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**Checkmate or Stalemate:**  
**Iran's Nuclear Future and the E3's**  
**Strategic Dilemma**

**By**  
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**28 August 2025**

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## Checkmate or Stalemate: Iran's Nuclear Future and The E3's Strategic Dilemma

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### Executive Summary

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- ✦ The E3 faces a tough choice. Triggering the snapback may push Iran further away, while not doing so will portray the E3 as weak players in the region but it will also take away Iran's leverage to negotiate once the JCPOA expires. Extending the JCPOA seems to be a win-win for the E3 and Iran.
- ✦ The JCPOA's expiry in October 2025 would result in a legal vacuum wherein sanctions could still be imposed, but without grounding in international law and undermining global rule-based order.
- ✦ Iran is likely to compromise in some form. Its economy has been weakened significantly and the regime's credibility may be at stake. Under these circumstances, Iran may choose to drink from the 'poisoned chalice'.
- ✦ China could emerge as a crucial player, with Tehran potentially welcoming China to inspect its facilities. This will build goodwill and improve its own leverage in future negotiations.
- ✦ U.S. and Israeli attacks in June 2025 damaged trust by pre-empting talks scheduled in Oman. This may further cement Iran's view that pursuing nuclear weapons as deterrence is the only reliable way to protect the state and regime.

*"Far from dissuading Iran from abandoning its program, the attack on Fordow may further incentivise Iran to develop a nuclear weapon as a deterrence mechanism."*<sup>1</sup>

### Key Picture: Iran's Nuclear Facilities



Source: [AEOI, IAEA, June 13, 2025, | on RTE](#)

## 1. Introduction

The nuclear standoff between Iran and the international community has reached a critical juncture as key diplomatic deadlines approach. With the Joint Comprehensive Plan of Action (JCPOA) framework hanging in the balance and economic pressures mounting, both sides face increasingly complex choices that could reshape Middle Eastern geopolitics.

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### 1.1 The JCPOA and Iran's non-compliance

In 2015, following negotiations between Iran, the UK, France, Germany, the Russian Federation, the United States and China, the Joint Comprehensive Plan of Action (JCPOA) was agreed upon. Following this, the snapback mechanism agreed upon in the JCPOA was endorsed by the United Nations Security Council via UNSC resolution 2231. The snapback mechanism, which if triggered, would restore all UN resolution sanctions previously imposed. The UNSC resolution 2231<sup>2</sup> expires on 18th October 2025<sup>3</sup> Following this, the imposition of sanctions would still be possible but lack grounds in international law. In light of this, the E3 has threatened to initiate the snapback if Iran does not agree to extend the JCPOA or agree upon a diplomatic solution.<sup>4</sup>

Following the United States' withdrawal from the JCPOA in 2018, Iran ceased the implementation of its obligations under the agreement.<sup>5</sup> Currently, the IAEA is unable to verify the implementation and monitoring of the nuclear-related aspects of the JCPOA due to Iran's decision to have all JCPOA-related surveillance and monitoring equipment removed. Among the infringements Iran has been accused of are:<sup>67</sup>

1. Accumulating an enriched uranium stockpile of more than 40 times the JCPOA limit,
2. Enriching uranium to 60% (3.67% is the set limit)
3. Producing enriched material at sites prohibited by the JCPOA,
4. Producing, installing and operating thousands of prohibited new advanced centrifuges
5. Ceasing implementation of the Additional Protocol to its Safeguard Agreement

## 2. Understanding the Status-Quo

Iran finds itself at a perilous crossroads, grappling with a collapsing economy and mounting geopolitical pressures. Years of U.S. sanctions, coupled with structural inefficiencies and climate challenges, have pushed inflation, poverty, and unemployment to alarming levels. At the same time, the June 2025 strikes by Israel and the United States have upended fragile negotiations and deepened Tehran's mistrust of the West.

### 2.1 The State of Iran's Economy

Iran's economy has been suffering for the past few years due to crippling US sanctions reimposed in 2018. In 2025, inflation reached 35% in the last year alone and is expected to rise to a whopping 44.5% by 2028, even as 18% of the population lives below the poverty line and is projected to increase to 20% by the end of this year.<sup>8</sup> The industrial sector's GDP is projected to fall by 6%, export GDP by 10.8% and import GDP by 14%.<sup>9</sup> Further, only 4 of 10 Iranians of working age are employed. Most of the growth in Iran's GDP is largely owed to the services sector, which sells these services to domestic consumers due to restrictions on exports.<sup>10</sup> While oil has been the mainstay of the economy, it isn't able to prop up the economy all by itself. In 2018, revenues from Oil and taxation amounted to 17% of the GDP; today, they amount to 11%.<sup>11</sup> US officials also believe that Oil, which accounted for half of the country's exports in 2018, now accounts for only a third.<sup>12</sup>

To exacerbate this, the Iranian economy has faced immense challenges and losses due to climate change and poor management of these crises.<sup>13</sup>

Notably, the IRGC, through its holding company Khatam al-Anbiya, holds significant commercial interests; It is believed that the IRGC may own up to 50% of Iran's registered firms to some extent.<sup>14</sup> In these conditions, free and fair trade even within Iran's borders cannot incentivise commerce and competition. Therefore, even before the short but costly war with Israel.

## 2.2 Impact of Israel's and the United States' attacks on Iran

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On 13th June, Israel initiated attacks on Iranian targets. This was only a few hours before Iran and the US were due to resume talks in Oman on 15 June.<sup>15</sup> Following this, the United States, which was to be a part of these talks to persuade Iran to abandon its nuclear programme, commenced an attack on Iran's Fordow nuclear facility using 'bunker buster' bombs. While the full extent of the damage is unclear,<sup>16</sup> Iran's ties to the US and the E3 are clearly damaged. The E3's lack of condemnation of the attacks and the US opting for use of force within a few days of the scheduled Oman talks has breached trust and signalled political opportunism.

Far from dissuading Iran from abandoning its program, this incident may further incentivise Iran to develop a nuclear weapon as a deterrence mechanism.<sup>17</sup> Incidentally, this comes in light of assessments by U.S. intelligence which state "Tehran has the capacity to produce nuclear weapons at some point, but has halted its nuclear weapons program and has not mastered all of the necessary technologies for building such weapons."<sup>18</sup> In light of this, Iran's foreign minister's statement that the Non-Proliferation Treaty (NPT) is unable to protect Iran finds resonance amongst a larger audience. It is key to note here that the only state in the Middle East known to possess nuclear weapons, Israel, is not a member of the NPT.

## 3. Conclusion

### 3.1 Stalemate: E3's Strategic Dilemma

In the past few months, it appears that the E3 has clearly favoured realpolitik over respect for international law. Further, repeated indications of regime change.<sup>19</sup> Has eroded the moral authority with which the US and the E3 approach Iran's nuclear programme.

In light of this, the E3 strategic dilemma can be seen through the three potential options that seem available to all parties involved:

1. **Trigger snapback:** This would restore UN sanctions. The added pressure may force Iran to the negotiating table, but risks pushing Iran to withdraw from the NPT entirely, leaving the IAEA blind and Europe dependent on politicised U.S. and Israeli intelligence. The economic impact of UN and EU sanctions on Iran would be limited, given the gravity of US restrictions.<sup>20</sup> Russia and China are unlikely to cooperate and veto the UNSC's future resolutions. It may also invite Iranian retaliation against European interests.<sup>21</sup>
2. **Do nothing and let snapback expire:** This path would normalise Iran's nuclear programme on the global stage, stripping Europe of a multilateral. Given that U.S. unilateral sanctions would remain, this would neither improve Iran's economic outlook nor incentivise Tehran to compromise. However, it will take away Iran's leverage to return to the negotiating table under the JCPoA framework.
3. **Seek an extension of snapback:** This option would keep the JCPoA alive and allow for the possibility of negotiations. For Tehran, it would also provide a face saver while preventing a snapback and while allowing for continued negotiations"<sup>22</sup> Iran may likely have to make some compromises to keep the JCPoA alive as a show of goodwill. It has also been suggested that

Tehran may welcome China to inspect its facilities to build goodwill and improve its own leverage. China's involvement will serve as a win-win for all parties.

The region is at a pivotal juncture where Iran's decision to either pursue weaponisation or maintain its threshold status will fundamentally alter its relationship with the West and the region as a whole. Should Iran "dash for the bomb," the European Union faces the unenviable choice between accepting a potentially nuclear-armed Iran or, more realistically, allowing for further instability in the region and retreating from its role in the region.

## NOTES

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