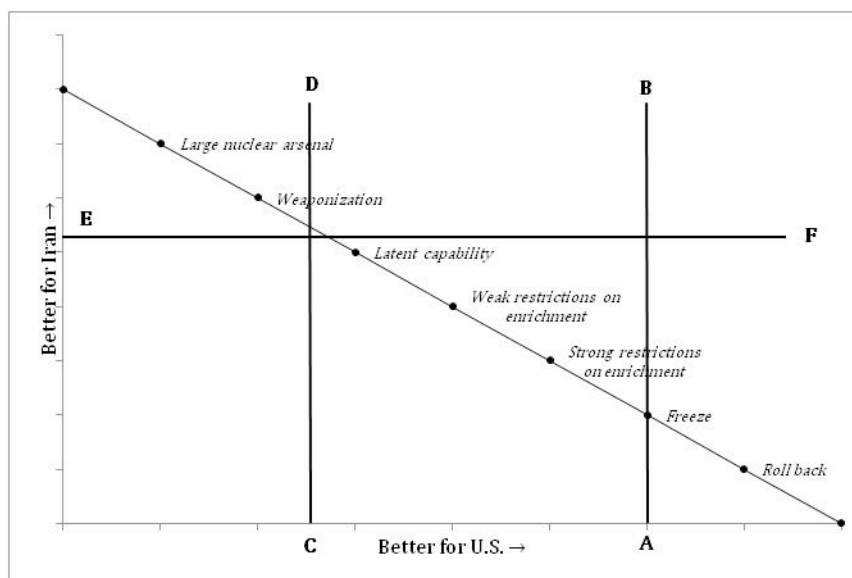


Fig. 2

With these elements in place under the specified assumptions, we can determine whether or not a “zone of possible agreement” exists, and if so, what range of deals fall within it. In this “base case,” meant to illustrate the present state of the negotiations, whether a ZOPA exists depends critically on the location of the true U.S. redline. If CD were the true U.S. minimum, the portion of the deal frontier, if any, passing through the shaded quadrant lying above EF and to the right of CD represents the ZOPA (see Fig. 3); that is, all of the deals on the portion of the frontier bounded by CD and EF would be acceptable to both parties relative to their no-deal options (which of these agreements the two parties reach depends upon the aforementioned “at the table” dimensions of the negotiation – deal design and negotiating tactics).²² If, on the other hand, the declared U.S. position of AB were the true minimum, then no ZOPA would exist, as the deal frontier does not pass through the portion of the graph above EF and to the right of AB. Since the Obama Administration's true redline is likely to lie somewhere between AB and CD, it is likely that no ZOPA currently exists (again, presuming that EF represents the Iranian minimum).

²² Should the parties involve new issues and invent any additional, creative options that fall northeast of the intersection of CD and EF, such options would also lie within the ZOPA.

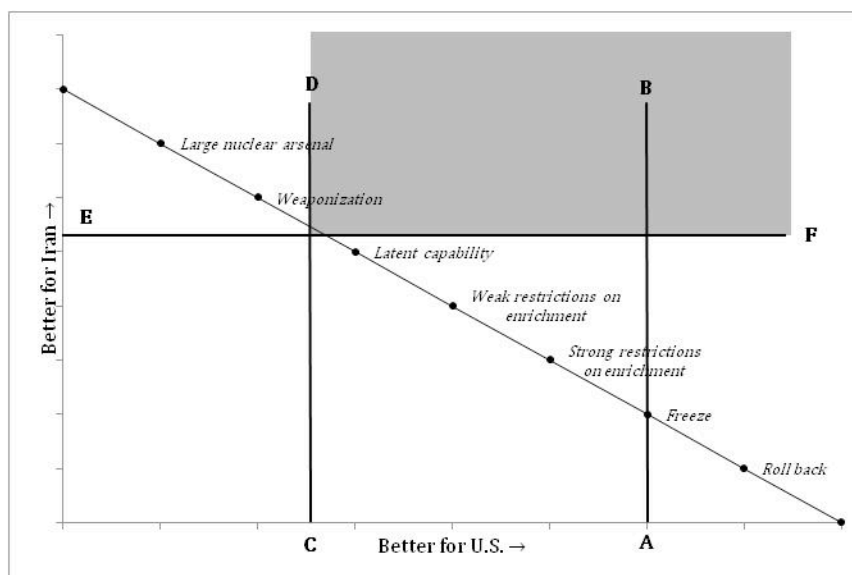


Fig. 3

In most negotiations, neither party has perfect information regarding the other's redlines and no-deal options, and therefore must guess at these and thus the existence and size of the ZOPA, which is that region of the graph that is simultaneously better than each side's no-deal option (northeast of the intersection of CD and EF). This problem is particularly acute in the Iran nuclear negotiations, given the paucity of official contacts since the 1979 Islamic Revolution in Iran, meaning that the parties' estimates of one another's redlines are largely based on indirectly informed perceptions. In addition, each party's own redline is not a matter of executive fiat but is the product of side negotiations with internal parties and external allies. Until such side negotiations are concluded, negotiators can only estimate their own redlines as well.²³ As a result

²³ Simplistically, even after abstracting from the problem of alliance negotiations, the U.S. "redline" should be located at the point representing the "most nuclear" Iran that the U.S. is in fact willing to accept. Properly determining such a redline is somewhat analytically elaborate, both in principle and practice. Think of the U.S. redline as the all-things-considered, maximally acceptable nuclear Iran, in the event that negotiations fail and the U.S. takes corresponding actions. This outcome should set the no-deal value, or lower limit of acceptability, for any negotiated agreement with Iran. To determine where it should lie, both the expected costs and expected deterrence benefits of increased unilateral (non-negotiated) actions must be considered. In other words, we should see how bad CD really is and ask what costs we should be willing to incur to avoid that outcome in order to ensure a better outcome (with "better" here judged net of the associated costs of the deterrence actions). To elaborate just a bit: if there were no additional chance whatever of deterring Iran, only costly, futile deterrence measures, then the US should accept CD as the "right" no-deal option or redline. If the costs of inaction (accepting CD) were extremely large, yet there were realistic prospects of valuably increased deterrence (resulting in a less nuclear Iran), the U.S. should be willing to incur such additional deterrence costs. More generally, as long as the expected incremental costs of deterrence (including "price/costs" of any benefits separately conferred for this purpose) are less than the expected incremental value of increased deterrence (conditional on those costs), US should be willing to incur such further costs of deterrence. The resulting outcome value should represent the US redline/best no-deal

of this process of estimating one's own and the other party's redlines, each party will have its own picture of the ZOPA. Especially in a relationship characterized by misunderstanding and poor communication, these two pictures may bear little resemblance to one another. Common bargaining tactics may exacerbate this problem further, with potentially dire consequences.²⁴

The Effects of Sanctions and Incentives

The two tools employed most frequently by the U.S. and its allies in an effort to change the Iranian regime's strategic calculus are sanctions (or, more generally, "costs") and incentives (or, more generally, deal provisions intended to be of value to Iran's regime). "Costs" in this formulation can include both punitive measures not directly related to Iran's nuclear program as well as actions that make Iranian military nuclear potential less likely, further delayed, and otherwise degraded. Both of these tools, and their effects on the ZOPA, can be illustrated using this framework.²⁵

If, for example, the U.S. credibly imposes costs of magnitude EH upon Iran, the Iranian regime's new minimum would be represented by the line HJ (See Fig. 4). The new ZOPA would be the shaded quadrant above HJ and to the right of the U.S. redline (on the assumption that a deal would lead to the removal of the actual sanctions or credible threat thereof). If the true U.S. redline were anywhere to the left of the point at which HJ intersects with the deal frontier, this cost-imposing move will have created or expanded a ZOPA and therefore made a broader range of negotiated agreements possible.²⁶

option; with this in mind, the U.S. should seek a negotiated outcome superior to the optimal non-negotiated options.

²⁴ For a party that desires a negotiated agreement, establishing correct perceptions can raise a thorny tactical dilemma. Imagine that you walk into a car dealership prepared to spend \$50,000, but convincingly assert that you will not spend a penny over \$35,000. The dealer may not even bother negotiating with you, rather than simply offering you a \$10,000 break on the \$50,000 car that you wanted (and that he was actually prepared to give if push came to shove). In this case, you would have been well-advised to soften your position to get talks started. In any negotiation, if the other party views your position as harder line than it truly is, there may be utility in partially correcting that impression to convince that other party to at least give negotiations a serious effort. However, in doing so, you may benefit the other party in any actual negotiation (i.e. by allowing them to press for a deal as close to your redline – and as far from their own – as possible), and raise opposition among internal factions. The reverse is also possible – if, for example, Iran believes the U.S. will not countenance a war, but the U.S. in fact considers a military attack to be its best no-deal option, the regime, in holding out for a better deal, may in fact bring war upon itself.

²⁵ For simplicity, we will treat the effects of costs as if they were actually imposed. However, genuinely credible, specific threats to do so can easily be incorporated in the framework. Similarly, we treat effects of incentives as if they were actually conferred in a deal, though genuinely credible promises to do so can easily be incorporated into the framework.

²⁶ Note that, though for clarity we have not indicated it in the graph, measures that obstruct, delay, or degrade Iran's military nuclear capability simultaneously improve the U.S. no-deal option in the event that negotiations drag on or fail outright.

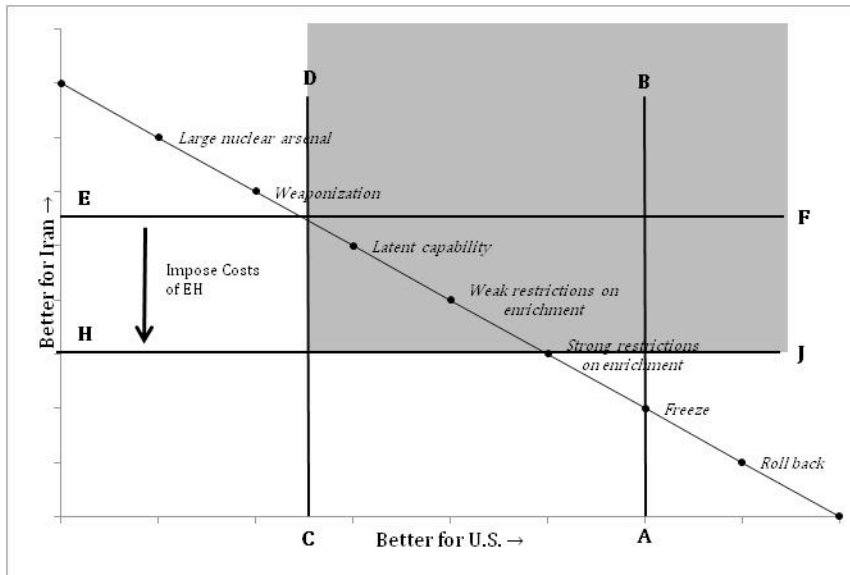


Fig. 4

Similarly, the U.S. could in the context of an agreement offer incentives that add to the value of the agreement for Iran. In the framework, this would be represented as an upward shift of the deal frontier. Such incentives would increase the value to Iran of any negotiated agreement, while not changing the value of the deal to the U.S. (See Fig. 5). However, the position of EF does not change, and the ZOPA remains the shaded region to above EF and to the right of the true U.S. redline, whether that is CD, AB, or a line between these two. Despite the fact that the two parties' minima do not change, the shift in the deal frontier has positive implications for the existence and location of the ZOPA. If the true U.S. redline were anywhere to the left of the point at which EF intersects the new deal frontier, the credible offer of meaningful incentives will have created or expanded a ZOPA and therefore made a broader range of negotiated agreements possible. It is worth noting that none of the deals which are newly located in the ZOPA in this scenario are "worse" for the U.S. than what it would have been prepared to accept before offering the incentives.²⁷

²⁷ Unless, of course, the incentives were costly to the U.S. to proffer.

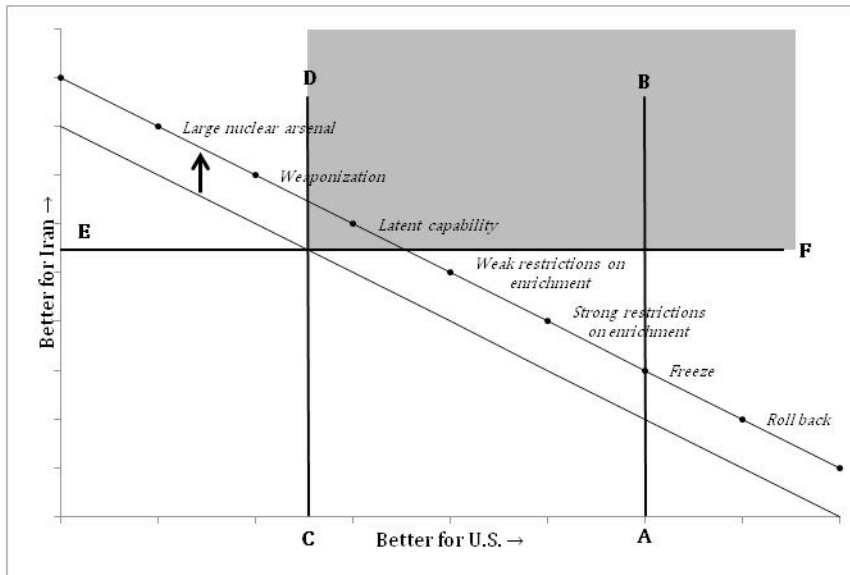


Fig. 5

This effect can also operate in reverse; that is, if the U.S. provides Iran with disincentives, the deal frontier shifts downward, constricting or eliminating the ZOPA (See Fig. 6). An example of such a disincentive would be the precondition that Iran suspend uranium enrichment during any negotiations; this represents a cost for Iran, but unlike the costs discussed above, it is associated not with a refusal to negotiate, but with agreeing to negotiate. Thus it operates not like a cost (shifting EF downward), but as a reverse incentive, or disincentive. This is not to say that preconditions have no value or should not be used; merely that when employed their impact on the ZOPA should be kept in mind.

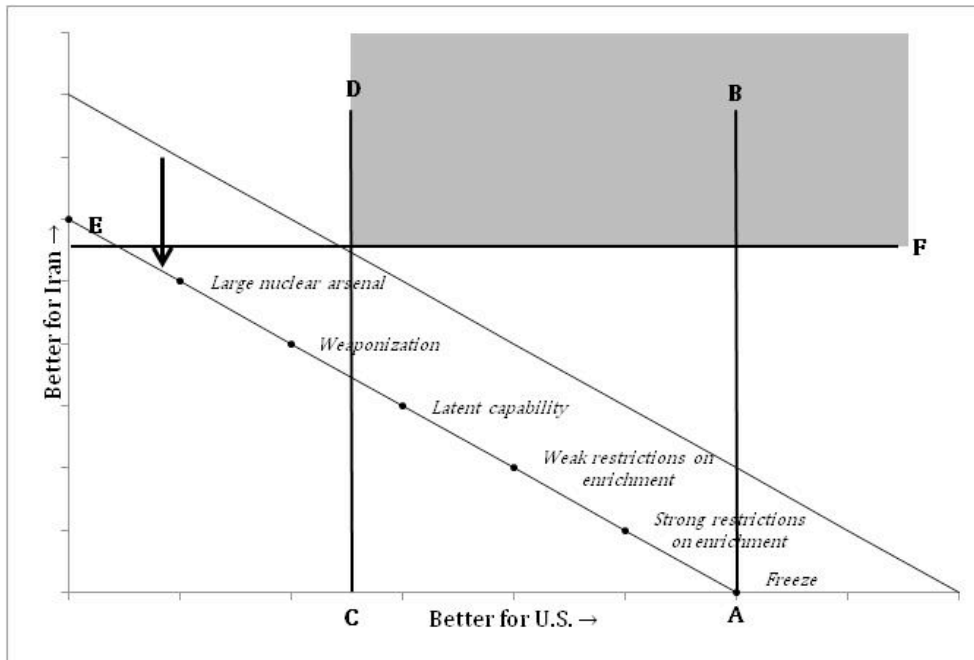


Fig. 6

In the case of the Iran nuclear negotiations, sanctions and incentives need not be used separately, but have typically been paired in order to amplify the effect on the Iranian regime's calculations. This can be represented in the framework by combining the imposition of costs of magnitude EH (creating a new Iranian minimum of HJ) with offering incentives which shift the deal frontier upward (See Fig. 7). The combined effect of these two is a new ZOPA above HJ and to the right of the true U.S. redline. The combined effect of these policies is to greatly expand the ZOPA – in this (purely illustrative) case, creating a ZOPA even if the true U.S. redline is its declared position of AB. Previously infeasible agreements are moved into the ZOPA, providing greater leeway for U.S. and Iranian negotiators and therefore increasing the chances of a negotiated agreement, given the right negotiating process.

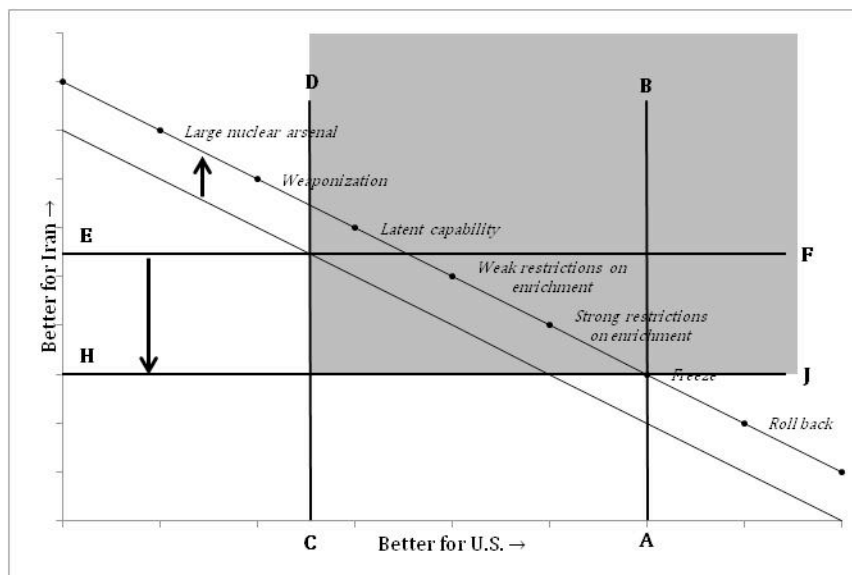


Fig. 7

Costs and Incentives

The assertion that imposing costs and offering incentives can increase prospects for a successful negotiation is hardly novel. The challenge that has bedeviled international diplomacy over Iran's nuclear program is identifying the particular costs and incentives which will be effective in creating or expanding a zone of possible agreement. To be effective, any cost or incentive must meet three criteria; that is, it must be:

- *Credible.* Costs and incentives must enjoy credibility in the eyes of the other party. To this end, actions speak louder than words. For example, if the U.S. were to threaten Iran militarily while making no visible effort to prepare the ground politically or practically for such actions, the "military option" will lack credibility. The regime may see certain sanctions, in particular, as less credible if it believes that the sanctions will begin to crumble as soon as Iran obtains nuclear weapons. Similarly, if U.S. negotiators offer to lift sanctions, but that action requires the cooperation of a Congress which is opposed to the measure, the incentive would not be credible. Credibility is also reinforced (or undermined) by actions and policies in other arenas. Thus, it is undoubtedly instructive to Iran that the U.S. largely acquiesced to a North Korean nuclear weapons capability after having declared such an eventuality "unacceptable."
- *Meaningful.* Costs and incentives must also be meaningful in terms of the regime's actual interests – costs must threaten those interests and incentives must further them. In other words, they must be in the right "currency." It is easy to wrongly project one's own view of the other's interests; for example, while better relations with the U.S. may seem like an obvious "plus" to Iran, the regime may instead see this as undesirable, even as a threat. Getting the "currency" of incentives right, and thus effectively employing

costs and incentives, therefore requires an accurate understanding of how the regime perceives its interests.

- *Of Sufficient Magnitude.* Beyond merely harming or promoting Iranian interests, respectively, costs and benefits must be of sufficient magnitude relative to the regime's perception of the value of its no-deal option to sufficiently shift downward the Iranian redline (e.g. from *EF* to *HJ* in Fig. 4) and thus have an appreciable effect on the potential ZOPA. The scant examples of previous strategic shifts by Iran suggest that the regime is prepared to endure heavy costs in pursuit of what it sees as vital interests. One such shift occurred when Ayatollah Khomeini accepted a ceasefire to end the bloody, eight-year Iran-Iraq war – after insisting he would never do so – only once Iran's Navy had been soundly beaten by the U.S. and an Iranian civilian airliner was mistakenly shot down by the *USS Vincennes*. Another may have occurred in 2003, when, spurred by the U.S. invasions of Afghanistan and Iraq and fears that Iran could be next, Iran apparently suspended its nuclear weaponization work and entered serious nuclear negotiations with the UK, France, and Germany. Of course, apart from moves that impose “unrelated” costs on Iran, actions that *directly* obstruct, delay, or otherwise degrade the military potential of Iran's nuclear program by definition shift its no-deal option “downward.”

In considering which costs and incentives to employ, the U.S. and its allies need to consider not only the effectiveness of the measures according to these three criteria, but also the cost to themselves of the measures. While for purposes of exposition when laying out the framework above, we assumed that costs and incentives could be used costlessly by the U.S., this is not true in general. For example, restricting Iran's oil exports may have a dramatic impact on the regime's interests, but would also likely cause great tension with coalition partners such as Japan, Korea, and China who rely on Iranian oil imports (absent mitigating measures) and would also involve a cost to the U.S. in terms of higher global oil prices.

Costs

As noted above, when devising costs to impose upon the Iranian regime for its pursuit of a nuclear weapons capability, it is critical to understand how the regime perceives its interests. For many years, the U.S. utilized broad sanctions in an effort to isolate Iran, including a ban on all imports from Iran in 1987 and a ban on almost all exports to and investment in Iran in 1995. However, the Iranian regime arguably thrives on such isolation. Beyond the routine desire shared by autocratic regimes to regulate and restrict their citizens' interactions with the outside world, Iran under Khamenei has, as Iran expert Karim Sadjadpour has observed²⁸, held independence and self-sufficiency as two of its core political values. Khamenei believed that previous Iranian rulers were weakened and corrupted by reliance on foreign powers, and was determined that his regime would rely upon indigenous advances. As a result, it is unlikely that he viewed being cut off from the U.S. politically or economically in negative terms.

²⁸ Karim Sadjadpour. *Reading Khamenei*, Carnegie Endowment for International Peace, Washington, DC, http://carnegieendowment.org/files/sadjadpour_iran_final2.pdf (accessed Dec. 27, 2010).

In recent years, the U.S. approach to costs has changed dramatically, focusing on measures narrowly targeted at the regime leadership and the programs (nuclear, ballistic missile, terrorism sponsorship) of greatest international concern. Insofar as those measures enjoy greater multilateral support and threaten more directly the interests of the regime, they better meet the first two criteria mentioned above in being credible and meaningful. If one accepts the provisional conclusion, however, that a ZOPA has not yet been opened in the nuclear negotiations, it follows that the costs imposed on Iran to date have been insufficient in magnitude relative to its no-deal option.

Given the apparent failure of sanctions and other cost-imposing measures thus far to fundamentally alter Iran's nuclear course, it would be tempting to conclude that the U.S. was faced with an unpalatable binary choice between acquiescence and war. In fact, however, a wide range of credible, meaningful costs remain available to the U.S. and its allies; singly or in combination, they could be represented in the graphical framework by their effects on EF and, in some cases, on CD--in that they improve this outcome for the U.S. as long as no deal is reached, or if negotiations utterly fail. These cost-imposing measures can be placed into two broad categories based on their effects on the elements of the analytical framework described above:

1. *"Side Costs"* – The analytic opposite of "side payments," these are costs which reduce the "net" value to Iran of its no-deal option (a nuclear weapons capability), but are otherwise substantively unrelated to the nuclear issue. Examples would include travel bans on Iranian officials, human rights sanctions and intensified campaigns excoriating Iran's human rights record, and some commercial bans such as the penalties for exporting refined petroleum products to Iran enacted by Congress in 2010. Each of these measures may have its own merits and drawbacks, but the measures do not in themselves interfere with Iran's ability to achieve its nuclear aims. Nor do they improve the U.S. outcome in the event of no deal; analytically, they move EF down.
2. *Measures to Delay/Degrade/Stop Iran's Nuclear Program* – These are measures which directly or indirectly worsen Iran's nuclear no-deal option. By this, we mean actions that increase the difficulty of or time required for Iran to achieve its military nuclear aims, that degrade the effectiveness of that program, or completely block its success. We note that such measures may have their effects during negotiations--as long as no deal is reached--or if negotiations definitively fail. Importantly, such measures simultaneously improve the U.S. no-deal option and therefore decrease the urgency--or, conceivably, the need at all--for the U.S. and its allies to reach a deal with Iran. (In this sense, such actions move line segment CD to the right.) These measures could target the nuclear program itself – for example by prohibiting the export to Iran of essential nuclear components or dual-use items – or at supporting functions like shipping and finance. Further major actions in this category would likely be actions against Iran's Central Bank, or measures designed to curtail Iranian oil exports and/or revenues (though these actions would likely have effects in the first category as well).

Coercive actions, such as military strikes, also fall into the second category of costs, but their qualitatively different character merits further, separate discussion. If credible, military threats worsen Iranian perceptions of the consequences of no-deal. (Actual use of force, to the extent it were effective in delaying/degrading the Iranian nuclear program, would directly improve the no-deal option of the U.S., though presumably the scope for agreement at that point would be almost nil--or the kind of negotiations subsequent to such action would likely be qualitatively different from those preceding it.) Independent of the underlying benefits and drawbacks of the use of force, increasing the credibility and salience of the military option seems to be a major way to open up a ZOPA by worsening no-deal perceptions. Instances of Iran making strategic shifts – whether by signing a ceasefire at the end of the Iran-Iraq War or suspending weaponization work around 2003 – suggest that a credible military threat can potently influence the regime’s calculus, which is unsurprising if regime survival is its primary interest. The realistic prospect of military action may also strengthen the U.S. coalition by motivating those allies with important commercial concerns (e.g. Russia, China, Italy) to cooperate more fully with sanctions and other measures in hopes of forestalling armed conflict that would be inimical to their interests. Thus, while military threats – whether arising from the U.S. or Israel – should not necessarily be trumpeted, they certainly should not be publicly suppressed.

Steps which appear to lay the groundwork for military action (e.g. regional exercises, repositioning of military assets) likely to enhance the credibility of coercive measures. On the other hand, purely defensive measures aimed at containing Iran, while perhaps prudent on their own merits, may have the opposite effect of signaling international resignation to a nuclear-armed Iran. Thus, care should be taken in the way that such defensive steps are publicly framed. (And none of this discussion weights whether the adverse consequences of the actual use of force are greater or less the prospective costs of a nuclear-capable or nuclear-armed Iran.)

As noted above, reinforcing the threat of military force should worsen Iran’s no-deal option and increase the prospects for opening a ZOPA, though some analysts argue that the regime would actually welcome the “rally-round-the-flag” effect military actions (in which case the intended coercive effects would be reversed). However, if Iran perceives that military action is not an alternative to a negotiated outcome for the U.S., but rather the objective of U.S. policy, the efficacy of the military threat will be diminished: Iran will perceive the U.S. redline shifting to the right, leading to the narrowing or elimination of the Iranian estimation of the ZOPA. It is vital, therefore, to distinguish between a policy of “regime change” and a willingness to use force as a no-deal worsening option.

Incentives

As with costs, designing credible, meaningful, and high-impact incentives requires a clear understanding of how the Iranian regime sees its own interests. Like costs, incentives can be grouped into three broad categories:

- *Removal of Negatives.* These incentives are essentially the reversal or removal of costs previously imposed or threatened. These could include the lifting of sanctions,

security or nonbelligerency guarantees, and other such measures.

- *Side Payments.* These are incentives meant to increase the “net value” to Iran of a particular agreement which are otherwise unrelated to the nuclear issue except as a bargaining tactic. In addition, these incentives do not directly advance U.S. interests, and so add no value to the agreement from the U.S. perspective. These could include agricultural assistance, trade agreements, and other such measures.
- *Joint Gains.* These are incentives which increase the value of a particular agreement to both Iran and the U.S., and can thus be thought of as “win-win.” These might include measures in the area of counter-narcotics, cooperation on Iraqi or Afghan security, and the like.

Devising incentives which are enticing to Iran and palatable to the U.S. has proven difficult. While threatening the regime’s interests with costs is generally an easy sell politically in the U.S., Europe, and elsewhere, satisfying the regime’s interests through incentives is more complicated. Helping the regime ensure its survival – for example by forgoing support for dissidents, or offering security or nonbelligerency guarantees – is not only morally problematic for the U.S. and its allies, but would likely encounter stiff political opposition in those countries.

As a result of this conundrum, the U.S. and its allies tend to offer incentives which by inference suggest an unrealistic reading of the Iranian regime’s interests.²⁹ This is borne out by an example from recent years. The U.S. dropped its objection to Iran joining the WTO in 2005 after receiving criticism from the EU, Iran, and others; however, since that time Iran has done little to pursue WTO membership, and in December 2010, the Iranian Majlis voted to further slow down the (nearly halted) process of WTO accession.³⁰ If, as previously noted, the regime values political and economic independence and self-sufficiency, it is easy to see why it would find WTO membership, and similar measures, problematic.

Correspondingly, the incentives which have already been offered by the U.S. and its allies – the suspension of sanctions, reassurances regarding Iran’s territorial integrity, cooperation on civil nuclear energy, regional security, trade, and civil aviation, as well as assistance with agricultural, economic, and technological development – have elicited scant interest from Iran. This suggests that the regime either does not value such inducements, at least relative to a nuclear path, or in its deep suspicion of Western aims, deems them not credible. The Iranian regime may suffer from a principal-agent problem as well, in that certain incentives may be beneficial to the regime or Iran as overall entities, but the benefit to individual Iranian officials of accepting them is outweighed by the political cost of doing so. The perverse effect of the regime’s dismissal of such offers is that the U.S. and its allies often see little choice but to rely heavily on costs going forward.

²⁹ For the most recent publicized “incentives package” offered to Iran by the P5+1, see <http://latimesblogs.latimes.com/babylonbeyond/files/incentives2008.pdf>.

³⁰ “Majlis Votes to Slow Down Process of Entering WTO,” *Iran Times*, December 3, 2010, p. 5.

Though the history is discouraging, it is possible that these or other potentially value-enhancing items can be made more credible and attractive, especially if Iran's no-deal option worsens. The latter proposition could be tested through different processes or tactics, such as phasing the implementation of the incentives such that Iran does not need to comply fully with international demands before beginning to receive the benefits of a more constructive attitude (and indeed there are signs that the P5+1 took such an approach at the January 2011 Istanbul talks, albeit unsuccessfully). As such, the zone of possible agreement would further expand. Moreover, highlighting genuine willingness to offer broader benefits, as well as to impose costs, would send a positive message to Iranians beyond the hardline regime as well as to others whose full cooperation is valuable to this strategy.

Assessment of Past U.S. Efforts Via the Framework

Given that both the Administrations of President George W. Bush and President Barack Obama, in concert with other nations, have employed costs and incentives in combination, as well as different qualitative approaches to the negotiations, the question arises of why neither was (to date) able to negotiate successfully with Iran. Or, more fundamentally, did a ZOPA exist or was created that would permit a successful negotiation? The analytical framework introduced above can provide some insight into this question.

Bush Administration. The public revelation of clandestine Iranian nuclear facilities at Natanz and Arak in 2002 led to significant international focus and action on Iran's nuclear weapons program. The resulting pressure was amplified by the U.S. invasion of Iraq in 2003, which left Iran effectively surrounded by U.S. forces. Iran subsequently entered negotiations with the "EU3" – the UK, France, and Germany – which resulted in a series of agreements according to which Iran agreed to suspend uranium enrichment (but not, ultimately, give it up indefinitely).

While the pressures on Iran were accumulating, the Bush Administration's position appears to have been hardening. While the U.S. and Iran warily cooperated with one another regarding Afghanistan in 2001,³¹ there was a widespread perception – in part due to Washington's refusal to participate in the EU3's negotiations – that by 2003 the U.S. was considering "regime change" in Iran rather than seeking a negotiated agreement with Iran. Thus, Iran's redline may have been moving downward as a result of the costs imposed by increased international diplomatic pressure and the palpable threat of U.S. military attack, but at the same time the U.S. redline appears to have been moving rightward – or at least Iran and others perceived it to be so – dampening the potential for a ZOPA to be created. Whether or not there was a ZOPA at this time ultimately remained untested, as no U.S.-Iran negotiations took place.

By 2005, when the Bush Administration agreed to join the EU3's negotiations with Iran on the condition that Iran suspend uranium enrichment prior to any talks, the pressure on Iran had decreased. Iran likely deemed the threat of U.S. attack to be significantly lower than in 2003, it had

³¹ James Dobbins, "How to Talk to Iran," *Washington Post*, July 22, 2007.

escaped to that point any meaningful penalties attending the revelation of its clandestine nuclear weapons efforts, and it had not been held to account for violating a series of agreements with the EU3 from 2003 to 2005. Furthermore, politics inside Iran had shifted with the replacement of the reform-minded President Khatami with the obscure hardliner Mahmoud Ahmadinejad. While pressure on increased from 2005 to 2008 through the addition of Russia and China to the P5+1 coalition and the imposition of multiple rounds of sanctions, it is likely that a large gap between U.S. and Iranian redlines remained, preventing the opening of a ZOPA. In any event only one meeting on the nuclear issue with both the U.S. and Iran present was held, in Geneva in July 2008.

Obama Administration. Upon assuming the presidency, Barack Obama emphasized “engagement” with Iran, which sought to reassure the regime that the U.S. was not intent on regime change but dedicated to a negotiated outcome to the nuclear dispute. While not formally abandoned, the precondition that Iran suspend enrichment before talks with the U.S., already weakened by U.S. attendance at the May 2008 P5+1 meeting with Iran, was further attenuated by President Obama’s initiatives. The U.S. proposal of October 2009 to accept Iran’s low-enriched uranium (LEU) for highly-enriched uranium (HEU) necessary to produce medical isotopes in the Tehran Research Reactor was widely seen as an indication that the U.S. was prepared to accept some Iranian enrichment activity. The main effect of this diplomatic campaign was likely to shift leftward Iran’s perception of the U.S. redline.

In the process of reassuring Iran, however, the Obama Administration diminished the credibility of a military attack as a threatened cost to Iran. While President Obama and his top officials have for the most part maintained that the military option remains “on the table,” senior Defense Department officials and others have been at pains to downplay the likelihood of a military attack, stressing its downsides in public remarks while publicly counseling Israel against attack as well.³² The perception that the Obama Administration had put aside the military option was reinforced by a public emphasis on containing a future nuclear-armed Iran³³, as well as by a reported Defense Department memo lamenting the White House’s refusal to that point to allow serious consideration of even a modest military component to its Iran strategy.³⁴ Thus while the Obama Administration has succeeded in securing serious new sanctions on Iran, the resulting pressure is mitigated by the diminished credibility of the U.S. military threat.

Just as domestic politics played a role in the U.S. shift, however, Iranian politics continued to harden the regime’s positions on the nuclear issue. The June 2009 election turmoil likely put the regime in no mood to be conciliatory toward the West for fear of appearing weak or desperate. At the same time, dislike of President Ahmadinejad within conservative circles may have contributed to political fractiousness and the rejection by Tehran of the October 2009 fuel-swap deal. In terms of the analytical framework, then, the U.S. redline may have indeed been shifting leftward, but the

³² Richter.

³³ See for example Hillary Clinton, “Townterview Hosted by Suttichai Yoon and Veenarat Laohapakakul of World Beat,” July 22, 2009, <http://www.state.gov/secretary/rm/2009a/july/126335.htm> (accessed Jan. 24, 2011).

³⁴ David Sanger and Thom Shanker, “Gates Says U.S. Lacks a Policy to Thwart Iran,” *New York Times*, April 17, 2010.

combined effect of new sanctions and diminished military threat was ambiguous, while domestic considerations may have shifted Iran's redline upward. Thus, as during President Bush's time in office, during President Obama's tenure to date some factors have moved in favor of creating a ZOPA, but others have militated against it.

Conclusions and Recommendations

No ZOPA at present. A full audit of the barriers standing in the way of a nuclear agreement between Iran and the U.S. would turn up a multitude of issues. Among them would certainly be mutual distrust arising from thirty years of estrangement and hostility, the fierce internal politics in both the U.S. and Iran over the two countries' fraught relationship, the radical ideology and political fractiousness of the Iranian regime, as well as poor negotiating tactics and missed opportunities by both sides.

Various efforts, both official and unofficial, have rightly been made to address these and other barriers to U.S.-Iranian rapprochement. But the failure by multiple parties via a variety of negotiating processes to make serious progress toward a sustainable nuclear agreement with Iran suggests a deeper cause – the absence of any underlying zone of possible agreement (ZOPA). Simply put, a wide gulf apparently stands between the least nuclear capability the Iranian regime is willing to accept and the most nuclear capability the U.S. is prepared to concede to Iran. No combination of costs and incentives yet put forward has come close to matching the value what the regime likely sees as its no-deal option – a nuclear weapons capability (at least).

Need to Change the "Setup." If indeed there is no ZOPA, the most urgent priority for U.S. policy makers and negotiators should be influencing the "setup" in order to create one. No amount of negotiating skill or diplomatic finesse will make up for a failure to do so.

There are three ways to create or expand a ZOPA. First, the U.S. could, of course, relax its own redline, by acquiescing in a hitherto rejected outcome or deal. Doing so would be sensible only if the U.S. felt that it had misjudged its own no-deal option – i.e. that accepting a "more nuclear" Iran than we were previously prepared to is better than the alternative of war, containment, or some other non-negotiated course of action. If the redline shifted too much toward pure accommodation of an Iranian military nuclear capability, such a reassessment would be unlikely and unwise. It would provoke stiff bipartisan opposition in the Congress and elsewhere, could misjudge the dangers posed by a nuclear-armed Iran, and the consequences of acquiescing to such an outcome to U.S. influence and nonproliferation efforts globally.

Second, and far more likely to improve the "setup" and result in a favorable outcome would be to impose costs on the Iranian regime. Costs can reduce the attractiveness of Iran's no-deal option, directly operating on its nuclear program or indirectly via linked issues, and can make a wider range of agreements acceptable.

Third, incentives that increase the value to Iran of a negotiated agreement can also serve to expand the ZOPA. (Ideally, new deal designs can prove to be of enhanced joint benefit.)

Both costs and incentives must be credible and meaningful relative to Iran's interests, and of sufficient magnitude relative to its no-deal option. Wielding both costs and incentives in combination can have an amplified impact on the ZOPA and, therefore, prospects for negotiating success. Using the two in combination can be difficult, requiring the careful coordination of policy measures and clear communication with coalition partners, the public, and others, as well as with the regime – in other words, astute diplomacy.

Value of Engagement. To say that there is currently no ZOPA and therefore no prospect of successfully negotiating a nuclear agreement is not to say that there is no value in diplomatic engagement with Iran. Talking with Iran, especially to as many official and unofficial factions as possible in that non-monolithic country, serves several purposes. It is a mechanism for gathering information regarding Iran's interests and no-deal options, as well as its perception of our own. Engagement is ultimately necessary to test whether, in fact, a ZOPA has been opened³⁵ and whether unanticipated, valuable cooperative possibilities may be present. Also, it can help build, cement, and enlarge a strong international coalition, by demonstrating the United States' good-faith commitment to diplomacy. To the extent that the U.S. engagement highlights genuine willingness to offer broader benefits, as well as to impose costs, it sends a positive message to Iranians beyond the hardline regime as well as to others whose full cooperation is valuable.

Engagement can have downsides, however. It is a two-way channel – while we may gather information on Iran, Iranian negotiators will also garner valuable information on the U.S. Where engagement has been withheld, offering to be forthcoming may inadvertently signal weakness or eagerness to deal. It may carry political costs for both parties which weaken their standing domestically. In the case of Iran, opposition figures as well as regional allies have expressed disappointment with the perceived legitimacy the regime gains from talks, especially when the U.S. also seems to downplay military options.

Using the Analytical Framework. Gathering information, of course, is not an end in itself, but that information must be properly organized and applied to devising a sound and coherent policy. This is the purpose of the analytical framework laid out above – to provide a tool for putting deliberate assessments of the distinct elements of the nuclear negotiations in proper analytic relationship to each other in order to draw valid conclusions and develop policy options. To accomplish this, policymakers should:

- Assess Iran's interests and no-deal options. Doing so requires robust, high-quality information on the dynamics and deliberations of the Iranian regime. To the extent such information (and therefore sound assessments) is lacking, the U.S. should seek out or develop new channels for obtaining it.
- *Determine U.S. interests and no-deal options.* U.S. interests implicated by an Iranian nuclear weapons capability are relatively uncontroversial, but a clear understanding of

³⁵ Barring unilateral capitulation by one side or the other.

U.S. no-deal options and redlines require early and active consultation with domestic parties such as Congress and coalition partners.

- *Catalog available levers – both incentives (embodied in potential agreements) and costs.* Thought should be given to the credibility, relevance to Iranian interests, and magnitude relative to Iranian no-deal options of each possible measure, as well as the cost to the U.S. of deploying the measure and its impact on coalition partners and other unrelated parties and interests. Ideally, creative agreements can embody high-value, low-cost moves that result in joint benefit.

In particular, careful assessment of these distinct elements of the nuclear negotiations will help provide a sharper answer to the issue whether a ZOPA exists, and, if so, where it is located. It will not provide a single policy prescription. Rather, it will permit policymakers and analysts to move beyond bumper-sticker policy assertions in favor or against engagement, sanctions, military action, and the like, and illuminate the multiple policy strategies – that is, sets of policy choices which together advance a particular goal – which can open a zone of possible agreement and permit the negotiations to succeed.

If, as seems likely based on our relatively limited analysis, the Iranian regime's no-deal option appears superior to the agreements on offer, a ZOPA may not exist at present. This would pose an insurmountable barrier to agreement that would defeat all tactical and process-oriented initiatives. To open space for a worthwhile nuclear deal—and avoid both military conflict and a nuclear-armed Iran—we should embrace a relentless and creative strategy to worsen Iran's no-deal options while demonstrating the value to Iranians of a “yes”. Downplaying both coercive options and upside potential, as we appear to have done, works against this two-pronged strategy to create and widen a zone of possible agreement.

Implementing this strategy would require tough, skillful diplomacy and, if necessary, willingness to credibly threaten force. But without an underlying zone of possible agreement, a primary focus on negotiation process and tactics—getting the right tone, venue, communication style, framing, level of secrecy, use of back channels and/or third parties, etc.—can't work. If and as a zone of agreement opens up, however, a sophisticated use of these and other process tools will be key to actually reaching a worthwhile agreement.



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