

Policy Brief

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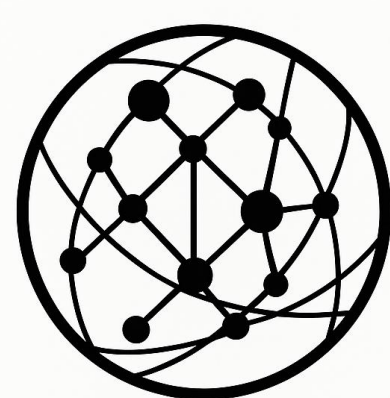
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From Compensation to Strategic Amplification: Iran's Reparations Claims in the U.S.—Israel–Iran Conflict

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Key Judgments

- Reparations function as instruments of active conflict strategy, not post-conflict settlement.
- Strategic impact is non-linear: even unrealized claims can generate disproportionate effects.
- Iran's objective is cost reallocation rather than full financial recovery.
- Claim structures reflect a deliberate negotiation architecture shaping bargaining outcomes.

Executive Summary

Iran's potential demand for war reparations should not be interpreted as a conventional financial claim, but as a forward-looking instrument of cost reassignment rather than a backward-looking mechanism of compensation.

Reparations claims serve three primary strategic functions:

- Reframing responsibility for the conflict;
- Redistributing perceived costs across actors;
- Locking in favorable post-conflict narratives.

In this context, the symbolic and political effects of reparations are likely to outweigh any actual financial transfer.

This brief finds that reparations operate not as mechanisms of compensation, but as tools for converting material costs into strategic leverage across diplomatic and informational domains, shaping both negotiation dynamics and post-conflict outcomes.

Policy Brief

1. Analytical Framework

This brief conceptualizes reparations across three interrelated dimensions:

- **Material Value** (financial magnitude),
- **Narrative Leverage** (impact on legitimacy and international perception), and
- **Negotiation Function** (role in bargaining dynamics).

Taken together, these dimensions position reparations not as static claims, but as multi-domain strategic instruments operating across economic, informational, and diplomatic systems.

This framework suggests a broader transformation in conflict economics, in which material costs are systematically converted into narrative leverage and redistributed through political mechanisms, forming a cost-to-narrative conversion dynamic within contemporary conflict systems.

2. Reparations Scenarios and Strategic Effects

Iran's potential claims can be understood through three scenario-based ranges corresponding to distinct strategic functions.

As claim magnitude increases, reparations shift from **financial compensation toward strategic signaling**, with progressively stronger effects on how conflict costs are interpreted and assigned.

Preliminary **Middle East Conflict Cost Monitor (MCCM)** estimates suggest that total systemic burden in the current conflict could reach the high hundreds of billions to low trillions (USD). This provides an empirical reference frame for interpreting the scale of reparations claims and situates structural-tier scenarios within a PCRR range broadly consistent with active cost redistribution.

The strategic effect follows a non-linear pattern driven by threshold effects in international perception, whereby incremental increases in claim size can trigger disproportionate shifts in attribution and legitimacy.

- **Lower ranges reinforce legal and moral legitimacy.**
- **Mid-level ranges enable broader attribution of responsibility.**
- **Higher-end claims seek to dominate the narrative environment.**

As a result, even highly ambitious or unrealizable claims can generate tangible political effects by reshaping international perceptions of responsibility.

Policy Brief

Table 1. Iran Reparations Scenarios: Range, Valuation Logic, and Strategic Function

Scenario	Estimated Range	Share of Conflict Burden	Valuation Approach	Strategic Function	Negotiation Role
Conservative	\$50B–\$300B	Low	Direct damage accounting (infrastructure, GDP loss, military assets)	Establish legal legitimacy	Baseline / ZOPA core
Structural	\$200B–\$800B	Medium	Systemic cost attribution (war + sanctions + opportunity loss)	Redistribute systemic burden	Primary target zone
Offensive	\$800B–\$2T+	High	Expanded system repricing (historical, future, and risk premium)	Achieve narrative dominance	Anchor (ceiling setting)

3. Interpretation of Scenario Structure

The three scenarios should not be interpreted as independent estimates, but as components of a coherent strategic design:

- The **offensive tier** establishes the upper bound of political possibility;
- The **structural tier** represents the most likely negotiation objective;
- The **conservative tier** defines a defensible minimum outcome.

The alignment of valuation method, claim magnitude, and strategic function reflects a deliberate negotiation architecture.

4. Integration with Conflict Cost Dynamics

Reparations claims interact directly with broader conflict cost structures. Their strategic significance lies not in absolute payment levels, but in the extent to which conflict-related costs can be politically reassigned across actors.

To capture this dynamic, this brief introduces the **Political Cost Reassignment Ratio (PCRR)**:

$$PCRR = \frac{\text{Reparations}}{\text{Total Systemic Burden}}$$

PCRR operationalizes MCCM cumulative exposure by translating aggregate conflict cost estimates into politically actionable claim ratios. Here, Total Systemic Burden encompasses cumulative military expenditures, infrastructure damage, and broader economic spillovers, consistent with MCCM framework developed in this series.

Analytical Note:

Estimates presented in this brief are scenario-based and subject to inherent uncertainty due to real-time conflict dynamics, incomplete damage assessment, and evolving economic spillovers. PCRR should therefore be interpreted as a directional analytical instrument designed to capture relative shifts in political cost reassignment, rather than a predictive or precise measurement metric.

For analytical purposes, PCRR is estimated using scenario-bounded ranges derived from MCCM cumulative exposure estimates. It should be interpreted as a forward-looking (*ex ante*) claim ratio rather than an *ex post* financial settlement metric.

Policy Brief

Given the uncertainty inherent in real-time conflict environments, both reparations claims and systemic burden are treated as range variables rather than point estimates. Accordingly, PCRR is best understood as an analytical interval indicating the relative scale and intensity of political cost reassignment.

Table 2. PCRR Interpretation and Analytical Role

PCRR Range	Interpretation
< 0.2	Symbolic positioning
0.2 – 0.6	Active cost redistribution
> 0.6	Narrative restructuring of responsibility

Table Note:

Threshold ranges are analytically defined to reflect observed regime shifts in narrative and negotiation dynamics rather than fixed empirical breakpoints.

PCRR reframes the analysis from **financial feasibility to strategic effect:**

- Lower ratios reinforce positioning without altering system dynamics;
- Mid-range ratios indicate attempts to reallocate responsibility;
- Higher ratios reflect efforts to redefine the conflict’s political structure.

Thus, PCRR can be interpreted as a proxy for the efficiency of converting material cost into political leverage.

At an aggregate level, PCRR links monetary claims to systemic impact by situating reparations within the broader cost structure of the conflict, rather than treating them as isolated financial demands.

This implies that the same claim level may fall into different strategic regimes depending on the evolving scale of systemic burden.

As illustrated in Figure 1, reparations scenarios occupy distinct regions along both claim size and PCRR dimensions, with strategic function shifting discontinuously across defined PCRR thresholds.

Figure 1 operationalizes PCRR by mapping scenario ranges onto distinct strategic regimes, linking quantitative claim levels to qualitative shifts in conflict dynamics.

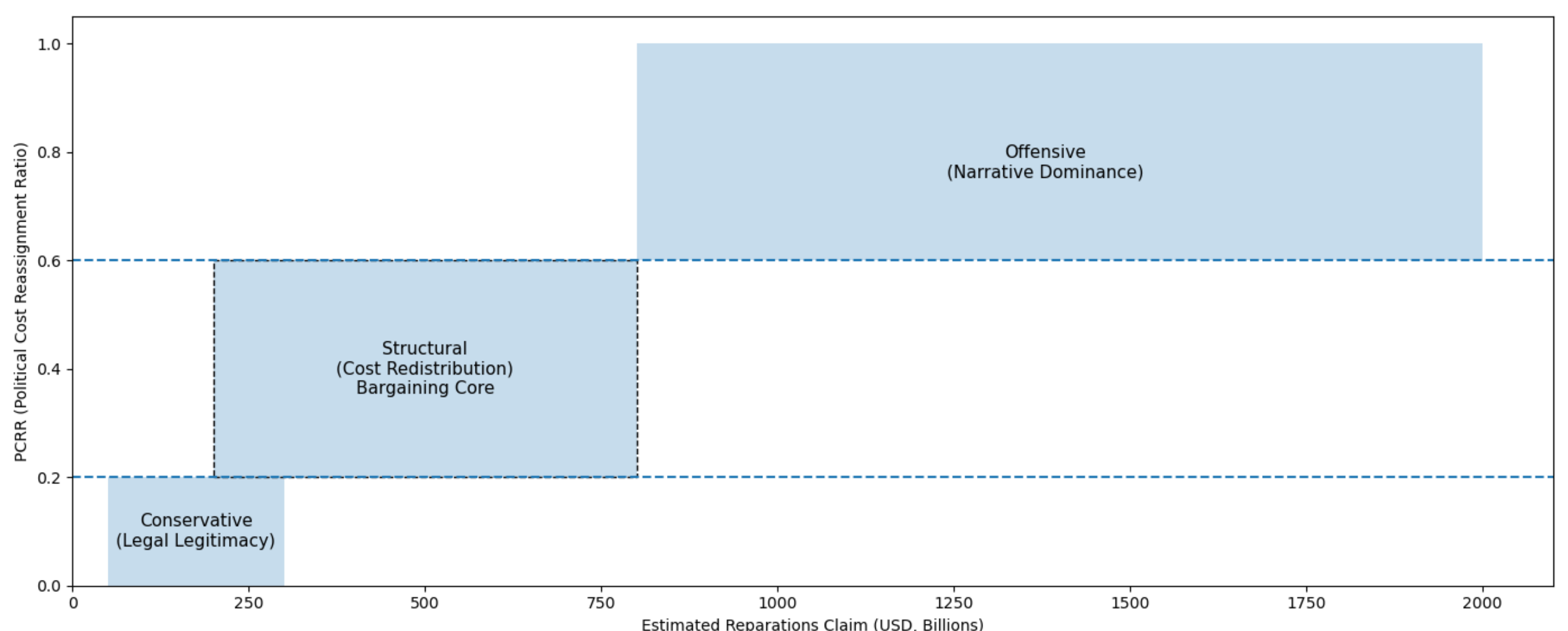


Figure 1. Reparations Scenarios by Claim Size and PCRR

Note:

This figure maps three reparations scenarios across claim size and the Political Cost Reassignment Ratio (PCRR), illustrating how strategic function shifts across defined thresholds.

Illustrative estimate: Assuming total systemic burden in the range of \$600B–\$1.5T (MCCM-based estimates), structural-tier claims (\$200B–\$800B) imply a PCRR of approximately 0.13–1.33. This indicates that even mid-range claims can span from symbolic positioning to narrative-dominant regimes depending on underlying burden assumptions.

Policy Brief

The conservative tier occupies the low-claim, low-PCRR region, reflecting legal and symbolic positioning. The structural tier forms the central bargaining zone, where reparations function as instruments of cost redistribution. The offensive tier extends into high PCRR levels, where claims serve primarily to shape narrative dominance rather than realistic settlement outcomes. Dashed thresholds indicate regime shifts in strategic function.

5. Negotiation Structure and Strategic Logic

The three-tier reparations framework corresponds to a structured bargaining model:

- **Offensive tier** → establishes the negotiation ceiling;
- **Structural tier** → defines the primary objective;
- **Conservative tier** → sets the acceptable fallback.

The gap between these levels defines the negotiation space, while the structural tier determines the most likely equilibrium outcome.

6. Implications for Conflict Dynamics

Reparations claims can shape escalation dynamics through three interrelated mechanisms:

- **Narrative Amplification:** Reparations claims expand political and informational pressure by increasing the salience of cost attribution, thereby intensifying scrutiny and widening the conflict's narrative scope.
- **Legitimacy Redistribution:** By reframing responsibility, reparations claims shift perceived legitimacy across actors, altering how costs are assigned and contested within the international system.
- **Constraint Formation:** Reparations claims can impose indirect constraints on adversary behavior by narrowing acceptable escalation options and increasing the political cost of continued operations.

These effects can materialize independently of formal agreements, operating through perception, signaling, and narrative reinforcement rather than institutional enforcement.

7. Counterpoint

A common critique is that unrealizable reparations claims lack practical significance. However, the strategic effects identified in this analysis are not contingent on realization, but on the ability of claims to trigger threshold shifts in perception, reshape cost attribution, and redefine negotiation baselines within the conflict system.

Policy Brief

8. Policy Implications

A. For Iran:

- **High-anchor strategies can maximize political leverage** by expanding the perceived scope of responsibility, but they increase the risk of negotiation deadlock if not supported by credible attribution and sustained informational pressure.
- **Even unrealized or rejected claims can yield strategic returns** by shaping international discourse, redefining acceptable negotiation ranges, and shifting baseline expectations.

B. For the United States:

- **The primary risk lies in narrative concession rather than financial exposure**, as engagement with reparations frameworks may implicitly legitimize broader responsibility claims.
- **Selective engagement strategies must balance de-escalation objectives with narrative containment**, as partial acknowledgment of claims can shift perceived cost allocation across the conflict system.

C. For Israel:

- **Elevated reparations claims can generate cumulative legitimacy pressure over time**, particularly if they are integrated into broader international legal and diplomatic narratives.
- **Exposure increases under multi-front operational conditions**, where sustained conflict activity amplifies the credibility of systemic cost attribution and reduces the effectiveness of denial strategies.

Conclusion

In contemporary conflict systems, reparations operate beyond money—not as instruments of compensation, but as mechanisms for validating systemic pressure and reallocating perceived responsibility, with even minimal payments capable of producing disproportionate strategic effects.

The absence of a viable reparations framework therefore points to a deeper erosion of conflict termination mechanisms under conditions of systemic warfare—a question examined in the next brief.