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Goldthau, Andreas

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## Divided over Iraq, United over Iran. A Rational Choice Explanation to European Irrationalities

*Andreas Goldthau*<sup>1</sup>

### **Abstract**

*The War on Iraq in has split the continent into ‘Old Europe’ and ‘New Europe’. On Iran, by contrast, the EU jointly acts in the context of a coordinated European foreign policy. The paper argues that both conflicts resemble an assurance game among the Europeans, in which the entailed trust dilemma prevented involved players from cooperating. It identifies the European ‘Dialogues’ with Iran as a regime that reduced information deficits in the case of Iran. In the case of Iraq, however, European players were unable to mutually judge whether there was a hidden agenda or not – and thus opted for defection instead of cooperation.*

**Keywords:** *European foreign policy, nuclear conflict, WMD, Iran, Iraq, assurance game, regime theory*

## **1. The puzzle of European Foreign Policy**

European foreign policy approaches towards the Gulf are highly ambivalent. In the case of the Iraq conflict, the continent was split into ‘Old Europe’, i.e. Germany and France, and ‘New Europe’, i.e. the UK, accompanied by Spain, Portugal, Italy and several EU accession countries. Whereas ‘Old Europe’ opposed the war-prone US approach towards Iraq, the ‘New Europeans’ joined or supported a US-led ‘coalition of the willing’ that vanquished Iraq in order to enforce UN Resolution 1441 and to dismantle the country from assumed weapons of mass destruction (WMD) in March/April 2003. The conflict over Iraq triggered a deep crisis within Europe and also exerted negative side effects on the ongoing integration process. Moreover, it heavily damaged a developing European Common Foreign and Security Policy (CFSP), and eviscerated the UN as a global institution of conflict resolution. In the case of Iran, however, the picture is a different one. As its neighbor country Iraq, Iran is blamed to having established hidden nuclear plants and to aspiring WMDs. It is, again, especially the USA that has for a long time been strongly urging to condemn Iran in the UN Security Council and to also consider military measures against the country. In the case of Iran, however, the Europeans have obviously opted for a joint and cooperative approach. In contrast to the US policy, they rely on incentives and negotiations as the appropriate tools to prevent Iran from acquiring WMDs. Moreover, they have accepted an appeal of the Security Council and the use of force only as a last resort option. The leading European countries in this process are the so-called ‘EU 3’, i.e. Germany, France and the UK. Hence, in the case of Iran, the cleavage is clearly between the US and Europe, and not among the Europeans (Perkovich, 2004, Quille and Keane, 2005).

Obviously, there exists a fundamental difference with regards to the European cooperation behavior in both crises: during the Iraq conflict, Europe was deeply divided and did not manage to formulate and implement a common foreign policy. In the case of Iran, however, the Europeans speak with one voice and have defined a common approach based on incentives and negotiations.

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<sup>1</sup> Dr. Andreas Goldthau, Transatlantic PostDoctoral Fellow, RAND Corporation.

Moreover, the European states have jointly stood up for their strategy towards Iran also vis-à-vis the US that has continuously pushed for a tougher stance in the Security Council.

Both crises, moreover, share identical characteristics. First, the dominating issue is weapons of mass destruction. In both cases, the global community fears or feared that Iraq or Iran could operate an offensive strike against Israeli or Western targets, or proliferate WMDs to terrorist networks. Second, both cases were characterized by a perceived ‘urgency’ that required action. Both Iraq and Iran actively forged the development of production facilities that could potentially be used to generate WMDs and publicly announced an early operative status of these facilities. Third, both countries’ refused to collaborate with the International Atomic Energy Agency (IAEA), the world’s nuclear watchdog, tried to circumvent the provisions of the Non-Proliferation Treaty (NPT) and its Additional Protocol, and aimed at hiding their facilities from IAEA inspections. Fourth, both Iraq and Iran are part of the ‘axis of evil’ as proclaimed by the US in January 2002. In a consequence, the US foreign policy towards both countries follows principally similar schemes, aiming at ‘prevent[ing] regimes that sponsor terror from threatening America [...] with weapons of mass destruction’ (White-House, 2002). Hence, the US has taken up an openly confronting stance in both conflicts. In a nutshell, while the main characteristics of both crises can be hold constant, the Europeans acted fundamentally different in both cases. The obvious puzzle can thus be framed as follows: why do the Europeans cooperate over Iran but fail to do so over Iraq, given that both crises occur in the same policy field, entail similar characteristics and take place in comparable conditions?

Both crises have been addressed extensively in newspapers and policy debates. Common lines of arguments during the Iraq crisis referred to the catchy phrases of a ‘war on oil’, of ‘Old Europe’s attempts to ‘counterbalance the US’ or of ‘Schroeder’s last chance’ to win upcoming federal elections counted for lost. On Iran, by contrast, spectators argued that there has been a ‘learning effect’ among the Europeans due to the ‘wake-up call’ stemming from the Iraq case; that central (and hawkish) actors, namely UK’s Blair, have lost their powerful domestic position they had during the Iraq crisis; or that the Europeans have finally come to make an attempt

to save what's left of the CFSP after Europe had fallen into two camps over Iraq (Renner, 2003, Helm, 2002, Ibrahim, 1997, RIA-Novosti, 2005, Kramer, 2003, Conetta, 2003, van Ham, 2004, Hill, 2004, Menon, 2004). Obviously, either neorealism inspired or domestic structure guided perspectives provide the underlying theoretical basis of these lines of arguments and dominate the debate.

In what follows, a first section – explicitly briefly – examines whether neorealist and domestic structure perspectives provide satisfying explanations to the puzzle, and discusses their shortcomings. A second section then presents an alternative, game theory based view on the puzzle by suggesting that both crises constituted a mutual trust dilemma for the Europeans which had to overcome in order to achieve Pareto. It is then argued that the European 'Dialogues' with Iran constituted a regime that enabled the Europeans to reduce information asymmetries. In a consequence, they opted for cooperation and achieved a collectively optimal outcome in the case of Iran. A third section shortly discusses the results.

## **2. The failure of mainstream explanations**

In both crises, there is a case for a neorealist argument. Cross-case, however, neorealism does not have explanatory power.

### ***2.1 The neorealist perspective***

From a third image perspective, the conflicts on Iraq and Iran entail all characteristics of a neorealist model: states are the central actors during the crisis and thus the primary unity of analysis; national interests dominate over multi- or supranational arrangements such as the CFSP; and the predominant character of international order during the crises is best described as anarchic (Crowe, 2003, Wood, 2003). In neorealism, rational cost-benefit maximizing states may either opt for a *balancing* strategy, or pursue *bandwagoning* with the hegemon (Waltz, 1979, Keohane, 1986, Gilpin, 1981, Grieco, 1993, Walt, 1985). From that perspective, the emergence of an 'axis Paris–Berlin–Moscow' during the Iraq crisis must be seen as an

attempt of France, Germany and Russia to balance the US that aimed at expanding its hegemonic power also on the Middle East. Great Britain, Spain and the 'New Europeans', by contrast, opted for a bandwagoning strategy with the hegemon and entered the hegemon-led 'coalition of the willing'. As for the case of Iran, there also is a coalition, though a different one, consisting of Great Britain, Germany and France (EU 3), a leading group of Europeans that is explicitly backed by the rest of the EU. Here, a neorealist interpretation would suggest an attempt to balance the hegemon, e.g. as a reaction on changed power constellations strengthening the US position in the Middle East.

Hence, if each case was examined individually, the picture can be called in line with neorealist assumptions: in the case of Iraq, observed alliances may be grasped in neorealist terms (with a single caveat lying in the fact that it remains unclear, why Great Britain and the 'New Europeans' opted for bandwagoning and did not join Germany and France in their 'Eurasian balancing efforts').<sup>2</sup> Also in the case of Iran, neorealism makes a point in that observed European coalitions may be regarded as rational responses of states towards changes on the systemic level. From a cross-case perspective, however, neorealism entirely loses explanatory power. Both crises yield different coalitions and strategies of involved players at identical underlying conditions. The observed difference in cooperative behavior does obviously not follow materialist logics. There is no reason why Great Britain, for instance, should give up its bandwagoning strategy in the case of Iran, a strategy that has led to relative power gains in the case of Iraq.

In sum, neorealism provides a suitable theoretical instrument to analytically grasp cooperation for each of both cases individually. It however fails to provide an answer to the puzzle this paper aims to address, i.e. why both crises trigger different coalitions among the Europeans, given their similar characteristics.

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<sup>2</sup> Please note that it is not the War on Iraq that is to be explained here from a neorealist perspective, but the observed coalitions. As Mearsheimer and Walt (2002) have convincingly argued, US policy during the Iraq crisis contradicted neorealist policy imperatives. See also Soederblum (2003).

## ***1.2. The domestic structure perspective***

Liberal domestic structure approaches to international relations offer a different perspective to a country's external behavior. They principally assume that there exists a close link between a country's foreign policy choices and the domestic environment, i.e. they open up the 'black box'. As a consequence of locating the driver of foreign policy on a second image or sub-state level, a country's foreign policy goals as well as its preferences towards cooperation depend on interests of domestic groups (Moravcsik, 1993, Moravcsik, 1997, Risse-Kappen, 1991, Deudney and Ikenberry, 1999).

From a domestic structure perspective, the foreign policy choices of European states in the cases of Iraq and Iran would thus be a function of specific interests of strong domestic pressure groups. At the same time, such a liberal theory of national preference building does not directly allow conclusions on when states cooperate. It however defines a clear condition that has to be fulfilled in order to render cooperation in a given policy field possible: the main interests of (dominant) domestic pressure groups in involved countries have to coincide. Thus, with regards to an identical externality – like the ones given in the cases of Iraq and Iran –, powerful domestic groups in all European countries have to individually either expect gains or fear losses in order to make cooperation the preferred policy choice.<sup>3</sup>

Departing from these principal statements, the following hypothetical observations must hold true if a domestic structure perspective was valid: during the Iraq crisis, important domestic groups in Germany and France (and Russia) must have feared potential costs caused by political change in the Middle East due to a US invasion, whereas important domestic groups in Great Britain must have expected gains. In the case of Iran, by contrast, powerful domestic groups in Germany, France AND Great Britain must have feared potential costs caused by a major political change due to US invasion. Obviously, with regards to the above cited common lines of arguments, the two dominant groups that are central to this

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<sup>3</sup> For a classical article on the second image reversed perspective see Gourevitch (1978).

analysis are economic actors in the oil and gas sector, and the public. Whereas the former may expect losses or gains resulting from a redistribution of property rights in two of the world's major hydrocarbon producing countries, the latter may suffer from psychological or social costs. Notably the German public has repeatedly expressed its preference for a peaceful solution to both crises, which is often seen as a result of a German pacifist identity developed since World War II. As all concerned European countries are democracies, the public is identical to the electorate, i.e. the most powerful domestic pressure group a government may face.

As a quick empirical test reveals, a domestic structure perspective however does not explain the puzzle. As obvious in Table 1, activities of major European oil and gas companies in the Gulf do not suggest that the mandatory set of domestic interests existed. While France's TotalFinaElf is active in Iraq and Iran, German oil and gas companies are not part of drilling consortia or involved in pipeline projects in either country. British companies are active only in Iran, however at comparably small scale. Germany therefore simply lacked a domestic pressure group in the oil and gas business that could have expected gains or should have feared losses in both crises. In a consequence, there is no empirical reason to assume coinciding domestic interests in Germany and France, the major European allies during the Iraq crisis opposing the war-prone approach of the US. Also with regards to France and Great Britain, there is no potential cause for a varying degree of cooperation of both countries over Iraq and Iran, as activities of domestic French and British oil and gas companies are similar in both cases.



Table 1: Foreign oil and gas companies active in Iraq/Iran

| Iraq (pre-war)   | Iran  |
|--|---|
| France: TotalFinaElf   | France: TotalFinaElf  |
| Germany: None  | Germany: None   |
| UK: None   | UK: BG Group; BP Iran   |
| Spain: Repsol  | Spain: CESPAs, Respol   |
| Russia: Lukoil; Zarubezhneft; Stroitransgaz; Tatneft; Slavneft   | Russia: Lukoil; Gazprom   |
| Other: BHP (Australia); South Korean Consortium (South Korea); Agip (Italy); Eni (Italy); Sonatrach (Algeria); ONGC (India); TPAO (Turkey); Japex (Japan); CNPC (China); PetroVietnam (Vietnam); Pertamina (Indonesia) | Other: The ABB Group (Switzerland); Shell Iran (The Netherlands/UK); Ultramar (Canada); Bow Valley (Canada); Petro Canada (Canada); Eni (Italy); Japex (Japan); JNOC (Japan); INPEX (Japan); BHP Billiton (Australia); LG (Korea Republic); Lundin Petroleum AB (Sweden); Petrom (Romania); Petronas (Malaysia); Statoil (Norway); Norsk Hydro (Norway) |

Notes: *figures for 2002; listing not according to volume of engagement*

Sources: (EIA, 2006a, EIA, 2006b).

What about the related ‘war on oil’ argument? Oil and gas companies that have not been active in the Gulf may arguably have an interest to take part in the zero sum game over scarce resources and high profits, and thus actively push for a redistribution of property rights. Such a perspective would imply that German and British companies, both not present in Iraq, have quite coinciding interest on Iraq, and would thus assumably rather push for cooperation than for confrontation. Moreover, due to similar interests of domestic British companies in Iraq and Iran, the expected British behavior during both crises would assumably be rather similar, too. Empirically, this was obviously not the case.

Finally, even when taking into account trade volumes as well, there is no case for a domestic structure argument.

Table 2: Main trading partners

| <b>Iraq (2002)</b>                                   | <b>Iran (2004)</b>  |
|--|---|
| <b>Main export partners (% of total)</b>             | <b>Main export partners (% of total)</b>                  |
| US: 30%<br>France: 16%<br>Spain: 11%<br>Italy: 9%    | Japan: 19%<br>China: 10%<br>Italy: 6%<br>South Africa: 6% |
| <b>Main import partners (% of total)</b>             | <b>Main import partners (% of total)</b>                  |
| France: 21%<br>Australia: 16%<br>US: 9%<br>China: 9% | Germany: 12%<br>France: 8%<br>China: 8%<br>UAE: 7%        |

Sources: (EIU, 2005a, EIU, 2005b).

As can be seen in Table 2, France held a large share in Iraq's pre-war imports, whereas Germany is Iran's largest import trading partner. Great Britain is no relevant trading partner of either country. Hence, there is no reason to assume coinciding domestic interests in Germany and France in both conflicts, and no explanatory potential for differing domestic British interests in both cases.

In sum, a domestic structure perspective does not offer an explanation to the puzzle if domestic oil and gas companies are taken into account. What about the public, though? During the Iraq crisis, a clear anti-war sentiment can be stated in all European countries. In Germany, 89 % were opposed to war without UN support, 61 % even with UN support. A similar picture can be found in France (87 %/73 %), Spain (87 %/ 87%), and even in Great Britain (80 %/ 61%) (EOS-Gallup-International, 2003).<sup>4</sup> Hence, while European leaders were greatly divided over Iraq, European citizens were overwhelmingly united in rejecting military action. In the case of Iran, the situation is comparable, though less mediated. Obviously, the explanation to different coalitions in both conflicts does not lie in differing degrees of public support in European

<sup>4</sup> See also Wood (2003), 4f.

countries. As spectators have however argued, some European governments were able to ignore public opinion, whereas others have not managed to. The explanatory variable may thus lie in differing degrees of freedom of the government from the public, which may vary over time. The ‘agent government’ may for instance be able to ignore its principal (the public) if the latter is not able to replace the agent immediately. From that perspective, a strong agent ‘British government’ was arguably able to sideline public opinion during the Iraq crisis, but too weak during the Iran crisis to act similarly. The German government, by contrast, a very weak agent during the Iraq crisis, arguably had no choice but to listen to his principal during the Iraq crisis.<sup>5</sup> In the case of Iran, it was however able to accept force and military actions as a last resort against Iran if the nuke talks fail.

Crucially, to be valid, such an explanation requires a distinct time lag between both crises. However, as can be seen in Table 3 in the appendix, and in contrast to public awareness, the crises over Iraq and Iran cannot be clearly separated since the most important decisions on actions on both countries were taken among the Europeans nearly at the same time. Some anecdotal evidence shall illustrate this claim: in June 2002, the Europeans commonly agreed on a set of conditionalities vis-à-vis Iran, while at the same time the German government openly declared its pacifist stance towards Iraq. In October 2002, Germany, France and Great Britain jointly established the ‘Human Rights Dialogue’ with Iran and started talks on an EU-Iranian ‘Trade- and Cooperation Agreement’ in December 2002. Moreover, the Europeans jointly declared that a pre-condition for proceeding trade talks was that Iran cooperated in the conflict over its nuclear program. All this took place only days before the *éclat* between Great Britain and France in the UN Security Council. In June 2003, only three months after the establishment of the much debated ‘axis Paris-Berlin-Moscow’ on the Iraq issue, the EU declared Iran’s efforts of nuclear rearmament and trade as interdependent, and decided to accept force as a final means to prevent the proliferation of WMDs. Hence, in a nutshell, the difference in both crises is not time. By contrast, both conflicts

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<sup>5</sup> Schroeder’s categorical ‘No’ on military actions against Iraq has commonly been regarded as his ‘last chance’ to win federal polls.

rather coincide. One crisis, however, ends up in discord among the Europeans, while the other crisis is tackled in a cooperative way. Hence, any argument that refers to federal elections in Germany, the Kelly affair or the Butler report in Great Britain, or to other contingent factors that may have changed the relative power of the government vis-à-vis his principal, is not valid. And, to complete the picture, neither are explanations recurring to ‘learning effects’ among the Europeans after the diplomatic disaster during the Iraq crisis. In order to learn, actors need time. Time, however, is what they did not have.

In sum: realist and domestic structure approaches entail explanatory power for some aspects of the examined crises. From a comparative perspective, however, they do not provide a satisfying explanation to the puzzle.

### **3. Cooperation During Crises: A European Trust Dilemma**

Having rejected the common explanations to differing European cooperation behavior during the crises over Iraq and Iran, this section now develops an alternative view on the puzzle. In the following, state behavior is modeled from a game theory perspective. In a second step, it is embedded in a regime theoretical framework. The basic argument is that observed state behavior during both crises constituted an individually rational response to a trust dilemma among the Europeans.

#### ***3.1 The assurance game***

From a game theoretic perspective, the behavior of involved European states during both crises must be regarded as a social problem among (unitary) state players interacting on the international level. Calculating costs against benefits, they opt for the rationally best strategy to maximize their individual hierarchy of preferences. Preferences of players over outcomes are assumed to be stable, i.e. actors’ interests do not change. Given these principal

premises, the basic characteristics of both crises are now identified and transferred into a game theoretic model of interaction.<sup>6</sup>

Let's first grasp the interests (i.e. preferences over outcomes) of involved European states and the setting in which they play. First, and most important, all players have an interest to prevent potential threats emerging from Iraq's and Iran's efforts to go nuclear or to produce material that can be used for WMDs. This interest is driven by a rational actor's principal urge for survival.<sup>7</sup> Second, it must be assumed that all involved players aim at achieving their goals at an optimal cost-benefit ratio. This implies that they arguably aim to minimize costs, in monetary terms as well as with regards to the common social environment, i.e. existing institutions of collective security (e.g. UN or CFSP). In other words: it can be assumed that player will prefer a solution to the security problem that leaves relations to allies unharmed and takes place within a legitimizing institutional framework compared to a solution that establishes security but generates collateral damage. Further, as stated earlier in this paper, the settings of both crises can be regarded as almost identical. In both cases, the Europeans face a threat to their individual (and collective) security, while all relevant characteristics as well as external factors, namely the US approach towards both countries, can be hold constant. Put differently, the Europeans play the same 'crisis game' in both cases. For the sake of parsimony, let's finally assume that there are only two players involved in the 'crisis game', France and Great Britain. This assumption is admittedly reductive but empirically valid, since all other 'Old' or 'New' European states have clustered around one of these two major players during the Iraq crisis.<sup>8</sup> In the given 'crisis game', each player can either chose to cooperate in order to re-establish his security, or he can opt for unilateral action, i.e. defect.

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<sup>6</sup> For game theoretic approaches to international politics see, among others, the contributions of Arthur Stein and Duncan Snidal in Baldwin (1993). See also Stein (1982); Snidal (1985).

<sup>7</sup> Please note that all European states assumably have identical preferences over outcomes, but not necessarily over the means to achieve these outcomes.

<sup>8</sup> Modeling France and Great Britain as the two major players in the European crisis game moreover mirrors the fact that these countries are the only European states to legitimize collective action in the Security Council.

Obviously, as follows from the settings of the given ‘crisis game’ and the players’ preferences over outcomes, both involved players gain most by mutually cooperating. Cooperation increases the probability to prevent Iraq and Iran from producing or proliferating WMDs and to re-establish individual security. At the same time, this goal is achieved at individually lower costs as both players can agree on burden sharing, do not risk damaging their mutual relationship and leave their common social environment (i.e. the EU), unharmed. Each player can also achieve security by acting individually, however at individually higher costs. Hence, expressed in game theoretic terms, the crisis game resembles a *stag hunt* situation (also termed assurance game), in which mutual cooperation generates the individually *and* collectively highest benefits.

Figure 1 illustrates the European stag hunt situation in a game matrix.

Figure 1: The ‘Crisis Game’

|                |              |                  |                         |
|----------------|--------------|------------------|-------------------------|
|                |              | <b>GB (+NE)</b>  |                         |
|                |              | <i>act</i>       |                         |
| <b>F (+OE)</b> |              | <i>cooperate</i> | <i>unilaterally</i>     |
|                |              | <i>cooperate</i> | <i>act unilaterally</i> |
| 4              | 1            | 3                | 2                       |
| (P, N)         | (N, MaxiMin) | 4                | 1                       |
| 3              | 2            | 1                | 2                       |

Notes: *F*: France; *GB*: Great Britain; *OE*: Old Europe; *NE*: New Europe; *N*: Nash; *P*: Pareto; *MaxiMin*: ‘play safe’

Since each player gains most by cooperating, he is awarded a payoff of 4 in Figure 1, whereas unilateral action is depicted as the second best option, generating a payoff of 2 for each player. As the individually optimal strategies at the same time generate the collectively best outcome in the game, this situation constitutes not only a Nash equilibrium but also the Pareto optimal solution. In other words, and reflecting above statements on individually optimal choices: no player can do any better than cooperating.

Obviously, no player has an incentive to leave the equilibrium, i.e. to act unilaterally in the given setting. However, and small wonder, the matrix exactly grasps the situations that can be observed during the Iraq and Iran crises: the lower right cell depicts unilateral action of the two main players (France or Great Britain plus the 'New' or 'Old Europeans clustered around them) during the Iraq crisis, whereas the upper left cell depicts the cooperation of the Europeans in the case of Iran. The game matrix thus precisely mirrors the puzzle as laid out earlier. Hence, the latter can now be reframed as follows: given identical games, what made it rational for involved players to opt for a lower individual (and collective) payoff during the Iraq crisis and to achieve security at comparably higher costs by sacrificing inner-European relations and common institutions of collective security?

A first step towards a solution of this riddle is the nature of assurance games: involved players have to cope with a trust dilemma. If either of the involved player fears that the other does not have the preferences over outcomes he claims to have, temptation arises to defect. This is due to the fact that, if his true interests were different than the claimed ones, the second player would not maximize his payoffs by cooperating and may thus pursue unilateral action as his real dominant strategy. The first player would thus end up in the worst possible situation by cooperating, receiving a payoff of 1, whereas the second player receives 3. Player one thus has an incentive to act unilaterally. In order to illustrate this point, let's assume, for instance, that F alleges that GB's highest preference is not to implement UN Resolution 1441 and to enforce disarmament of Iraq (as claimed), but to achieve a regime change. If it cooperated, F would have to fear that GB defects, which would lead both players to the lower left cell. F would end up with a payoff of 1, whereas GB would have realized a

payoff of 3. Put in a nutshell: if individual stakes in the game are high and insecurities are strong, there is a strong incentive for both players to 'play safe', i.e. to opt for a 'MaxiMin Strategy' and accept the lower payoff of 2.

Obviously, each player's strategy depends on how reliable his information on the other's preferences over outcomes is. The less information asymmetries or insecurities are in the game, the higher the chance that both players opt for cooperation and not for the safe MaxiMin strategy. Hence, the question arises, what in fact distinguishes the 'assurance game Iran' from the 'assurance game Iraq' and helped involved European players to overcome the entailed trust dilemma. A 'classical' mechanism to lower information deficits is an institutionalized forum of interaction. The next section thus embeds the rational choice argument in the frame of a regime.

### **3. Overcoming the Trust Dilemma: The Power of Regimes**

As stated above, a high degree of information on the players' mutual preferences over outcomes renders a Pareto optimal solution of the assurance game more likely. Hence, from a game theoretic perspective, the explanatory factor that distinguishes the crisis games on Iraq and Iran must lie in a variance of information on both sides. The main argument of the following section is that, in the case of Iran, there existed an international regime that strengthened mutual expectations among involved European players on their true interest and their commitment: the 'Critical (later: Constructive) Dialogue' (CD).<sup>9</sup> This regime, as will be argued, provided a forum of mutual exchange and forced the Europeans to reveal individual preferences over outcomes. By briefly tracing the process of establishing and implementing the CD since the early nineties, this section will show how the regime exerted observable effects on the cooperation behavior of involved European states. As will be revealed, at least one major incident before the crisis on nuclear activities and WMDs has required mutual assurance of the

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<sup>9</sup> On the role of regimes in international relations see, among others, Rittberger, Hasenclever and Mayer (1997) and Oye (1986).



Europeans on their individual preferences over outcomes and has thus rendered a cooperative approach possible during the present nuclear dispute. Conversely, as there was no such regime in the case of Iraq, involved players were arguably not sure on mutual preferences, which led to a different outcome in an identical assurance game.

According to Krasner, a regime consists of ‘principles, norms, rules, and decision making procedures around which actors expectations converge in a given issue-area’ (Krasner, 1983). The CDs of the Europeans with Iran entailed all of these elements, targeting the issue-area ‘interaction between Western democracies and authoritarian regimes in mutually critical policy fields’. In 1992, the European Council in its Edinburgh Declaration established the ‘Critical Dialogue’ as the official EU policy approach towards Iran. This first ‘Dialogue’ was principally designed as a forum to foster mutual exchange between the Europeans (read: all EU member states) and Iran. In line with overall tenor of European policy after the fall of the Iron Curtain, primary topics of the dialogues were soft security issues, namely human rights, terrorism, drug trafficking and organized crime (Calabrese, 2004). The issue of production and proliferation of WMDs was always part of the discussed topics as well, however became prominent on top of the dialogue’s agenda only by the end of the 1990s. The CD involved measures on both the European level as well as on member state level. On EU level, the most important instruments comprised semi-annual meetings of the EU Troika with Iranian officials, *démarches* and public declarations of the Council of Ministers (Carbonell, 2004, Struwe, 1998).

As several spectators have argued, the principal achievement of the dialogues was not to create rules and enforce policy change, but to establish a forum of exchange on topics of mutual concern, aiming at re-integrating Iran into the international community (Posch, 2006, Kutchesfahani, 2006, Struwe, 1998). Hence, as the degree of formal institutionalization of the ‘dialogues’ was low and conditionalities were vague, the regime was all but ‘thick’.<sup>10</sup> With regards to the European problem of a mutual trust dilemma, however, the dialogue

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<sup>10</sup> On a detailed assessment of the ‘Dialogue’, see, among others, Reissner (2000), and Taylor (2000).

entailed an important component: the Europeans had to necessarily meet regularly and coordinate their actions towards Iran. In that respect, the CD acted as a double regime. On the one side, it brought Europe and Iran at one table. On the other hand, it forced the Europeans to reveal and align their mutual interests in order to act in a unitary way vis-à-vis Iran. In other words, for the Europeans, the main function of the Critical Dialogue was to provide a forum of repeated interaction in which they were able to get a robust picture of their mutual preferences.<sup>11</sup>

A first test case for the ability of the Europeans to act collectively towards Iran occurred with the ‘Mykonos verdict’ in April 1997. A German court had found Iranian state authorities guilty of having initiated the assassination of Iranian dissidents in a Greek restaurant in Berlin back in 1992. In a consequence, all EU member states collectively withdrew their ambassadors and sent them back only by the end of the year. During that period, bilateral visits were also considerably reduced. The CD itself was suspended by the EU. In addition, the Council of Ministers confirmed its calling on Iran to adhere to ‘its commitments under international agreements, including those concerning the nonproliferation of weapons of mass destruction, as well as those concerning human rights’ (Struwe, 1998). With regards to the stag hunt situation, the common withdrawal of ambassadors and the coordination of bilateral actions towards Iran thereafter must be regarded as nothing but a – successful – mutual assurance among the Europeans over their individual preferences.

In February 1998, the European Council re-established diplomatic contacts with Iran on a ministerial level and restarted a ‘Comprehensive Dialogue’ replacing the suspended ‘Critical Dialogue’ in March 1998.<sup>12</sup> The term ‘comprehensive’ explicitly reflected the broad range of topics at stake. Especially the issues of human rights and proliferation became more prominent than before. In 1999, a ‘High-level Working Group on Energy and Transport’, and in October 2000, a ‘Working Group on Trade and Investment’

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<sup>11</sup> On overcoming trust dilemmas via repeated interaction see, among others, Kimbrough (2005).

<sup>12</sup> Interestingly, these developments have taken place under the British EU presidency.

was established. In February 2001, the Commission issued an official note suggesting the Council extends EU relations with Iran (EUCOM, 2001). In June 2002, the Council concluded that WMDs are one of four central areas of concern in the EU's relations with Iran, among terrorism, human rights issues, and Iran's role in the Middle East Peace Process. The Council also paved the way for negotiations on an EU-Iran Trade and Cooperation Agreement (TCA) and defined clear conditionalities that have to be met by Iran. From this point onwards, the EU regarded trade talks and cooperative behavior of the Iran in above mentioned key areas as interdependent issues (Carbonell, 2004, EC, 2003).

Hence, when the Iran dispute started to become 'hot' in August 2002 following the discovery of non-declared nuclear plants in Natanz and Arak, all European actors had a clear picture of their real mutual preferences and knew that they all had identical interests and expectations on Iran (and its efforts to go nuclear). Having mutually revealed their interests and aligned their strategies during a process having spanned a period of more than 10 years, the Europeans were able to overcome the trust dilemma and to individually opt for a cooperative strategy. Hence, in October 2002, the Council established the 'Human Rights Dialogue' with Iran and started intensive negotiations on the TCA with Iran in December 2002, i.e. at the very point in time the inner-European dispute over Iraq was about to culminate (EUCOM, 2002). In June 2003, the Council urged Iran to unconditionally sign the IAEA Additional Protocol. The Council also stated that the use of force must be envisaged as a last resort to prevent the proliferation of WMDs. Especially from a German point of view, this decision constitutes a fundamental difference to the standpoint adopted in the case of Iraq. At the IAEA Board Meeting in September 2003, the EU issued a common statement on Iran. Moreover, Great Britain, France and Germany commonly presented a joint draft resolution to the IEAE board (Carbonell, 2004). Now acting as 'EU-3' on behalf of all EU-Europeans, the Foreign Ministers of Great Britain, France and Germany visited Iran in October 2003. In the resulting 'Tehran Agreement', they achieved a freeze of Iran's nuclear activities and the signature of the Additional Protocol to the NPT (IAEA, 2003). It is important to note that the crucial point here does not lie in the question whether or not the Europeans have been able to prevent

Iran from going nuclear. Rather, it consists in the fact that they acted in a cooperative manner ever since the crisis on Iran's nuclear program started in 2002.<sup>13</sup> In a nutshell: the Europeans have managed to achieve the Pareto efficient equilibrium of the game, i.e. ended up in the upper left cell of the game matrix and realized the highest collective and individual payoff. Great Britain favors negotiations and a multilateral approach, and stands by the European strategy even when the US repeatedly tried to initiate a resolution on Iran in the Security Council (Allen-Mills, 2005). Germany, as indicated above, accepts the use of force as a means to prevent WMD proliferation. And France early and quickly adopted a clear position, which contrasts its numerous maneuvers in order to escape a clear commitment to either side during the Iraq crisis (Kempin, 2003).

In the case of Iraq, by contrast, there existed no forum of interaction that may have served to close the information gap among involved Europeans players. In a consequence, mutual insecurities on the 'true' policy goals prevailed, as became obvious in various statements during the Iraq crisis. GB's Blair, alleging in early 2003 that France pursues an 'appeasement' policy towards Iraq, expressed doubts that France's real policy goal is to disarm Iraq (Wintour, 2003). And Germany's Fischer, by articulating his now-famous 'Sorry, I am not convinced!' at the Munich Security Forum in February 2003, did not primarily call into question the validity of the 'proves' on Iraq's WMD activities presented by GB and the US; rather, he expressed doubts on the underlying motives of the war proponents. Hence, from this perspective, the dispute on the *means* – tough resolution of the Security Council versus negotiations; more or less time for Hans Blix' investigations – at its core essentially reveals a strong insecurity among the Europeans on true mutual *preferences over outcomes*. Given the stakes all players had in the game, this led to an individual MaxiMin strategy of the Europeans and thus to a collectively suboptimal outcome. In a result, they ended up in the lower right cell, an equilibrium yielding an individually and collectively suboptimal payoff.

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<sup>13</sup> For an overview of events after 2003 see Table 3 in the Appendix.

#### **4. Conclusion**

This contribution addressed the puzzle of different degrees of cooperation among the European states during the crises of Iraq and Iran. A short test of realist and domestic structure approaches revealed that common interpretations of European behavior during both crises do not provide a satisfying explanation to the puzzle. It then presented an alternative view on the topic by grasping European behavior from a game theoretic perspective. Having characterized the situations of the Iraq and Iran crises as an assurance game, it further argued that information deficits may lead to a lack of trust in these ‘crisis games’. Finally, it identified the regime of the European ‘Dialogues’ with Iran as a mechanism to overcome information asymmetries.

To sum up, what are the implications of this game theory based perspective on a joint European approach in foreign and security policy? First, the CFSP, a rather loose forum, is obviously not able to reduce information asymmetries or deficits in case of a major crisis that has the potential to affect the (national) security of European states. Hence, as soon as a cooperation problem emerges like the ones addressed in this paper, the CFSP does not render common action possible and thus leads to a collectively optimal solution. As the model implies, there needs to be an additional element to trigger a cooperative approach: issue-specific regimes.<sup>14</sup> If they exist, the loose forum called CFSP is able to generate common policies. If not, mutual distrust may also in the future prevent joint solutions, even if they are collectively reasonable.

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<sup>14</sup> Please note that this does not imply that the EU will be successful in what she is doing. This simply implies that it will be done in a cooperative manner, i.e. in the framework of an emerging CFSP.

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**APPENDIX**

**Table 3: Timeline of Iraq and Iran crises 1990 – 2005**

| <b>Iran</b>  | <b>Iraq</b>  |
|--|--|
|  | 1990/91 Gulf War II/Desert Storm   |
| December 1992: EU established 'Critical Dialogue' on Edinburgh summit          |  |
|  | 1994: UN 'Oil for Food Program'  |
| 1995: USA declare 'strategy of double containment' on Iran                     |  |
| July 1996 : US Congress adopts Iran-Libya-Sanctions-Act (ILSA)                 |  |
| April 1997: Mykonos verdict, European ambassadors leave Iran                   |  |
| May 1997: Khatami becomes president  |  |
|  | January 1998: Iraq ends cooperation with UN inspectors   |
| March 1998: EU Council launches 'Comprehensive Dialogue'                       |  |
|  | December 1998: USA und GB bomb Iraq during four days of intensive air strikes  |
| February 2001: EU Commission suggests expansion of relations with Iran         |  |
| September 2001: 9/11   |  |
| January 2002: G. W. Bush declares Iraq, Iran and North Korea as 'axis of evil' |  |
| June 2002: EU Council launches negotiations with Iran on TCA;                  | June 2002: USA present new defense doctrine, including 'preemptive strike' option  |
| August 2002: discovery of non-declared nuclear plants in Natanz und Arak       | August 2002: EU foreign ministers refuse military strike against Iraq; two days later, GB announces to support US in case of preventive strike |
| October 2002: EU establishes 'Human Rights Dialogue' with Iran                 | October 2002: Congress authorizes attack on Iraq   |

|   |  |
|---|--|
|   | November 2002: UN Security Council (SC) passes Resolution 1441; Hans Blix resumes UN inspections   |
| <b>Iran</b>   | <b>Iraq</b>  |
| December 2002: start of TCA talks between EU and Iran   | December 2002: USA start deployment of troops to the Gulf region   |
|   | January 2003: éclat in SC: France opposes USA und GBs; Rumsfeld distinguishes ‘Old’ from ‘New’ Europe.   |
| February 2003: Iran declares to start enriching uranium   | February 2003: establishment of ‘Axis Paris–Berlin–Moscow’; Schroeder announces his strictly pacifist position   |
|   | March 2003: Joint Draft SC Resolution of USA, GB and Spain to authorize force against Iraq gains only 4 supporting votes; USA and ‘Coalition of the Willing’ declare war on Iraq |
| June 2003: EU Council declares nuclear program, human rights and trade are declared as ‘interdependent’ and accepts force as means of last resort to prevent Iran from acquiring WMDs |  |
| September 2003: Joint letter of EU-3 to Iran, urging to stop enriching activities and to sign the NPT’s Additional Protocol   |  |
| November 2003: EU-3 visit to Tehran   |  |
| December 2003: Iran sign NPT’s Additional Protocol and allows inspections   |  |
| October 2004: Irans Parliament passes law to resume enrichment activities   |  |
| November 2004: EU-Iranian Agreement to negotiate longterm solution (Paris Agreement)  |  |
| March 2005: USA support for the first time EU approach focusing on incentives; USA offer to support Iran in WTO access  |  |

|  |  |
|--|--|
| August 2005: Ahmadinejad becomes new president; Iran restarts nuclear plant of Isfahan |  |
| September 2005: EU3 organize resolution against Iran in IAEA                           |  |