Why the Iran Deal Was Beautiful



By Horacio Falcao , INSEAD Senior Affiliate Professor of Decision Sciences

The recent nuclear deal showed some winning moves in multilateral negotiations that should not be underestimated.

It wasn't perfect. US President Obama addressed his nation with a stern and firm demeanour to tell them that an important first step had been taken towards a comprehensive solution regarding Iran's nuclear programme. Indeed a *first* step in the right direction of hopefully many more to come down this same road.

Republicans slammed the president. So did Israel, which said the deal was a "historic mistake" but I beg to differ. For two countries that have had no diplomatic relations since 1980, the two needed to plant a seed before reaping a harvest. This deal was never going to be a cure all and neither should it have been. Actually all attempts before in this direction had failed miserably. This deal was not about solving the nuclear debacle. It was about bringing countries closer together in a live and short experiment so that they can learn to trust each other again before they can move on to bigger and more permanent things.

The fact that both parties focused on small trust building measures to overcome decades of mistrust is probably one of the most ambitious goals

they could have achieved. Up until this point, fear has kept the doors closed to diplomacy. In situations of high distrust, negotiations are zero sum games. Both sides naturally want complete capitulation from the other party to get a sense of safety. And that *status quo* as we have seen so far had not been working well for either side.

This was a step in the right direction

Within this zero-sum mindset, critics on one side argue that the US should have demanded that Iran stop any and all enrichment activity and, on the other side, critics argue that Iran should give no concession over their sovereign right to enrich uranium. However, this has been the core of the unfruitful debate that has achieved nothing until now. What the critics have failed to notice buried deep inside their fear mindset and their wishful thinking is that both sides came away from this deal with something much better than any other *realistic* alternative.

Unprecedented sanctions imposed a significant impact on the Iranian economy, thus opening the door to diplomacy and the nuclear deal with the Islamic Republic. As a result, President Obama can claim that sanctions work as an effective and more peaceful alternative to military intervention in changing the ways of other countries. He's also appearing as a strong diplomat by standing ready to deal with countries that are serious about negotiating with the US to bring their policies into line with the international community. If there were no escape clause, then there would be no incentive for rogue states to change their ways.

Obama was also able to demonstrate that the US is willing to build bridges to the Muslim world. Violence will be met with violence and willingness to talk will be met likewise. The only condition to this is keeping violence, in this case in the form of nuclear weapons, off the table. This deal sends a message that there is a better way as well as the willingness to pursue it.

In Iran, the newly elected president, Hassan Rouhani has a new wind of hope and credibility behind him. The very speed of the deal also cements his ability to get things done. The injection of money in the desperately needed Iranian economy as a result of minor embargo suspensions will hopefully have a ripple effect and increase even further the support for the President, the deal and future negotiations.

The deal also makes sure that Rouhani comes off as a winner. Under the agreement, Iran is allowed to continue to enrich uranium, but not above 5 percent purity. It also has to dilute its current stockpile of 20 percent-enriched uranium and freeze the expansion of its current enrichment capacity.

For both sides, the US is able to send a message to the international community that enriching uranium for peaceful purposes is acceptable and Iran gets to claim at home that it assured its right to do so.

Where they went wrong

But as I mentioned, this deal wasn't perfect. The lack of a mutually crafted and agreed success speech left both leaders somewhat contradicting each other back at home. They found themselves having to justify their deal separately to their own constituents and having to carefully measure words to look both conciliatory and strong at the same time. In this respect, they failed to anticipate the magnitude of the negative reaction to the deal from the opposition: the media, their critics, the excluded and the fearful. As a result, the post-deal speeches created some uncertainty to what was really agreed upon and hinted at the potential for political posturing to appease the critics once they meet again.

Key partners in the deal also seem to not have been well managed. To get the deal, the US kept Israel away from the negotiating table, most likely because the level of distrust would have been too high for Iran. How could Rouhani be seen to be acknowledging the presence of Israel, let alone signing a deal with the country? However, the exclusion of Israel continues to dog President Obama. Having been kept at arm's length, Netanyahu now feels marginalized and Israeli leaders cannot claim any political benefit from the deal. However by criticizing it, they look strong and keep an option for being seen as visionary in case something indeed goes wrong

Saudi Arabia felt the same and literally derided the US for working behind its back. Deep distrust runs between Iran and Saudi Arabia as potential regional hegemons. The US seems to not have taken that into account.

Delicate work ahead

That said, the breakthrough deal reflects some of the best tactics of multiparty negotiations. This is not a sprint, but a marathon. These two partners could never have solved all of their differences so quickly.

The first reason I think this was a good deal is that they're not overly ambitious. They need to tread carefully and make sure they build on this initial success. The relationship matters and must be established (or reestablished in this case). The second driver of success was keeping in mind that both sides had their own stakeholders to please, which is essential in multi-party negotiations. Remember that you're not just dealing with the person across the table. Thirdly, both sides have to look like winners. Rhetoric aside, they're still at the table.

In multilateral negotiations, the level of complexity involved is often underestimated. Not only do more parties and stakeholders have to align, but the parties involved also have their own set of constituents back home that have to be aligned. In both the US and Iran, the leaders face ongoing challenges from within their own establishments and the public at large.

There are already stories of friction between the two starting to land in the newspapers as the talks continue into next year. The US has sanctioned another 19 companies close to Iran since the deal, which has angered the Iranians who said this was not in the spirit of the Geneva deal. They're right and the US should make crystal clear that these sanctions were enacted under the current framework and are not related to the nuclear deal. Rouhani is in a precarious position and while the US has its obligations, it needs to support its negotiation colleagues and remember just how delicate the work is that remains. At the same time, Iran needs to remember just how much pressure Obama is under in the senate. They need to protect each other because the cost of breaking this deal will be equivalent of killing the potential harvest they could reap.

Godspeed to all of them as their success will be ours as well!

Follow INSEAD Knowledge on Twitter and Facebook

Find article at

https://knowledge.insead.edu/economics-finance/why-iran-deal-was-beautiful

About the author(s)

Horacio Falcao is a Professor of Management Practice in Decision Sciences at INSEAD and the author of **Value Negotiation: How to Finally Get the Win-Win Right**. He is also the programme director of INSEAD's **Negotiation Dynamics** and two **Certificates in Negotiation** (Advanced & Online), part of the school's suite of Executive Education programmes.