2. Political risk in CESEE: Outlook

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- **The Russian war in Ukraine is likely to continue in the two-year outlook, with the Trump administration having struggled to secure meaningful commitments from the Russian government to a peace settlement.**
- **The Ukrainian war effort is likely to be sustained by European purchases of US weapons and materiel through NATO structures, with European governments smoothing volatility rather than taking the place of the US.**
- **In CEE states, illiberal actors are gaining leverage (e.g. in Czechia) but remain constrained overall by institutions, coalitions and EU conditionality. The illiberal governments in Slovakia and Serbia are weak.**
- **Parliamentary elections in Hungary in April 2026 will be pivotal; meanwhile the Polish government's failure to win the presidency likely dooms its governing mandate in the two-year outlook, creating uncertainty over Poland's trajectory.**

Since the inauguration of Donald Trump as US president in January 2025, one of the major foreign-policy objectives of his administration has been to broker a peace settlement between Ukraine and Russia. This has proved elusive, despite multiple attempts by his administration to engage diplomatically with Russia – even including a personal meeting between Donald Trump and Vladimir Putin in Alaska, and the mooting of economic cooperation between US and Russian companies.

The prospect of a ceasefire – let alone a peace settlement – remains remote. For while the Kremlin has humoured the outreach of the Trump administration, Putin believes that strategic momentum in Ukraine remains with Russia. This is correct to the extent that Ukraine has been stuck in a defensive posture since 2024, following its failed counteroffensive of the previous year. Russia's defence-industrial complex and recruitment incentives have sustained continued offensive operations, albeit at an intensity that is slow and attritional. Yet the Kremlin believes this to be sufficient, given Ukraine's increasing manpower shortages and wavering Western support, which could plausibly combine to precipitate a collapse of its eastern front.

For this reason, the Kremlin is unwilling to offer serious and significant concessions that could increase the likelihood of a peace settlement. Trump, for his part, has expressed increasing frustration with Putin, though he has refrained from acting on such threats as to impose additional sanctions on Russia.

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2.1. NEW NORMAL?

The situation has resulted in the Trump administration redesigning the channels by which it continues to provide support for Ukraine. This feeds into its wider strategy vis-à-vis European security, which hinges on pressuring European members of NATO to assume the predominant share of the financial burden for their own security, as well as for that of Ukraine. The Trump administration has demonstrated its willingness to continue to provide Ukraine with materiel, so long as it receives something in exchange – be it European NATO members buying US weapons and materiel, or Kyiv providing US companies with a stake in strategic sectors of its economy, such as its reserves of mineral deposits.

Fresh aid packages have not been allocated by the Trump administration, but significant legacy amounts are still in the pipeline. Indeed, as of September 2025, US support[7] that had still not been disbursed amounted to some USD 59bn – a third of the USD 187bn committed since the beginning of the war. This will be paid out over a three-year period. Furthermore, schemes for US supplies paid for by European governments are already up and running. NATO's Prioritised Ukraine Requirements List (PURL) was agreed over the summer, with USD 3.5bn assigned to procurements of weaponry crucial to Ukraine's air defence and long-range strike capabilities.

Ensuring that the Trump administration continues to provide support for Ukraine has been of the utmost priority for European governments, as well as for the European Commission. For this reason, European Commission President Ursula von der Leyen was prepared to accept a trade deal[8] in July that includes the imposition of a US tariff ceiling of 15% on most European goods (although there are carve-outs). The agreement also included pledges – heavily qualified – for European states to purchase USD 750bn in US energy by 2028 and to channel USD 600bn in foreign direct investment into the US. The alternative would have been to reduce dependence on the US at a time when Europe is unable to fully cover its own security and defence needs independently.

These indicators strengthen the likelihood that hostilities in Ukraine will continue in the two-year outlook. A caveat to this is that the Trump administration is likely to disengage strategically from the situation, as well as increasingly from European security. It is likely to be willing to continue to share intelligence with Ukraine, as well as to provide materiel paid for by European governments through NATO structures. Nevertheless, geopolitical posturing by the Trump administration elsewhere may also have positive knock-on effects for European security.

For example, in August the Trump administration doubled tariffs on most Indian goods to 50%, citing the country's direct and indirect imports of Russian oil – a major source of revenue for Moscow. Other steps under consideration include the imposition of 500% secondary tariffs on China and India over their purchases of Russian oil, although this is unlikely to be acted upon.

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7 https://media.defense.gov/2025/Aug/14/2003780477/-1/-1/1/OAR_Q3_JUN2025_FINAL_508.PDF?

8 https://commission.europa.eu/topics/trade/eu-us-trade-deal_en?

2.2. THE WAR OF ENDURANCE

Meanwhile, the Russian Armed Forces (RAF) will continue wearing down Ukraine's defences. Squad-level engagements by infantry, supported by drones and artillery, will remain the norm along the front line in Donetsk region. Territorial gains by the RAF are likely to be limited, although they might succeed in taking cities and towns like Pokrovsk, through encirclement tactics. Mass drone assaults are also likely to become a regular – as opposed to periodic – occurrence, with hundreds of drones indiscriminately striking Ukrainian cities and infrastructure. The winter season 2025-2026 is likely to be particularly challenging for Ukraine.

In September, President Trump made the unexpected statement that Ukraine could regain all its territory from Russia with European support. This was said in the context of the likely disengagement of the Trump administration from the Ukrainian theatre, but it hinted at a wildcard scenario. However, this is unlikely to materialise in the two-year outlook for two reasons.

First, Russia continues to enjoy an advantage in manpower and materiel. For example, it currently fields[9] 30,000-40,000 new troops per month (105-110% of its recruitment target) and produces between 2 and 3 million shells annually. By contrast, Ukraine has a severe manpower shortage, while European shell production is only now approaching 2 million per year. Ukraine has acquired some new capabilities, such as F-16 fighter jets, and has become strategically independent in the production of drones; yet this is inadequate to provide a decisive advantage. More generally, although both Ukrainian and Russian forces have adapted and innovated tactics over the duration of the war, the overall quality of their units has declined. Even when they were in a stronger position, it proved impossible for either side to conduct successful combined operations on a large scale.

Second, Ukrainian victory would therefore likely hinge on the collapse of the RAF invasion force itself, for which there are currently few indicators, apart from chronic low morale (e.g. the desertion[10] of over 50,000 soldiers since 2022). The costs of the war are also increasing, with Russia's current account surplus shrinking and Ukraine causing supply stresses through long-range strikes on Russian infrastructure. Indeed, Ukraine has intermittently knocked out roughly a sixth[11] of Russia's refining capacity since August, forcing a nationwide fuel export ban and triggering regional shortages.

Yet none of these indicators is at a point where a dramatic deterioration in Russian capabilities is possible, let alone likely. If Russian recruitment targets began to ebb, and if Ukraine were to systematically increase its deep strikes on Russian refineries, the outlook could begin to change.

9 https://kyivindependent.com/russia-exceeds-monthly-recruitment-targets-by-over-100-ukraines-hur-says/

10 https://novayagazeta.eu/articles/2025/09/23/un-report-finds-that-over-50000-russian-soldiers-have-deserted-since-2022-en-news?

11 https://www.euronews.com/2025/08/26/ukraine-knocks-out-17-of-russias-oil-refining-capacity-creating-shortages-and-disrupting-e?

2.3. RECONFIGURING THE TRANSATLANTIC PIPELINE

Thus, the baseline two-year outlook is that the war will continue, with Ukraine's defence sustained by US materiel funded by the EU, as well as by its own increasing industrial capabilities. Russia is very likely to continue hybrid warfare and probing tactics against NATO, periodically disrupting Europe's infrastructure and violating its airspace, as well as seeking political destabilisation. This increases the risk of a wider regional escalation; however, it remains unlikely, given that Russian resources are increasingly overstretched.

Meanwhile, the EU is not taking any dramatic steps towards strategic autonomy. Rather, in order to safeguard US engagement with Ukraine and buy time, it is seeking dependency swaps. It is not in a position to replace US support for Ukraine, but it is proving reliable in smoothing its variability (e.g. through the PURL framework).

A major change could occur over the two-year outlook if European governments were to agree to tap frozen Russian assets, which are worth some EUR 200bn, for the purposes of resourcing Ukraine's defence. This has been a possibility since 2022, with the interest earned on the assets already allocated to Ukraine. Yet no consensus has emerged over use of the principal, especially given the legal precedent it would set around property rights. However, in September, the German government changed its stance and backed a proposal[12] by the European Commission to issue a 'reparations loan' worth EUR 140bn. This would be backed by Russian reserves, without the title to the assets being seized. The likelihood of this occurring has thus increased, as the approval of this instrument would only require a qualified majority of EU member states.

2.4. ILLIBERAL HEADWINDS, CONSTRAINED IMPACT (FOR NOW)

The ability of the EU to sustain its policy course will depend on its internal consensus surrounding Ukraine and Russia holding firm. The main obstacles in this respect thus far have been the governments of Hungary's Viktor Orbán and Slovakia's Robert Fico.

The EU has largely been able to overcome such opposition, with exemptions for Hungary and Slovakia (e.g. on Russian energy), or otherwise to circumvent it through legal manoeuvring (e.g. attaching sanctions measures to qualified majority, rather than unanimous voting instruments) and forming coalitions of the willing.

However, this balancing act will prove increasingly difficult in the two-year outlook, not least on account of the political dynamics in certain CEE member states. The illiberal bloc (at the heart of which has been the Orbán government) is set to grow – and imminently. Yet it is not hegemonic and is constrained by the domestic considerations of its leaders. The most likely scenario is that political instability will deepen, even as illiberal parties post overall gains – or even enter government.

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12 https://www.reuters.com/world/berlin-open-eu-plan-freeing-up-russian-cash-ukraine-2025-09-25/

2.4.1. Czechia

Following the Czech parliamentary elections on 3 October, the ANO party of Andrej Babiš is poised to form a minority government, supported by the far-right Freedom and Direct Democracy (SPD) and Motorists for Themselves parties. It will replace the five-party centre-right coalition headed by Petr Fiala.

Babiš, an oligarch who served as prime minister between 2017 and 2021, is a populist, Eurosceptic politician with a personalist leadership style. Positioning himself at first as a technocratic centrist, Babiš has moved his party steadily to the right. This culminated in ANO leaving the Alliance of Liberals and Democrats for Europe (ALDE) to join Orbán's ultranationalist Patriots for Europe (PfE) bloc, formed after the 2024 elections to the European Parliament. Babiš has also expressed scepticism over support for Ukraine.

While Orbán and Fico notionally have an ally in Babiš, the Czech government is likely to prove pragmatic in its dealings with the EU, as well as Ukraine. There are three reasons for this. First, following ANO's victory, Babiš was quick to emphasise the party's commitment to membership of the EU and NATO. Second, Babiš is sceptical of support for Ukraine, including its EU membership application, but his opposition is not categorical. For example, he is committed to ending the Czech-led initiative to provide Ukraine with artillery ammunition, but has expressed backing for such support continuing through NATO structures (i.e. PURL).

Third, Babiš must cohabit with President Petr Pavel, who was directly elected in 2023 on a platform that was strongly pro-NATO and pro-Ukraine. This contrasts with the previous tenure of Babiš as prime minister, when Miloš Zeman as president expressed open sympathy for Moscow. The competences of the presidency are limited, but it wields considerable influence over foreign and defence policy, as well as personnel appointments. Furthermore, Pavel's importance is enhanced by the fact that Babiš will be leading a minority government, contingent on support from far-right partners who could prove unpredictable.

Therefore, it is unlikely that the addition of Czechia to the illiberal bloc will in itself have much impact on the political cohesion of the EU in the two-year outlook as it pertains to Common Security and Foreign Policy. Indeed, Babiš is likely to continue to support sanctions on Russia, even as he calls publicly for a peace settlement. On the other hand, a Babiš government is likely to challenge the EU on its green deal as well as values such as media freedom and the rule of law.

2.4.2. Poland

The outcome of the Polish presidential election, held in June, is likely to have far-reaching consequences in the two-year outlook. Contrary to expectations, it was won by the candidate of the opposition Law and Justice (PiS) party, Karol Nawrocki. The outcome of the presidential election was of critical importance to the liberal coalition government led by Prime Minister Donald Tusk's Civic Forum party, and Nawrocki's success will have major ramifications. In power since December 2023, the Tusk government's ability to advance its legislative agenda had been limited, as key items were being vetoed by the presidency, occupied since 2015 by PiS's Andrzej Duda. Unable to command a supermajority in parliament, the Tusk government was banking on winning the presidency in order to fulfil its campaign pledges.

This objective has now been utterly frustrated by the victory of Nawrocki, who is proving even more uncompromising than Duda, vetoing every legislative item sent to him thus far. Come the parliamentary elections in October 2027, this could well doom the Tusk government, since it will effectively have been paralysed.

There is political consensus in Poland in terms of viewing Russia as an existential threat. Thus, when it comes to foreign policy, Poland is very likely to continue to support the EU position on Russia. However, differences are emerging on Ukraine, with Nawrocki, PiS and far-right elements increasingly sceptical of extending support either for its defence or for its EU membership. More generally, the inability of Nawrocki and Tusk to cohabit is already undermining Poland's influence in shaping EU decision-making.

2.4.3. Romania

Illiberal candidates and parties have not been consistently successful across the region. In Romania, the presidential election was won in May by the liberal-centrist candidate Nicușor Dan, despite a strong challenge from George Simion, the leader of the far-right Alliance for the Union of Romanians (AUR).

The election took place amid a political crisis for Romania's party establishment. This was a rerun of the election that had taken place in November 2024, which had seen Călin Georgescu, a far-right newcomer and conspiracy theorist openly sympathetic to Moscow, secure a surprise lead in the first round. Before the runoff could be held, the Constitutional Court annulled the results on the basis of reports that Georgescu's campaign had received substantial support from Russian sources. A rerun was ordered, with Georgescu disqualified as a candidate. In his place, Simion ran as a united candidate of the far-right parties, but was ultimately defeated by Dan, following massive mobilisation by pro-EU and ethnic Hungarian voters.

One of the key priorities of President Dan is to push the government to deepen fiscal consolidation, as Romania's budget deficit is projected to amount to 7.9% of GDP in 2025. Yet the four parties that form the government led by Prime Minister Ilie Bolojan are struggling to agree on the requisite measures; meanwhile the AUR is comfortably leading in the polls, capitalising on the dysfunction. There is a strong likelihood that the fractious nature of the Bolojan government will result in one of the four parties quitting, leaving the administration without a majority in parliament – and faced with an uncertain outlook.

2.4.4. Hungary

Illiberal parties, where they are in government, have elsewhere been struggling. Following defections, Slovakia's Robert Fico shored up the position of his three-party coalition with a reshuffle, but its polling position is weakening, and its majority is wafer thin. More significantly, in Serbia, President Aleksandar Vučić's SNS-led coalition government is effectively paralysed, owing to mass student protests that began in November 2024.

However, the most consequential development in CEE could play out in Hungary, ahead of the parliamentary elections scheduled for April 2026. Since 2010, Prime Minister Orbán's Fidesz-KDNP government has remade the Hungarian state, pioneering the 'illiberal' model of democracy. It has become a major disrupter within the EU, especially on the issue of Ukraine and Russia. The Orbán government professes neutrality, but is openly hostile towards Kyiv, while expressing sympathy for Moscow.

For much of the period since 2010, Fidesz-KDNP has been able to sustain its supremacy through the capture of state institutions, combined with the dysfunction of the various opposition parties. The latter advantage has dissipated since Péter Magyar, a former Fidesz insider, entered frontline politics and formed the TISZA party. Magyar has built a centre-right platform that channels voter disaffection over systemic corruption, poor public services and falling living standards. In so doing, TISZA has been able to open a decisive lead over Fidesz-KDNP in the polls, suggesting that it has a strong chance of winning the election. If this occurs, the illiberal bloc in the EU will, in effect, have been decapitated, isolating the Fico and Babiš governments.

However, a TISZA victory is contingent on the elections being free and fair. There is a considerable likelihood that, faced with the prospect of losing power, Orbán will choose to ban or otherwise neutralise Magyar as a candidate. A plausible scenario would have the electoral authorities disqualify Magyar on the grounds of his being a threat to national security, alleging collusion with the European Commission and the Ukrainian government to undermine Hungarian sovereignty. Orbán would justify the decision by pointing to the precedent set by Romania, with the disqualification (and prosecution) of Călin Georgescu. This scenario could play out either before the election or afterwards, as Fidesz-KDNP is so entrenched in Hungary's institutions that a TISZA government led by Magyar as prime minister could face allegations of having received foreign support to undermine Hungarian sovereignty.

On the other hand, it is equally plausible that Orbán could be comfortable with the prospect of TISZA forming a government, given that Fidesz-KDNP has previously used its constitutional majority to expressly ensure that key institutions – from the courts to the regulators – remain under its control, even in the event of a loss of power. The Budget Office is of particular importance, as its Fidesz-aligned members may continually use its veto power to hold up budgets proposed in parliament. If a budget cannot be passed by the annual deadline of 31 March, the president may dissolve parliament and call fresh elections.

At the very least, there is a strong likelihood that political instability will increase in Hungary in the two-year outlook, as Fidesz-KDNP attempts to undermine TISZA's ability to govern.