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# HERZLIYA CONFERENCE 2019

## War Game

## The U.S-Iran Crisis: Future Directions

### Summary and Takeaways

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## The U.S-Iran Crisis: Future Directions

### Summary and Takeaways

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On 30 June 2019 in the course of the 2019 Herzliya Conference, a "war game" was conducted, simulating **direct negotiation between the United States and Iran**.

The negotiators from the American side were played by Americans, senior fellows at Washington think tanks and former Government officials; their Iranian counterparts were played by experts and former senior officials from Israel.

**Game Objectives:** To examine the positions of the different players inside the Iranian regime; how the dynamics between the U.S. and Iran could play out; possible outcomes of the bargaining between the two; their interests, red lines and margins of flexibility, strengths and weaknesses and more. As well, the exercise was designed to examine the linkages and the interaction between the various issues tied to the crisis, for example the nuclear file and its different components, the missile issue, regional aspects, economic pressures, the question of regime change and more.

**Methodology:** The game simulated **two rounds of direct negotiations** envisioned as taking place in **October 2019** at the senior professional level. According to the scenario (detailed in the appendix) the sides decided to return to the negotiation table after the situation in the Gulf again escalated and Iran continued to take its nuclear program forward (enrichment to 20% and stockpiling materials beyond the agreed-upon levels).

## Insights and Key Takeaways

In contrast to most war games on the subject of the crisis with Iran that focus on developments leading to negotiations and the actions of the sides to set the terms for negotiations, the game in this case **'skipped' this stage to begin at the negotiation table itself**. In that the **United States and Iran** are the two players with the greatest influence on the crisis, and any **all agreement reached between the two could be expected to be acceptable by all the involved parties** - the game deliberately did not include any third side such as Europe, Russia and Israel.

The game showed **actual potential for understandings between the United States and Iran** regarding **amendment** of the nuclear agreement. Despite this, due to problematic dynamics, the negotiations **'blew up'** already in the first round. At this stage, it required the intervention of game control for the sides to agree to return to constructive negotiations and to put concrete proposals on the table.

All the negotiators surmised that President Trump could be satisfied with an **upgraded JCPOA** that would present improvements over the original agreement reached by the Obama Administration. On the issue of the **sunset clauses** a significant gap became evident, where **Iran was prepared for several years extension in the enrichment domain** (and 15 years on the plutonium track), **while the United States demanded 50 years**. At the same time, the two sides did not totally reject **creative solutions**, such as **open-ended agreement to be renewed mutually by the sides every four years**, and that either of them could withdraw from with appropriate advance notice.

Despite the positive potential in the nuclear domain, a number of negative processes led to **collapse of the talks**. It seems that in the 'real world' as well, these dynamics can be expected to overshadow the ability of the United States and Iran to reach the point of negotiations, and make progress in the course of them if and when they resume, and **even place them on a collision course**.

First of all, **both the United States and Iran assess time is on their side**. Iran felt that the United States underestimates the regime's ability to persevere and withstand the sanctions. From Iran's perception, the more time that elapses, **Iran will be the one to gain assets and leverages** for future negotiations, and

has the capability to destabilize oil markets, while President Trump for his part is eager to renew talks and fears a war will harm him in the upcoming elections. The converse image from the American perspective held that **pressure on the Iranian regime - international and domestic, is rising**, while the U.S. has the ability to deter, restrain and contain regime's actions in the region.

Secondly, **the United States and Iran will have difficulty conducting negotiations in the shadow of moves by either to apply pressure on the other party**, particularly use of force in the Persian Gulf. In response to Iranian moves in the Gulf, the American team adopted a **'hardball' approach of "maximum pressure" during negotiations, as well**. Immediately following opening of talks, the administration imposed new sanctions and threatened additional ones, as well as forceful actions if Iran would not restrain its moves in the region, freeze progress on its nuclear program and return to its commitments under the JCPOA. By contrast, the Iranians chose to take steps to undermine what they perceived as U.S. overestimation of American power in the region. Iran contemplated a series of steps such as strengthening militias, bolstering the forces of the Revolutionary Guards and accelerating work on the projected rail link between Iran and Syria.

Thus, the game demonstrated that the **ability to translate power plays, primarily on the ground, into bargaining chips and leverage at the negotiation table - are limited**, and are liable to have the opposite effect intended.

Thirdly, there is a gap between the Iranian regime's decision to strive for **focusing negotiations on the nuclear issue**, and the United States' insistence on a **'grand bargain' that will include regional issues** (from Lebanon to Yemen). The **regional demands have been transformed into an integral part of the Trump Administration's policy position**, and the administration is so identified with this that it **restricts the United States' ability** to promote an agreement in the nuclear domain alone. In contrast, Iran seems to **prefer refraining from regional issues in the talks**, out of fear that haggling over these issues will be unending and delay removal of the sanctions - the primary objective of the regime.

The Iranian representatives decided that should Iran be forced into comprehensive negotiations, it would work **to leverage regional concessions in order to put in check demands for concessions in the nuclear domain**. Their margin of flexibility over regional issues was **to lower the bar of violence**

**in the region and restrain the actions of proxies**, particularly in **Yemen**. They were **not willing to cede** Iran's presence in the Middle East arenas and its essential interests there. In addition, The Iranians were willing to pay for American recognition of Iran's standing in the Middle East and Iran's ability to constitute a significant player in reducing tensions. They viewed such **recognition as a component that can weaken the American-Israel-Saudi alliance**.

Fourthly, the United States and Iran are locked in **disagreement** over the **sequence** of the negotiations. As with North Korea, Iran demands '**simultaneousness**', in the framework of which steps to return to the nuclear agreement for its part, will be met with immediate easing of sanctions. The United States refuses and remains firm in its '**all or nothing**' **approach** where sanctions will be removed only in exchange for a new comprehensive agreement.

The fifth, **significant tensions between decision makers in the Iranian regime were not evidenced** in regard to negotiation issues. All the players were determined to fend off American demands that were perceived as national humiliation. By contrast, the **American administration** appears **less homogeneous** and there are signs of **gaps between President Trump and his senior advisors**, especially Bolton. The latter is liable to take action to prevent the President from making concessions and 'jump' at the opportunity for a settlement in the form of a 'JCPOA +' deal.

In reality, it appears that Trump is already **signaling his readiness to be satisfied with a narrow agreement "that will prevent Iran getting a nuclear weapon"**. If he seeks to advance such an agreement, **the President will probably be forced to enforce it 'top down' on the senior officials in his administration**. From this perspective, Trump appears to be a 'wild card' in the American system.

The bottom line is that chances for progress in future negotiations between Iran and the United States hinges to a large extent on their ability to focus on the nuclear issue, and to separate it from regional aspects. The **dynamic of power play** against one another **between the two states** narrow the chances of such, and **amplify the potential for friction and escalation between them**.

In any case, in the current circumstances, **the zone of possible agreement that emerges between the sides is, at best, a narrow agreement in the nuclear domain**. On the other hand, a coercive action or an agreement that

would totally deny Iran the right to enrich uranium and its assets and influence in the region are **“not in the cards”**. The United States is not willing to pay the price involved, and Iran will not give up its basic assets in either of the two dimensions.

#### Other Insights:

- In the eyes of the American Administration, Secretary of State Mike Pompeo’s 12 points are clearly a maximalist opening position, merely a base for negotiations and bargaining. In the nuclear domain it appears that the **United States will be willing to suffice with “limited enrichment and capabilities that do not enable nuclear weapons”**.
- On the **missile issue** which the United States sees as an integral part of bargaining on the nuclear file, it appears there is to one degree or another a foundation for negotiations. While Iran was prepared to be flexible in regard to intercontinental missiles (ICBM), the American representatives debated where the United States should draw the red line - only prohibit Iran reaching an ICBM capability or insist on MTCR guidelines.
- Both the United States and Iran attach **great importance to harnessing the Europeans**, the Russians and the Chinese and **influence their positions on sanctions against Iranian oil exports**. In the course of negotiations, the United States feared that Tehran would leak partial proposals that Iran put on the table in a way that would present the American side as the recalcitrant side. On the other hand, Iran’s use of force in the Gulf was perceived by the Americans as **a mistake** that helps the United States mobilize the Europeans to its side.
- In a similar vein to the dynamics that developed vis-a-vis **North Korea**, if the Iranians stop their power plays in the Gulf and are careful not to overstep the mark on the nuclear track, it is possible that in exchange, the administration would refrain from imposing high-profile sanctions, even if it will continue to tighten enforcement of current ones.



## Appendix A

# The Scenario and the Course of the War Game

## Key Scenario Developments (October 2019)

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A few tense months followed the May-June events in the Gulf. Late in the summer the situation began to escalate. Attacks against oil vessels and infrastructure increased and a powerful mine exploded near the *USS Lincoln*, causing it light damage. A Saudi oil carrier was attacked and sunk in the Bab al-Mandab Straits. Trump ordered 20,000 troops and two more carriers sent to the Gulf.

Quds force commander Qasem Suleimani declared that "no state in the Gulf will be safe if Iran's security is threatened". Bahrain urged the U.S. to protect Gulf States from Iran's aggressiveness.

Iran accelerated its effort to transfer advanced military capabilities (rockets, missiles, UAS) to Syria and Iraq, and executed a series of provocative missile tests.

The IRGC declared it would hold a large-scale drill in Hormuz in November, simulating "the closing of the Straits in case of a crisis".

President Trump tweeted "AYATOLLAHS – BE CAREFUL! YOUR REIGN WILL NOT SURVIVE OUR REACTION!!!" Tehran declared the administration is pursuing a policy of regime change.

The economic situation in Iran has been deteriorating. One dollar is traded in the black market for 200,000 Rials, and oil exports plunged to 300,000 barrels per day. Public unrest has dramatically increased, but the regime is in control.

On the nuclear front – according to the IAEA Board report, Iran accumulated 950 kg of 3.5% LEU, and 30 kg of uranium enriched to 20%. Kayhan newspaper reported that the Atomic Energy Organization of Iran (AEOI) received a new directive from Khamenei to be ready to install new centrifuges in Natanz and Fordo; Start R&D phase of full IR-8 cascade; accelerate 20% enrichment; expedite the nuclear submarine project, and prepare a plan to halt Additional Protocol commitments and application.

A long and heated debate is raging in Tehran. Khamenei finally decides to attempt the option of negotiations one more time, reportedly claiming it to be the "last chance before war".

Iranian and American professional teams meet for negotiations in Muscat, Oman.

## The First Round of Negotiations

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**Iran's preparatory discussion** - Iranian interests: regime survival, a key position in the region, preservation of achievements to date in the nuclear domain (as a 'trump card' for the regime) and deterrence, international legitimacy while weakening the United States' standing in the region. It is imperative to ensure Iran will not be accused of demolishing the negotiations.

A dilemma emerged, whether to focus on negotiations in the nuclear domain only or whether to integrate regional issues as well in Iran's opening position. The advantages inherent in integrating regional issues include: recognition of Iran as a dominant player in the region, capable of moderating and restraining local dissident forces; the ability to **demand concessions on the nuclear file** in exchange for concessions in the region, and **a chance to drive a wedge in the U.S.-Saudi-Israeli alliance**. The most outstanding drawback is the potential of **a significant delay in Iran's ability to bring about lifting of the sanctions**.

It was decided **to focus on the nuclear file, at least in the first stages of the negotiations**. Should the **regional** issue be raised for discussion by the American side, Iran would not agree to exhibit any flexibility when it comes to its presence and strategic interests in the region. Iran would be prepared **to give up aggressive actions, its own and those of its proxies**, and even 'sell-out the Houthi rebels'.

**In the nuclear domain** - The Iranians surmise that President Trump is likely to suffice with relatively 'cosmetic' improvements in the nuclear agreement, parallel to achieving a reduction in the threat to American armed forces in the region. **The Iranians circumscribed their margin of flexibility**: extension of the agreement for a number of years; extension of the clauses of the agreement in the plutonium track to approximately 15 years; 'sacrificing' elements formerly involved in the **nuclear weaponization** project such as physicist Fakhrizadeh



and willingness to be flexible in the surface-to-surface ICBM sphere. There was **no willingness to exhibit flexibility** on the issue of inspection of military sites.

**No significant dispute was revealed within the Iranian power matrix** (the Revolutionary Guards, Khamenei, Rouhani and so forth), that generally presented a united front and determination to fend off demands they perceived as 'national humiliation'.

**United States' preparatory discussion** - in the spirit of the position of President Trump and John Bolton, American representatives for negotiations decided on **an aggressive tactic** and uncompromising objectives. The dominant guiding principle was "the *opposite* of the Obama approach' -- that is 'more stick - less carrot'...

In order **to thwart in advance any assumption on Iran's part that it held the upper hand in negotiations**, it was decided to embark on a series of moves designed to shape the playing field and the terms of reference for negotiations clearly in America's favor. It was decided to adopt a strategy that would deter Iran from threatening freedom of shipping in the Gulf and continuing to expand its nuclear program, and that under pressure would even force Iran to return to its commitments under the JCPOA. That is, this move should set the stage for negotiations on a **new comprehensive 'cross-the-board' agreement** where everything would be on the table: a settlement on the nuclear question and understandings in regard to Syria, Lebanon, Iraq, Yemen and more.

The American representatives did not reach agreement among themselves whether in the nuclear domain American demands would be 'zero enrichment' or 'limited enrichment that would not allow reaching weapon-grade levels' (that is, JCPOA +). In the debriefing after the game, it appeared that **the scale was clearly tipped towards the second possibility**.

**Talks in the First Round of Negotiations** - the United States embarked on negotiations from an aggressive and a power play dominated stance. The American team announced that in response to Iranian aggression in the region and acceleration of Teheran's nuclear program, new sanctions would be imposed on Iran in the construction, engineering and telecommunications sectors, due to their supportive role for the Revolutionary Guards. In addition,

all foreign currency reserves of Iran had been frozen in a manner that was expected to spark an immediate monetary crisis in Iran.

Parallel to this, it was clarified to Iran that in the event of attacks on shipping in the Straits, **American military forces in the region had received a mandate to remove Iran's military presence in the disputed Abu Musa Islands.**

The Americans warned that additional harsh sanctions were ready-to-go -- a comprehensive embargo on the entire Iranian economy and not just specific sectors - that would be imposed should Iran continue to go forward in nuclear development. In addition, they threatened a heavy blow to the Iranian fleet.

The Iranian team in the negotiations was taken aback by the American approach. In response, **the Iranians warned the United States not to threaten Iran, which was no longer a 'Third World nation but a strong regional power'.**

Iran announced that it had come to talk solely about the nuclear issue. In concrete terms, the Iranians proposed that the **United States begin to gradually curtail the oil embargo in exchange for Iran freezing enrichment to 20%.** This, as a first phase in returning to the JCPOA in exchange for lifting all the sanctions.

The United States rejected the proposal hands down. In place of this, the American team proposed to refrain from designating the Central Bank of Iran as supporter of Hezbollah, in exchange for cutting off Iranian funding of the terrorist organization.

**At that point the talks blew up!**

## Second Round of Negotiations

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**Iran's preparatory discussion** - The Iranians believe that the United States has an overblown assessment of its strength in the region and **there is a need to undermine this illusion.** How? By taking steps on a regional scale (strengthen militias, reinforcing the Revolutionary Guards, accelerating the projected rail link between Iran and Syria) and cautious-but-steady progress on Iran's nuclear capabilities.

**Iran has a lot more power of perseverance than the United States thinks**, including in the economic sphere. Iran can progress on its nuclear program, in the region and even in development of surface-to-surface missiles. The United States cannot afford a war due to upcoming elections. The Iranians trust that the Europeans and the Chinese will allow Iran the margins to persevere economically.

Due to shortage of time, the Iranian representatives found it difficult to formulate a position vis-à-vis Kissinger's proposal (supposedly published in the *Washington Post*, a ploy authored by the control), an op-ed in favor of **an updated open-ended agreement to be renewed mutually by the sides every four years**.

**United States' preparatory discussion** - At the request of the control, contrary to its inclinations, the American team agreed to strive for a productive dialogue with Iran.

The team formulated the following principles for negotiation: There would be **no nuclear agreement without regional elements and the missile issue**; negotiation would be divided into 'clusters' in exchange for Iranian concession on a specific topic, Iran would receive a 'carrot' in that area. For example, in exchange for concessions in the missile realm, proliferation sanctions would be lifted. In keeping with Kissinger's suggestion, a proposal was raised to hammer out **a renewable sunset mechanism for a lengthy time (50 years)** where each side could declare a number of years in advance of its intention to withdraw from the agreement.

The negotiation team found it difficult to set a red line in the missile sphere: to only prohibit Iran reaching an ICBM capability or insist on MTCR guidelines.

**Talks in the Second Round** - The American team agreed to suspend the sanctions on the petrochemical industry in exchange for Iran ceasing enrichment to 20%. In addition, the Americans suggested a summit between President Trump and Rouhani or Khamenei.

Besides the need **to amend the nuclear agreement and to extend it for a period of 50 years**, the American side underscored the need for a **comprehensive agreement** and presented demands in regard to Lebanon (end of funding to Hezbollah), Syria and Yemen (stoppage of the flow of military

capabilities). In addition, it was stressed that limitations on Iran's missile program were needed.

For its part, Iran clarified that the United States overestimated its ability to build an international coalition against Iran, and failed to appreciate Iran's ability to surround itself with allies of its own. The Iranians claimed that the Russians, the Europeans and the Chinese agreed that if Iran would stick to the JCPOA, **it could export some of its oil to them.**

Furthermore, **the United States must recognize Iran's role as an influential player** without whom it would be impossible to advance solutions to the problems of the region. As for the United States' demand that Hezbollah be assimilated within Lebanon's military forces, the Iranians said one could consider the issue, provided it would be discussed in the framework of the terms of the Iraqi model where the state funds Shiite militias.

The missile program is an important component in Iran's national defense and not something it can simply forego. At the same time, **Iran is prepared to talk about concrete aspects, such as range.**

**As for JCPOA** - Iran suggested the agreement be extended by a number of years. Due to lack of time, no discussion ensued regarding 'Kissinger's suggestion' for an open-ended agreement that would be renewed every four years with the agreement of the two sides.

## Appendix B

# War Game participants

### War Game Conveners

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### Participants

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