

2. Political risk: Endgame scenarios for the Ukraine war and their impact on CESEE

BY MARCUS HOW AND BENEDETTA LOCATELLI¹

- › **The Trump administration is attempting to impose a peace settlement in Ukraine, prompting questions about European agency and the durability of Western support.**
- › **Three scenarios are explored here: a US-imposed settlement, a collapse of Ukrainian resistance and a protracted war. Each scenario presents distinct risks for Ukraine and the CESEE region.**
- › **Our baseline scenario is that the war will continue over the two-year outlook, but conditions may change as geopolitical instability impacts on support for Ukraine. CESEE remains highly exposed, not only to spill-over risks from the war itself, but also to Russian hybrid threats and domestic political volatility.**
- › **If the US imposes a settlement favourable to Russia, or if Ukrainian defence collapses, Russia will be able to rebuild, reorganise and reallocate resources, increasing the risk of a conventional war in CESEE in the 2-5 year outlook.**
- › **Europe is making tangible progress toward strategic autonomy through increased defence spending, long-term aid commitments to Ukraine, joint procurement schemes and forward deployments. The CESEE economies will benefit from the diversification of Germany away from automotive to defence-related manufacturing.**
- › **However, contradictions persist: defence integration is uneven, threat perceptions vary and key capabilities still rely on US backing, raising doubts about whether Europe can consolidate its role before the geopolitical pressures intensify.**

The Russian war in Ukraine has reached a critical juncture in 2025 – one that has significant implications for CESEE over the two-year outlook. This will be felt in terms of the region's security, and also economically.

Since the failed Ukrainian counteroffensive of 2023, hostilities have been largely attritional. The Russian Armed Forces (RAF) have made incremental but costly advances in the regions of Donetsk and Luhansk. The Armed Forces of Ukraine (AFU) succeeded in seizing territory in the Kursk region of Russia in summer 2024, but they have been unable to hold onto those gains. Both sides have serious manpower problems, especially Ukraine.

With the election of Donald Trump as US president, uncertainty has increased considerably. Upon taking office in January 2025, the Trump administration moved to begin negotiating a peace agreement

¹ Marcus How is Head of Research and Analysis at VE Insight and Benedetta Locatelli is enrolled in an LL.M. in European and International Business Law at the University of Vienna.

between Ukraine and Russia. In so doing, it has embarked on direct bilateral negotiations with Moscow (usually without Ukraine), while completely sidelining the European Union.

The Trump administration is seeking to resolve the conflict as a prelude to normalising its ties with Russia. This could include the lifting of sanctions. Meanwhile, Ukraine's security would be left to its European allies, thereby freeing the US to pivot fully towards its strategic competition with China.

The Trump administration has pushed Kyiv particularly hard, straining relations with Ukrainian President Volodymyr Zelensky. It has insisted on an agreement that gives the US strategic rights to Ukraine's untapped reserves of rare and critical minerals and key infrastructure in return for US support. It even went so far as to temporarily suspend military aid and intelligence sharing, presumably to demonstrate intent. Furthermore, it is reluctant to offer Ukraine the security guarantee that is the uppermost priority of the Zelensky administration.

At present, the Trump administration is attempting to negotiate ceasefires in particular areas (e.g. energy infrastructure, the Black Sea) that are aimed at incrementally building toward a broader deal. However, the prospects of success remain tentative, at best.

Indeed, there are three alternative scenarios in addition, each of which would have significant implications for CESEE.

2.1. SCENARIO 1: PEACE AGREEMENTS

Under the first scenario, a peace deal would emerge that favours either Russia or Ukraine, depending on how conditions evolve. However, the prospect of any peace agreement in the next 3-6 months is inhibited by three factors. First, neither Russia nor Ukraine necessarily requires a ceasefire or peace agreement in the short term, and rushing either could prove counterproductive for both sides.

Second, a key challenge in securing lasting peace lies in ensuring that both parties adhere to their commitments over time. This is particularly difficult, given the mistrust between Ukraine and Russia. In the unlikely event that a peace agreement is signed in good faith, shifts in battlefield momentum could incentivise one side or the other to abandon the deal.

Third, the Trump administration has proven itself to be an erratic mediator, with rhetorical and policy shifts threatening its credibility.

Nonetheless, the possible peace agreements are as follows.

2.1.1. Scenario 1.1 Agreement in Russia's favour

The Trump administration has pursued a lopsided approach to its negotiations with Russia and Ukraine. While strong demands have been made of Kyiv, multiple concessions and incentives have been presented to Moscow. These include acknowledgement of the Ukrainian territory already occupied by Russia, as well as the mooting of economic cooperation and lifting of sanctions.

Details remain unknown. However, an agreement that favoured Moscow's interests would at the very least enshrine the territorial status quo, allowing Moscow to keep Crimea, the Donbass and the parts of Kherson and Zaporizhzhya that it has occupied. The Kremlin is demanding more, insisting that it should be granted these regions in their entirety, in exchange for not attacking Odesa. The Trump administration, in seeking economic collaboration with Russia through joint ventures in the Arctic and in the field of energy, would likely lift (or at least adjust) sanctions in certain sectors, and some tentative steps in this direction have already been taken. This could precipitate large capital transfers to the Russian economy, especially if banks and energy companies are included.

Any security guarantee accorded to Ukraine would almost certainly preclude NATO membership or protection. Indeed, Russian President Vladimir Putin has insisted that the absence of NATO from Ukraine is a precondition for any peace agreement. Certainly, the US would not act as a backstop for the security guarantee. Ukraine would probably be forced to cap the manpower and capabilities of the AFU.

Consequently, the most plausible form of security guarantee under this scenario would be a neutral oversight mechanism to monitor ceasefire conditions, likely staffed by unarmed peacekeepers. This oversight body could be structured as a joint arrangement involving neutral organisations, such as the UN or the Organization for Security and Co-operation in Europe (OSCE), with representatives from both Russia and Ukraine.

However, the operational challenges of monitoring a roughly 2,000-kilometre line of separation, including buffer and exclusion zones, would be formidable – even for experienced peacekeeping forces. It would likely require continuous surveillance with satellite and drone technology, along with on-the-ground forces to handle incidents and investigate ceasefire violations.

Ultimately, such a scenario poses serious risks to Ukraine's territorial integrity, sovereignty and political independence. Oversight mechanisms, especially those that rely on unarmed peacekeepers constrained by narrow mandates, have historically struggled to enforce compliance (e.g. Bosnia and Herzegovina). In this context, newly Russian-occupied territories would be exceedingly difficult to manage, and sustaining peace under these conditions would be extremely challenging.

This scenario would be politically destabilising for Ukraine. Even if President Zelensky were not forced to resign as part of the agreement, his legitimacy would likely be undermined. Indeed, this scenario would undermine Ukraine's internal stability and external security over the two-year outlook, granting Russia an opportunity to rearm and regroup.

2.1.2. Scenario 1.2 Agreement in Ukraine's favour

At this point, a peace agreement favouring Ukraine would not meet Kyiv's best-case objectives: namely, regaining control over the territory occupied by Russia since 2022 (let alone 2014). Russia would likely keep the territories it has occupied, as there is a tacit recognition by the Trump administration (as well as European governments) that these will not be reclaimed through negotiations.

However, such an agreement would likely allow Ukraine to maintain its current leadership, preserve its military capabilities and insist on robust security guarantees. Such guarantees might take the shape of

delayed accession to NATO and/or EU membership, or a *sui generis* Western-led security framework, potentially featuring US drone support and European ground forces.

Alternatively, a form of indirect security could be provided by the material interest the US would have in the reconstruction of Ukraine, which would include the exploitation of its mineral reserves. Under such a deal, Ukraine would contribute half of the future revenues it would accrue from monetising its government-owned natural resource assets, covering minerals, oil, natural gas and related infrastructure, but excluding current income from entities like Naftogaz and Ukrnafta. These contributions would be reinvested in development projects (to be defined in the final agreement) aimed at spurring private-sector investment and attracting capital for Ukraine's reconstruction. Although the deal excludes a comprehensive security framework for Ukraine, ensuring stability in Ukraine would be a necessary precondition for the US to capitalise on the benefits of the deal.

Under this scenario, the Trump administration would be unlikely to loosen or lift sanctions on Russian individuals and companies. However, should any such relaxation happen to be mooted, it would certainly be conditional, linked to tangible concessions made by Moscow to Ukraine.

2.2. SCENARIO 2: UKRAINIAN MILITARY DEFEAT

Under this scenario, AFU defensive lines would collapse, allowing the RAF to capture large expanses of Ukrainian territory, possibly as far as the Dnieper river. This scenario would likely result from a failure by the Trump administration to secure a peace agreement and the consequent withdrawal of all resources committed to Ukraine – resources that could not adequately be matched in time by European governments.

At this point, the AFU remains heavily dependent on its Western allies for long-range precision missiles, interceptors for its air defence systems, maintenance of its advanced weaponry and its logistical capabilities. These include SpaceX's Starlink system, which provides the AFU with secure and reliable internet access via satellites.

With the military defeat of Ukraine, Kyiv would be forced into accepting all of Russia's demands. These would include the imposition of a pro-Russian president, complete political subjugation to Russian influence, the demilitarisation of the AFU and the permanent stationing of Russian troops in strategically designated 'buffer' oblasts.

A reorganisation of the Ukrainian state would very likely ensue, beginning with the imposition of Russian administrative and military systems. Large-scale purges of the state apparatus would follow, along with the settlement of Russians to Ukraine (and vice versa). Post-conflict occupation would likely avoid the destruction of urban centres to preserve infrastructure, while reconstruction efforts would probably be dominated by the clientele of the Kremlin.

In this context, a Russian territorial consolidation of Ukrainian territory would not only symbolise a military victory, but also signify the long-term erosion of Ukrainian identity and statehood. It would also reshape the regional geostrategic landscape over the two-year outlook, with Ukraine joining Belarus in becoming a military outpost of Russia, which would also strengthen the latter's position in the Black Sea.

This would pose a direct challenge to Romania and Bulgaria, as well as to offshore gas projects. Meanwhile, Moldova would be at high risk of being subsumed into the Russian geopolitical orbit.

The indications are that the Putin administration is continuing to work towards this goal, while engaging in US-led ceasefire talks. It has not committed to a full ceasefire, given that that victories in Kursk and slow advances in Donetsk are allowing the RAF to build momentum ahead of a larger spring offensive in the Kharkiv region. It has tentatively agreed to ceasefires in the Black Sea and in the energy infrastructure domain (which it has subsequently ignored). The purpose of this is very likely to inhibit Ukrainian strikes in areas where they are effectively undermining Russian capabilities.

2.3. SCENARIO 3: PROTRACTED WAR

Finally, the war could simply continue, with no decisive breakthrough and with front lines remaining largely static, barring minor territorial shifts. Russia, with renewed mobilisation and recent recruitment sign-up bonuses, is expected to be able to sustain its fighting capability for *at least another year*, while Ukraine can maintain its defence only as long as Western support endures.

Ukraine's military position is precarious, but not critical. It has increased its self-sufficiency, producing 35-40% of the weapons required for day-to-day combat, particularly mines and drones. Use of the latter is proving more effective than artillery; not only have drone strikes severely inhibited the Russian navy's operations in the Black Sea, but they are currently estimated to be inflicting up to 60% of the daily casualties suffered by the RAF. Furthermore, they are being used to compensate in part for the AFU's serious manpower shortages.

Although the RAF has gradually adapted to this new nature of warfare by integrating similar tactics and by bolstering its electronic warfare capabilities, it still struggles to convert these technical gains into decisive operational breakthroughs. Force quality remains low and losses high, to the extent that the RAF is now bypassing urban centres to avoid costly street fighting.

The ability of the AFU to halt, if not reverse, the negative overall trajectory of the past 6-9 months will hinge either on the US maintaining support or on the EU compensating for the shortfall. The latter option is not straightforward: even if EU member states do muster the political will to procure or manufacture replacements for US systems, building out strategic capabilities – such as the EU's Eutelsat – will be longer-term ventures. Realistically, if Europe is to become Ukraine's primary security provider, it will need to be based on a transition, during which time US withdrawal is managed.

Over the two-year outlook, EU backing for Ukraine is likely to hold up: even if internal disagreements were to arise, and one or more member states (such as Hungary, Slovakia or Czechia) were to veto Ukrainian war aid packages or sanctions, the other member states would likely form a 'coalition of the willing' coordinated by the European Commission.

At present, the withdrawal of US support for Ukraine is far from a foregone conclusion. The Trump administration contains senior officials who are quietly sceptical of a rapprochement with Russia. In Congress, bipartisan consensus on support for Ukraine persists, even if it has narrowed. Indeed, there is

pressure on the Trump administration to impose even stricter sanctions on Russia if Moscow continues to undermine the ceasefire talks.

For example, in April, 50 senators tabled a [bill](#) proposing 500% additional tariffs on states buying Russian uranium and hydrocarbons, enshrining the exclusion of Russian banks from the SWIFT payments system in law, and prohibiting the purchase of Russian sovereign debt and securities. President Trump may not approve such legislation – or he may opt for different measures; but it underscores the risks for Russia in continuing to prosecute the war in the face of Trump's foreign policy goals.

2.4. IMPACTS OF THE SCENARIOS ON CESEE

Since 2022, the Russian war in Ukraine has been the key driver of political risks in CESEE. Scenario 3 remains the baseline, as even with the policy shift by the Trump administration, the underlying dynamics of the conflict have not changed sufficiently. Yet the risk that this will occur is at its highest level since the beginning of the war. This is due to the changing geopolitical environment, which is having an impact on the material support that Ukraine needs to sustain its defence. Whichever scenario unfolds, the consequences for CESEE will be far-reaching, and will affect security posture, EU cohesion and regional political dynamics.

The most direct impact will be in terms of security. In all four scenarios, the Russian military threat to CESEE will remain in one form or another. At the very least, hybrid warfare tactics, including sabotage and cyberattacks, are very likely to continue, if not intensify. These could include the use of maritime vessels to damage undersea cables in the Baltic Sea, sabotage groups targeting defence(-related) companies and even private property (e.g. shopping malls), the assassination of managers in the military-industrial complex, and cyberattacks targeting energy and transport infrastructure.

Disinformation and influence operations are also highly likely to continue. An immediate threat is posed to the presidential elections that are due to be held in Poland and Romania in May, and to the Czech parliamentary elections in September. The objective will be to undermine the political cohesion of EU member states, as well as the bloc more generally. Moscow's strategy in this respect is being served, inadvertently or otherwise, by the Trump administration, senior officials of which have already weighed into the elections in Germany and Romania.

The extent of the Russian security threat is on a sliding scale. If scenarios 1.1 or 2 transpire, the risk of a direct threat to NATO – and therefore to CESEE – will increase. At present, Russian military capabilities are heavily depleted by the war in Ukraine. However, various Western intelligence agencies estimate that, in the event of the cessation of hostilities in Ukraine, Russia will require six months before it poses a credible conventional threat to a non-NATO state (e.g. Moldova, Georgia); 24 months to pose a threat to one or more NATO member states; and between five and ten years to NATO as a whole.

Although the Kremlin has engaged in peace negotiations, there is little indication that it will commit to any long-term agreement, even if hostilities do end in Ukraine. Its economy is partly operating on a wartime basis, creating dependencies and accumulating imbalances. Putin has repeatedly made it clear that this is in response not solely to Ukraine, but to the wider threat posed to Russia by the West. For

this reason, the Kremlin will almost certainly maintain its plans to increase its army to 1.5m troops, and specifically to double its size in the northern theatre bordering the Baltic states and Finland.

The extent to which Russia threatens CESEE will depend on the state of European deterrence. The Trump administration has reiterated that it continues to support NATO and will maintain its commitments, but will keep on insisting that the European states assume a greater burden. NATO Secretary General Mark Rutte added that, in so far as this may culminate in a withdrawal of capabilities, it is likely to be coordinated with allies to ensure as smooth a transition as possible. Yet President Trump is unpredictable, as well as genuinely antipathetic towards Europe. With the isolationist tariff policy of his administration threatening trade wars, and with transatlantic relations deteriorating, the (effective) withdrawal of the US from NATO cannot be ruled out.

If US support is in doubt, the timeframe for action by Russia will depend on three factors. First, whether its war in Ukraine is still ongoing; second, whether the US sanctions regime is still in place; and third, the speed with which European states expand and consolidate their military capabilities. As regards this last factor, [estimates](#) suggest that replacing US support could require 300,000 additional troops and EUR 250bn in annual spending over the next 1-5 years – though the scale of the burden would vary significantly, depending on the level of European coordination, with fragmented procurement, siloed logistics and incompatible force structures all increasing the cost and slowing deployment.

2.5. INCENTIVISING CHANGE

There are positive indicators in this regard. Europe's support for Ukraine has evolved from largely bilateral responses into a more institutionalised and long-term framework. EU member states have committed over EUR 60bn in military aid since 2022, increasingly channelled through shared mechanisms like the European Peace Facility and the EUR 5bn Ukraine Assistance Fund. Joint procurement schemes – such as the programme to deliver a million artillery shells – have bolstered Ukraine's battlefield capabilities, while stimulating Europe's defence-industrial base. Long-term aid commitments from Germany and the UK through 2029 reinforce this shift: Europe is no longer acting as a junior partner to US strategy, but rather as a principal security backer of Ukraine.

Concurrently, Europe is laying the foundations for a more autonomous and resilient defence architecture. In 2024, Germany met NATO's 2% spending target for the first time in decades. Since the February elections, it has gone further, legislating a EUR 500bn special defence and infrastructure fund and authorising over EUR 1 trillion in new defence loans. This will have positive spill-over effects for CESEE economies that supply the German industrial sector, which is likely to diversify away from automotive to defence-related manufacturing. The demand for such economic activity is likely to increase across the region to offset the impact of US tariffs.

At the EU level, leaders have announced a plan to authorise up to EUR 800bn in joint debt for weapons procurement, with EUR 158bn specifically allocated to incentivise purchasing from European defence firms – a decisive move toward industrial autonomy. Multinational initiatives, such as Sky Shield, are integrating continental air and missile defence systems. In parallel, France has proposed extending its nuclear deterrent to other EU members – a once-taboo topic now entering mainstream debate as the strategic uncertainty mounts. In the Baltic Sea, improved infrastructure and command interoperability

have already enabled a level of operational independence from US assets – one of the clearest indicators of Europe's growing regional self-sufficiency.

This might remain inadequate. There are also many obstacles, not least insufficient political cohesion within and between member states. Increasing defence at the expense of social spending is likely to feed populist forces sympathetic to the Kremlin. The government of Hungary's Viktor Orbán continues to act as a strategic disruptor, threatening to veto initiatives around defence aid and sanctions. The Orbán government may occasionally rely on the support of its Slovak and Dutch counterparts, in particular. It could gain another ally in Czechia after this autumn's parliamentary elections, as the eurosceptic ANO party of former prime minister Andrej Babiš is likely to form a government with far-right backing.

However, CESEE states, including Hungary, Slovakia and Czechia, enjoy substantial material incentives to align with Europe's growing defence-industrial complex, including through cross-border joint ventures. Contracts for the production of weapons and ammunition receive extensive funding from the European Peace Facility, the Act in Support of Ammunition Production and the European Defence Industry Reinforcement through Common Procurement Act. Other sources of funds will become available, with unspent cohesion funds likely to be reallocated to defence initiatives.

This causes strategic ambivalence in some member states. For example, Hungary remains the loudest dissenter in EU debates on Ukraine. Yet German arms manufacturer Rheinmetall is investing hundreds of millions of euros in local production facilities, illustrating the ambivalence between political rhetoric and economic alignment. Likewise, in Slovakia, where Prime Minister Robert Fico halted military aid to Ukraine at the state level, arms exports [rose](#) from EUR 535m to EUR 1.15bn between 2023 and 2024, or 1% of GDP. This is the result of private companies profiting from EU-funded contracts in the political strongholds of Fico's Smer party.

2.6. TOO LITTLE, TOO LATE?

Whether the war in Ukraine ends through negotiation, defeat or attrition, none of the foreseeable outcomes would point to a restoration of pre-2022 strategic norms. For CESEE, this means a prolonged period of uncertainty, in which hybrid attacks, political destabilisation and conventional military risks will all remain elevated over the two-year outlook, albeit to varying degrees. In this context, European deterrence and cohesion will be the decisive variables shaping regional security, especially if the US follows through with a strategic withdrawal from NATO.

The past year has delivered several positive indicators: rising defence budgets, deeper institutional coordination and a shift in political will toward strategic autonomy. But for these developments to matter, they must coalesce into a credible and enduring posture – militarily, economically and politically.

The challenge now is not simply whether Europe can muster the consistency, legitimacy and speed to deter future hostilities with Russia. If it cannot, the region risks drifting into the worst-case scenarios outlined above – not by design, but through inertia.