

GAME OF CHICKEN IN THE GULF

Relevant for: International Relations | Topic: Effect of policies and politics of developed & developing countries on India's interests

When two powers are heading towards each other in an escalating game for leverage, the situation is often referred to as a Game of Chicken. This is a concept in game theory. The strategic calculus of the Game of Chicken is that each player thinks the other will either slow down or swerve away and therefore become the “chicken”. This will not only avoid a crash, but also give the persistent player an advantage over the other. The risk of the game, of course, is that if no player backs off, a crash is certain.

There is no better theoretical description to understand the Iran-U.S. tensions that are unfolding now. U.S. President Donald Trump began the escalation by pulling the country out of the Iran nuclear deal in May 2018. He then reimposed crippling sanctions on Iran, termed a branch of the Iranian armed forces a terrorist group, and sent more troops to West Asia in a bid to force “behaviour change” in Tehran. The U.S. administration calls this strategy the “maximum pressure” approach. But with Iran now threatening to breach the nuclear deal and increasing anti-U.S. military rhetoric, this strategy appears to be failing. As a result, war clouds have gathered over the Gulf with U.S.-Iran ties sinking to levels seen in the final years of George W. Bush’s presidency.

Unlike some members of his administration, Mr. Trump has said he doesn’t want a war with Iran. But he was unhappy with the nuclear deal reached between Iran and world powers in 2015 under his predecessor, Barack Obama. The deal, its critics argued, paid Iran for not making a nuclear bomb, while leaving unaddressed critical issues such as its ballistic missile programme and its “disruptive” activities in the region. Mr. Trump wants Iran to return to talks on terms set by the U.S. so that they can renegotiate the nuclear issue. He may have hoped that the “maximum pressure” the U.S. has put on Iran would force it to return to the table.

The sanctions have been effective in isolating and choking Iran’s economy. After the U.S.’s pullout, the nuclear deal was practically a dead agreement. The other signatories to the deal — the U.K., France, Germany, Russia, China and the European Union (EU) — did nothing concrete to save Iran from U.S. sanctions. Corporations that had shown interest in investing in Iran, including Chinese companies, pulled out after the sanctions. The U.S. also scared off the top-buyers of Iran’s oil, including India, resulting in a massive drop in Iran’s oil exports. But where Mr. Trump erred was in his calculation that economic misery would force Iran to give up its resistance and return to talks.

Iran has cooperated with the U.S. in the past. After the September 11, 2001 attacks, it assisted the U.S. war in Afghanistan. It arrested and deported Taliban members who crossed into its territory and also conducted search and rescue operations for downed U.S. aircrew members. Iran also played a critical role in the formation of the first post-Taliban Afghan government. But thereafter, the U.S. turned hostile to Iran, with President Bush lumping the country together with Iraq and North Korea as the “Axis of Evil”.

With help from the European powers and Russia and China, President Obama got the Iranians to the table. After months-long painstaking diplomatic engagement, all sides agreed to the nuclear deal, which scuttled Iran’s nuclear programme in return for the lifting of international sanctions. After the deal was signed, the U.S. and Iran cooperated in Iraq in the fight against the Islamic State (IS). But once the direct war against the IS in Iraq was over, Mr. Trump pulled the U.S. out of the deal.

Broadly, Iran had a choice of tactical pathways. One was to return to talks on the U.S.'s terms and negotiate another nuclear deal for sanctions relief. But this would have been humiliating for nationalist Ayatollahs who have built their political capital on anti-Americanism since 1979.

The second was to wait out Mr. Trump's presidency and hope that his successor would take the U.S. back to the nuclear deal. This is still not impossible as there are Democratic presidential candidates who back the deal. But with sanctions biting, Iran can't wait till the next U.S. presidential election. Also, there's no certainty that Mr. Trump will not be re-elected.

The third option was to force the EU to defy U.S. sanctions and save the deal. Iran, in fact, waited for a year after the U.S. pullout for the other members to come up with a solid mechanism to save the deal. When it did not materialise — the EU has set up a channel with Iran called Instex (Instrument in Support of Trade Exchanges), but this is used mainly for transacting essential goods, not high-value exports such as oil and gas — Iran moved to the last option, "maximum resistance" to "maximum pressure".

Iran's response has been gradual. In May, it gave a 60-day deadline to other signatories to fix the deal and also vowed to keep unspent enriched uranium and heavy water, which it had been exporting ever since the deal was sealed. This week, as the deadline is set to expire in two weeks, Tehran said it will keep the low-enriched uranium and threatened to begin enriching the uranium to higher levels of purity. Under the agreement, Iran is allowed to enrich uranium to 3.67%, which it plans to raise to 20%, taking the country closer to weapons-grade level (90%). If Iran starts producing high-enriched uranium, it would be a breach of the nuclear deal.

This may sound dangerously aggressive, but it is not totally irrational. First, it proves that Mr. Trump's "maximum pressure" doesn't work. Second, it holds Mr. Trump primarily responsible for the collapse of the deal and seeks to deprive the U.S. of any help from Europe in the event of a conflict. Third, if Iran is actually responsible for the tanker attacks in the Gulf, it is an indication to countries dependent on oil that flows through the Strait of Hormuz what disruption caused by war would look. If Iran is not behind the attacks, the "maximum pressure" strategy has raised the stakes so high that even a third party is capable of carrying out false flag attacks to trigger an all-out conflict. Either way, Iran is using counter-escalation for deterrence.

But the danger in the Game of Chicken is that the risk of a crash is always there unless one power swerves away. Will Mr. Trump do so after realising that his "maximum pressure" approach has failed? Or will Iran be able to sustain its "maximum resistance" in the wake of continued U.S. targeting? If not, there will be war.

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