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Helping Clients Navigate Global Challenges

Ukraine Endgame: The Path to an Imperfect Peace



JPMorganChase

Key Takeaways:

- **We upgrade our base case.** Last year we assessed that, in the absence of stronger Western backing, Ukraine’s long-term outlook would most likely be a slow drift back into Russia’s orbit, not unlike what happened in Georgia following the 2008 war. But since then, Europe has stepped up and Western security assurances have started to come into focus, improving Ukraine’s prospects. This trajectory remains fragile and dependent on sustained external support.
- **The war will be decided at the negotiating table—not the battlefield.** The conflict has settled into a **conditional stalemate**; the frontlines have barely changed in the last two years. Military dynamics shape leverage, but the outcome will be determined by how the diplomatic, financial, and military theaters evolve together.
- **A "Finland-like" outcome is now the most likely path.** Ukraine will likely be forced to accept territorial loss and limited security assurances while preserving sovereignty and continuing its westward integration—trading a just peace for a durable one.
- **Time and pressure favor Moscow.** Ukraine faces tightening financial constraints, growing strain on Western munitions, and increasing political pressure from Washington, while Russia has a longer runway and benefits from improving near-term economic conditions. These dynamics are likely to force Kyiv to accept a flawed and uneven settlement—most likely before power changes hands again in Washington and Putin loses what he may perceive to be his biggest “Trump” card.
- **Ukraine’s biggest risks are external—and increasingly structural.** U.S. policy shifts, European political fragility, and “munitions math” constraints—exacerbated by the Iran conflict—could quickly derail the current trajectory and weaken Ukraine’s negotiating position.
- **For businesses, the terms of any settlement will be consequential.** A deal will almost certainly involve some relaxation of the sanctions architecture on Russia that has reshaped energy and commodity markets since 2022—the scope and pace of that unwinding will be a major variable for businesses with exposure to Russian energy, commodities, and financial markets. A settlement would also unlock what could be one of the largest reconstruction investment opportunities in a generation. How the West supports Ukraine through this endgame will shape how investors and governments price geopolitical risk for years to come.

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Executive Summary

In our [May 2025 report](#), we assessed that Ukraine would most likely be forced into an unsavory, "Georgia-like" settlement with Russia—one that would, over time, pull it back toward Moscow's orbit. At the time, the strategic picture was deteriorating. The United States was signaling a preference for a rapid settlement, and a contentious Oval Office meeting between the U.S. and Ukrainian Presidents raised the prospect that American military aid could be stopped altogether. Europe, meanwhile, was confronting a stark over-reliance on Washington—scrambling to close gaps in defense spending and industrial capacity—while failing to articulate a credible framework for long-term security guarantees for Ukraine or a post-ceasefire presence on the ground.

Over the past year, two developments have meaningfully shifted that trajectory, at least for now:

- **First, Europe has stepped forward as the primary backer of Ukraine.** As U.S. military support dropped 99% in 2025, Europeans moved to fill the gap. According to the Kiel Support Tracker, which monitors military donations to Kyiv, Europe increased its humanitarian and financial aid by 59% and military aid by 67% compared to 2022–2024 averages. This allowed total aid in 2025 to remain relatively constant. Brussels also advanced Ukraine's path toward EU accession to its most concrete point to date.
- **Second, the contours of Western security assurances have started to come into focus.** While still falling short of a NATO-style guarantee or a large multinational tripwire force, the U.S. and Europe have clarified their willingness to play a sustained post-conflict role—removing a key source of uncertainty that loomed large a year ago.

Taken together, these shifts lead us to upgrade our base case. Ukraine will have to swallow difficult concessions—especially on territory. But we now assess that substantial European support, combined with limited but tangible Western security backing, could be sufficient for the part of Ukraine under Kyiv's control—about 80% of Ukraine's pre-2014 territory—to establish a form of deterrence, stabilize economically, and continue integrating westward.

Under current conditions, a negotiated settlement could emerge as early as this year. In this report, we assess how the conflict is evolving across three key theaters—the diplomatic, financial, and military—which together will determine each side's negotiating position and the durability of any settlement. The trajectory of the conflict will be determined not by the next offensive, but by how these three theaters evolve and intersect—and whether they hold long enough to produce a deal.

Based on these dynamics, we assess that Ukraine's most likely path has shifted from a "Georgia-like" trajectory toward a more "Finland-like" outcome. Finland ceded about ten percent of its territory to the Soviet Union in 1944, but went on to maintain its sovereignty, prosperity, and Western alignment for decades despite not having formal Western security guarantees or in-country forces prior to its NATO accession in 2022. **While no analogy is perfect, we envision a similar outcome for Ukraine—one that preserves sovereignty and Western alignment but falls short of a fully just or secure peace.**

- This trajectory is far from certain. **A range of disruptors could still reshape the balance—many of them to Ukraine's disadvantage.** In particular, the evolving Iran conflict introduces second- and third-order effects that risk diverting Western attention, resources, and political capital at a critical moment.

Section One:




The Three Theaters Shaping the Negotiating Table

After another year of grinding attrition—during which Russia captured just 0.8% of Ukrainian territory at a cost of roughly 35,000 casualties per month—it is increasingly clear the war will be decided at the negotiating table, not on the battlefield. Since its early advances in late 2022, Russia has gained just 1.5% of Ukrainian territory. The military balance still matters, but it is no longer decisive.

The question now is how the interaction across three theaters—diplomatic, financial, and military—is evolving, and whether they are converging toward a sustainable settlement. Each shapes a different dimension of Ukraine’s position: what can be agreed, what can be financed, and what can be defended. Their interaction—not any single factor—will determine both the timing and durability of a deal.

Figure A. The State of Play: Each Side’s Hand

Factors Shaping Each Side’s Negotiating Position Across Three Theaters

	 DIPLOMATIC	 FINANCIAL	 MILITARY
Russia	<ul style="list-style-type: none"> + U.S. prioritizing a settlement and willing to apply pressure to Kyiv 	<ul style="list-style-type: none"> + Elevated global oil prices + Temporary waiver of U.S. oil sanctions <hr/> — Slowing growth — Economy increasingly dependent on defense sector — Continued sanctions and frozen assets 	<ul style="list-style-type: none"> + Larger artillery stockpiles + Increasing drone capabilities and production capacity + Manpower shortages but ultimately more available manpower than Ukraine <hr/> — High casualty rate — Largely frozen frontlines — Command and control challenges stemming from lost Starlink access in early 2026
Ukraine	<ul style="list-style-type: none"> + In-country training and support force committed + Western security assurances secured + Increasingly clear path to EU membership <hr/> — Washington applying pressure on Kyiv — No legally-binding security guarantees or tripwire forces 	<ul style="list-style-type: none"> + Partial disbursement of IMF \$8.1B bridging near-term gap + Recent drone-expertise-for-financing deals with Gulf countries + Recent lifting of block on EU €90B loan <hr/> — Significant budget shortfall — No agreement on use of frozen Russian assets — No clarity on long-term \$800B Western prosperity plan 	<ul style="list-style-type: none"> + Continued U.S. intelligence support, despite a brief pause in 2025 + Improving deep-strike capability via drones and Flamingo cruise missiles + Improving counter-drone warfare strategies + Recent modest territorial recovery + Innovative and resilient defense industrial base <hr/> — Limited munitions stockpiles further strained by Iran conflict — Manpower shortages

Diplomatic Theater: Security Assurances Without Security Guarantees

When President Zelenskyy eventually sits down with President Putin, what Ukraine is forced to concede will depend heavily on what it has secured from the West beforehand—particularly in the form of security assurances.

At a consequential summit in Paris in summer 2025, the France-and UK led “Coalition of the Willing” agreed to continue financing Ukraine’s defense and outlined a package of post-ceasefire security assurances, including the potential deployment of a multinational force to support Ukrainian forces with training and reconstitution. The United States also committed to leading a ceasefire monitoring and verification mechanism, relying on overhead surveillance of the roughly 800-mile-long line of contact. **Together, these measures could help Ukraine strengthen its defenses and provide enough near-term deterrence to complicate any renewed Russian aggression.**

- **But these are assurances—not guarantees.** Nothing agreed to date approaches a true tripwire force—such as the Berlin Brigade during the Cold War or the U.S. presence in South Korea since the 1950s—let alone a binding mutual defense commitment or NATO Article 5-level guarantee. This distinction is critical. These measures may raise the cost of renewed conflict for Moscow, but they do not fundamentally eliminate the risk. While far from Ukraine’s desired outcome, that ambiguity should help a deal come together: Ukraine will get enough security reassurance that it can agree to concessions and have the confidence to move forward, while avoiding a top Putin redline—NATO membership.
- **Furthermore, any discussed security arrangements remain fluid until formally concluded.** The assurances on offer are subject to change until they are codified as part of a signed ceasefire agreement. Of particular concern is the recent friction between the U.S. and NATO allies over their response to the conflict in Iran, which Europeans fear could undermine Washington’s willingness to maintain its security commitments to Ukraine. Washington’s continued provision of intelligence to Kyiv will be a key component of any agreement, as this is a capability that the Europeans would struggle to provide in the same way.

In parallel, Ukraine’s path to EU accession is more concrete than at any point since the war began. Proposals to fast-track membership have been rejected—both by Ukrainians seeking full parity and by European members concerned about institutional standards and cohesion. Instead, Ukraine has advanced through the standard accession process, clearing key milestones and, for the first time, receiving a full roadmap of required reforms from Brussels.

- **The timeline remains long, and shifting continental politics could still intervene, but the direction is now much clearer—and that clarity carries strategic weight.** This probably is not a deal breaker for Moscow: Finland pre-2023 provides a template of an EU but not NATO member that it tolerated as a buffer state and Georgia and Moldova’s EU accession processes are ongoing despite frozen conflicts with Russia-based separatists.

These two tracks—security assurances and EU integration—are unfolding in parallel but will ultimately converge.

The strength of Ukraine’s Western backing will directly shape what Kyiv can afford to concede. Every commitment secured before negotiations raises the floor; every one that falls away lowers it.

Washington, meanwhile, is pressing for a ceasefire soon, ideally ahead of the November U.S. midterm elections. Much of the pressure is falling on Kyiv. Following U.S.-Ukraine talks in Florida in late March 2026, Zelenskyy indicated that U.S. support for security guarantees may now be conditioned on Ukraine’s withdrawal from Donbas—which would mean giving up an additional 2,250 square miles of its territory—aligning with a core Russian demand.

Any deal that involves ceding Ukrainian territory would need to be approved by the public, likely via a referendum. This adds an additional layer of political complexity: polling indicates a narrow majority of the Ukrainian public opposes major territorial concessions.

What are "Security Assurances?"

With NATO membership politically out of reach for now, Ukraine is assembling an overlapping set of security assurances to build deterrence. So far, this is what we know of the emerging package, which primarily amounts to robust training and arms supplies:

- **Coalition of the Willing reassurance force:** Led by the UK and France, 26 nations (notably not including the U.S.) have committed in principle to a post-war “reassurance force.” The concept is still not fully defined, but press reports indicate the reassurance force would focus on training and reconstitution of Ukrainian forces, and supporting the maintenance and repair of Western-donated equipment. Some, including the UK and France, have said they would be willing to put troops in Ukraine for these purposes, while others—notably Poland and Germany—have said they would support from outside Ukraine. The goal would be ensuring a Ukrainian military capable of deterring renewed Russian attack—not establishing a tripwire presence that would commit Western nations to direct intervention.
- **Bilateral security arrangements:** Building from the G7 Joint Declaration in July 2023, which called for negotiations to formalize bilateral security commitments to support Ukraine, Kyiv has signed a network of long-term bilateral agreements. Typical elements include predictable multi-year weapons support (often prioritizing air defense, long-range fires, and armor), training, defense industrial base funding to integrate Ukraine into Western supply chains, and intelligence and cyber cooperation. These agreements normally include an immediate consultation clause plus pre-agreed response mechanisms if Russia attacks again, but do not obligate troop deployments.

What’s least defined is what’s most important: the U.S.’s offer. According to President Zelenskyy, in late March, the U.S. tied its security assurances to Ukraine ceding eastern Donbas to Russia. The substance of those assurances is still unclear. The Coalition of the Willing concept envisions U.S. enabling support—notably intelligence, surveillance, and reconnaissance tied to a U.S.-led ceasefire monitoring and verification mission. But Kyiv will continue to press for a broader and more concrete American role after the conflict. **Washington will likely remain vague on its offer to preserve negotiating leverage.**

Financial Theater: A Narrowing Runway

Ukraine's most immediate constraint is financial: its ability to remain solvent long enough to reach—and sustain—a negotiated settlement. Its 2026 budget deficit is projected at roughly \$50 billion, excluding substantial off-budget military expenditures.

- **Europe has stepped in as Kyiv's primary financial backer, but the support architecture remains fragile.** Peter Magyar's defeat of Viktor Orbán in Hungary's recent elections should ease one of the most persistent obstacles to Brussels's Ukraine agenda—most notably, Budapest has already lifted its opposition to a €90 billion EU loan package that it had been blocking since December. That said, Magyar has been measured in signaling his commitment to the EU's broader Ukraine agenda and, Hungary aside, aligning all 27 member states—each with its own economic, security, and political priorities—on future financing packages will remain a delicate and ongoing challenge.

In the near term, stopgap funding is buying time. Partial disbursement of an \$8.1 billion IMF loan is expected to keep Ukraine solvent through early May, which should provide enough time for Brussels to begin dispersing the first installments of EU members' €90 billion loan.

Beyond the immediate horizon, **the longer-term financing picture is constrained by Europe's reluctance to tap a significant available resource: roughly €210 billion in frozen Russian sovereign assets held in EU jurisdictions.** To date, Brussels has approved using interest from these assets to service G7 loans to Ukraine, but agreement on accessing the principal has proven elusive.

- Key member states—Belgium in particular, as the custodian of most of the assets via Euroclear—have resisted, citing legal risks, exposure to retaliation, and concerns about the integrity of European financial markets. The €90 billion loan package sidesteps this issue through common EU borrowing—an important step—but falls well short of Ukraine's long-term needs. As reconstruction costs mount—estimated to be nearly \$600 billion, but likely to climb higher—pressure to resolve this question will intensify (see *Figure B*).
- Proposals such as the EU-U.S. ten-year, \$800 billion “prosperity plan” aim to mobilize public and private capital from G7 countries and the EU to fund Ukraine's reconstruction. But for now, these are better understood as aspirational frameworks than committed funding streams. Private capital will not flow at scale without a durable ceasefire, and the gap between headline ambition and deployable financing remains substantial.

Ukraine's challenge is straightforward to define but difficult to meet: remain solvent long enough to secure a deal it can defend.

Russia, by contrast, faces structural economic constraints but has gained near-term breathing room. The IMF estimates Russia's 2025 real GDP growth at just 0.6%, down from over 4% in the previous two years, and J.P. Morgan research [forecasts](#) that growth will remain weak in 2026. **But the conflict in Iran has provided a timely boost:** a temporary U.S. sanctions waiver and sustained higher oil prices have increased energy revenues, easing pressure on the Kremlin and reducing its immediate incentive to compromise.

- Bloomberg [estimates](#) that the value of Russian exports roughly doubled—from about \$135 million per day in January to \$270 million per day following the outbreak of the conflict. The durability of this relief will matter. U.S. has extended its temporary sanctions waiver through mid-May, and if oil prices remain elevated, it could strengthen Moscow’s ability to fund the war and improve its negotiating position in the months ahead.

Figure B. High Price of Rebuilding: Ukraine Faces Staggering Damage and Immense Reconstruction Needs

The Estimated Cost of Damage and Needs Across Ukraine Over the Next 10 Years

Ukraine GDP in 2024



Source: Fifth Ukraine Rapid Damage and Needs Assessment (RDNA5); The World Bank • Chart: Fabio Murgia/CSIS

Military Theater: The Frozen Front

Four years in, **the battlefield has settled into a war of attrition that neither side can sustain indefinitely—but neither is prepared to abandon.**

- Ukraine has begun to regain some territory this year, although Russia has continued to advance along other parts of the frontline. Russian gains have been incremental and costly, with mounting casualties and no clear path to a breakthrough (see Figure C). **Moscow has now been fighting Ukraine longer than it fought Germany in World War II—and has suffered more casualties than any great power in a conflict since (an estimated 325,000 dead and 875,000 wounded).** Although Ukraine’s recent advances are notable, reflecting increasing pressure on Moscow and momentum for Kyiv, they do not constitute a decisive turning of the tide.

While front lines have remained largely static, **the character of the war has evolved.** High-volume, low-cost drone warfare has become a defining feature extending each side’s reach. These attacks have targeted energy grids and transportation networks, among other things, bringing the war’s impact directly to civilians otherwise removed from the fighting.

- In 2025, Russia significantly increased its use of one-way attack drones, going from an average of 75 weekly launches before September 2024 to an average of around 900 after according to data from the Center for Strategic & International Studies. The World Bank estimates attacks on Ukraine’s energy sector increased by roughly 21% in 2025, with reconstruction costs now exceeding \$90 billion. Strikes on Ukraine’s gas infrastructure also increased, reflecting an attempt by Russia to damage Ukraine’s overall grid resilience by striking at the source of energy generation. These attacks impact morale—leaving millions without reliable access to electricity, heat, and water—and hamper the industrial output needed to support the war effort.
- Ukraine, in turn, has increased its own drone production capacity roughly ten-fold over the last two years. It has been particularly successful in striking Russian energy infrastructure, halting at some points, least 40 percent of Russia’s oil export capacity.

Ukraine's hard-won drone and counter-drone warfare expertise has made it a valuable potential partner for countries facing similar threats, particularly in the Middle East. Since the outbreak of the U.S.-Israeli conflict with Iran, Kyiv has deployed over 200 experts to the Gulf to share critical knowledge on defending stationary targets against drone attacks. Zelensky is leveraging this expertise to secure greater financial and diplomatic support from Gulf states.

- Ukraine has recently negotiated air defense agreements with Saudi Arabia, Qatar, and the United Arab Emirates, estimated to be worth billions, that could ease pressure on Kyiv's finances and weapons stockpiles. In exchange for sharing its drone expertise, Kyiv will receive missile interceptors, financial assistance, and supplies of oil and diesel. While exactly how much support Kyiv will receive remains undisclosed, **surging demand for Ukraine's world-leading drone technology could provide a crucial new revenue stream for its strained economy.**

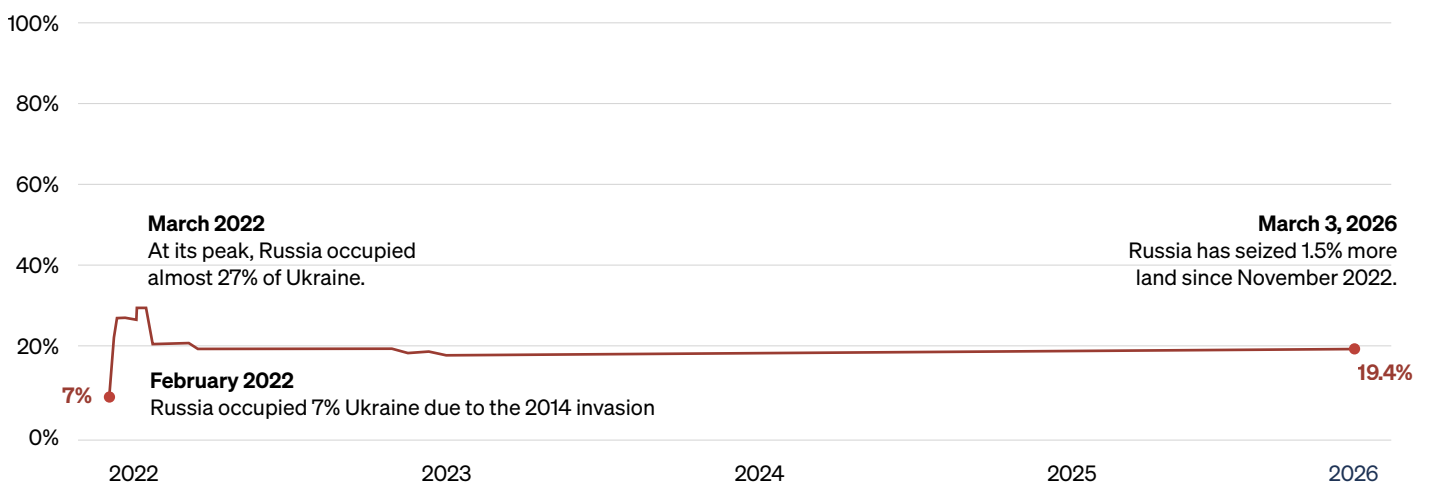
Even so, Ukraine faces mounting military constraints: Manpower shortages are deepening, critical infrastructure remains under sustained attack, and access to key munitions is tightening.

- Competing demands from the Middle East are straining Western stockpiles—particularly air defense systems—raising the risk that Ukraine's most critical capabilities will be diverted, delayed, or depleted at a decisive moment. **Ukrainian officials report receiving roughly 600 advanced Patriot interceptors over the last four years, while 800 were fired in just the first three days of the Iran conflict.**

The result is a battlefield that appears locked—but only conditionally so. **Ukraine's ability to sustain a defensive stalemate depends on continued access to external support.** Should those flows be significantly disrupted, the balance could shift more quickly than current trends suggest—turning a war of attrition into one where military dynamics once again become decisive.

For now, military dynamics define the limits of leverage rather than the outcome itself. **As long as Ukraine can sustain its defenses, the battlefield will shape the margins—affecting timing, pressure, and perception—but is unlikely to determine the result.**

Figure C. Russia's Slow Crawl in Ukraine
Percent of Ukrainian Territory Held by Russia, February 2022 to March 3, 2026



Data as of March 3, 2026
 Source: Institute for the Study of War

Section Two:

Russia-Ukraine Negotiations—Putting the Cards on the Table

How the three theaters evolve will determine the position the Ukrainians and Russians bring into negotiations. **While both sides continue to posture, the broad contours of a potential settlement are now more visible than at any point since 2022.**

What remains unresolved are the two issues that matter most for each side—and where neither has yet shown its final hand.

The first is territory. Russia already controls around 89% of the Donbas (comprised of the Donetsk and Luhansk oblasts) but is pressing for full control as the price of a ceasefire—an unacceptable concession for Kyiv. Ceding the so-called “Fortress Belt”—a roughly 50-mile corridor of heavily fortified industrial cities in northern Donetsk—would strip Ukraine of a critical defensive buffer (see *Figure D*).

- Control of the Zaporizhzhia nuclear plant is similarly contested and strategically significant. For Kyiv, the plant is critical to Ukraine’s energy needs; for Moscow, it’s both an energy prize and a foothold for a lasting presence in southeastern Ukraine.
- Russia is also pushing for international recognition of its control of Crimea as part of a ceasefire. Although Russia has effectively controlled Crimea since 2014, Ukraine and most international institutions classify it as occupied territory.

Taken together, these issues will define not just the map, but Ukraine’s ability to defend and rebuild what remains.

The second is Moscow’s acceptance of Western security assurances. President Putin has shown no willingness to move off core demands: no foreign troops on Ukrainian soil and effective veto power over Ukraine’s future security arrangements (See *Figure E*). Without credible assurances, Kyiv will view any settlement as leaving the door open to renewed attack down the road.

- **The central question is whether the United States and Europe can construct a framework strong enough to deter Russia without crossing Moscow’s red lines.** One potential pathway would involve Putin accepting a narrow Western support mission in exchange for Ukrainian concessions on territory—but there is little evidence that either side is ready to make that trade.

Figure D. It's All About the Map

Current Percentage of Each Eastern Ukrainian Oblast Controlled by Russian Forces.



Source: Russia Matters, [link](#).

These are not peripheral issues—they are the foundation of any durable settlement. Recent diplomacy underscores how wide the gap remains. February’s trilateral talks in Geneva collapsed amid mutual accusations of bad faith—a reminder that proximity to a deal does not guarantee one.

Time, however, is not working in Ukraine’s favor. As Ukraine’s financial position tightens, battlefield pressures persist, and Western attention is increasingly divided, Moscow’s relative leverage improves.

History compounds this urgency. The longer the conflict drags on, the greater the risk it settles into a frozen conflict—leaving Ukraine with a ceasefire but stripped of territory and lacking the security assurances or reparations a formal peace deal could deliver. This is precisely what followed Russia’s 2014 annexation of Crimea: the Minsk Agreements froze the conflict rather than resolving it and, in Kyiv’s view, laid the groundwork for the 2022 invasion. Ukraine is therefore incentivized to secure a durable agreement before accepting any ceasefire—wary that a pause in fighting could allow Russia to regroup while pushing the conflict down Washington’s and Brussels’ list of priorities.

We therefore expect a combination of external pressure and internal constraint will ultimately force Kyiv to accept a flawed and uneven settlement. Our J.P. Morgan Research colleagues recently updated their [forecasted timing](#): whereas they previously expected the war to end in 2026, they now predict it will continue into 2027, citing Moscow’s increased confidence in its position.







We agree Putin sees time as on his side, but we also expect a Finland-style deal sufficiently incentivizes Putin to play his hand. Striking a deal would give Moscow:

- **A real win on territory:** Securing territory in the Donbas provides Putin with a tangible victory—gaining valuable mineral resources, fertile farmland, and Black Sea access via Mariupol. Donbas is not only an economic prize but also symbolically central to the “Russkiy Mir” (“Russian world”) narrative that Putin uses to justify the war.
- **An optical win on neutrality:** With NATO unable to reach consensus on Ukrainian membership, a robust form of armed neutrality could allow Ukraine to strengthen its security while enabling Putin to claim a symbolic and strategic win on neutrality—probably the best he can do without massively escalating the war and risking domestic instability.
- **Sanctions relief:** Russia now faces high inflation, labor shortages, weakening consumer demand, depressed prices on international markets for its oil, and heavy reliance on its defense sector after years of crippling Western sanctions. A deal that includes a phased or partial lifting of sanctions by the U.S. and Europe could allow Putin to start rebuilding a peacetime economy. The U.S. has signaled a willingness to put sanctions relief on the table as part of negotiations, but UK and EU willingness to do so is much less clear. While any sanctions relief would be a positive for Russia’s economy, an uneven relief approach in which UK and EU regimes remain in place would significantly limit the ability of multinational companies to re-engage in Russia. The status of Russia’s frozen assets—which he may need to solidify support among oligarchs—could be used as leverage to secure additional concessions from Putin if they are not redirected to a reconstruction fund for Ukraine.
- **An opportunity to rebuild the arsenal:** Russia has drained its military of personnel and equipment. Ending the war would allow him to focus on rearming and modernizing Russia’s military.

Perhaps most importantly, Putin probably would prefer to cut a deal while the current U.S. administration is in power. Putin likely views the current U.S. approach as his best opportunity to secure a favorable deal, given its reluctance to support Ukraine’s NATO membership, increased tensions in the transatlantic relationship, and willingness to pressure Kyiv into accepting difficult concessions. Putin will want to finalize an agreement before a potential shift in American leadership.

As the scenarios that follow make clear, outcomes will not be determined by the terms alone. **Even a bad hand, well played, can preserve what matters most:** Ukraine’s sovereignty over the vast majority of its territory, its path toward Europe, and the possibility that constraints imposed today prove temporary over time.

Figure E. The Landing Zone: Key Questions Defining a Deal

	Russia's Position	Key Questions/Negotiating Gap	Ukraine's Position
 Territory	Russia seeks full control of Donbas and international recognition of its annexation of approximately 20% of Ukrainian territory	→ Will Russia accept a freeze along current frontlines? Will Ukraine be forced to concede the remainder of Donbas?	← Ukraine rejects recognition of Russian occupation and refuses withdrawal from additional territory not currently controlled by Russia
 Security Guarantees	Russia demands veto power over any Western security arrangements for Ukraine	→ Will Western security assurances that fall short of guarantees be strong enough to satisfy Kyiv, and unthreatening enough to be acceptable to Moscow?	← Ukraine seeks legally binding Western security guarantees and rejects any Russian veto over sovereign Ukrainian security decisions
 Foreign Troop Presence	Russia demands that no foreign troops be present on Ukrainian soil	→ Would the Western force structure currently on offer—a multinational force under orders to help train and rebuild the Ukrainian army, but not fight—be acceptable to both sides?	← Ukraine's best-case scenario would be a U.S./European tripwire force
 Westward Integration	Russia opposes Ukraine's NATO and EU membership but is less overtly categorical on the latter	→ Near-term NATO membership is off the table, but will Moscow accept Ukraine's pursuit of EU membership?	← Ukraine seeks EU accession on a clear timeline while maintaining long-term Western integration ambitions
 Rearmament	Russia seeks significant restrictions on the size and character of Ukraine's postwar military	→ Can Kyiv and Moscow agree on limitations that give Ukraine credible deterrence against a future Russian attack?	← Ukraine rejects any Russian veto over the size or structure of its armed forces and seeks credible deterrence
 Financial Flows	Russia seeks sanctions relief and opposes reparations obligations	→ How much sanctions relief will be on offer, at what pace, and what will Moscow have to concede to earn it? Will Russia face any obligation to contribute to Ukraine's reconstruction?	← Ukraine seeks reparations or a reconstruction fund

Section Three:

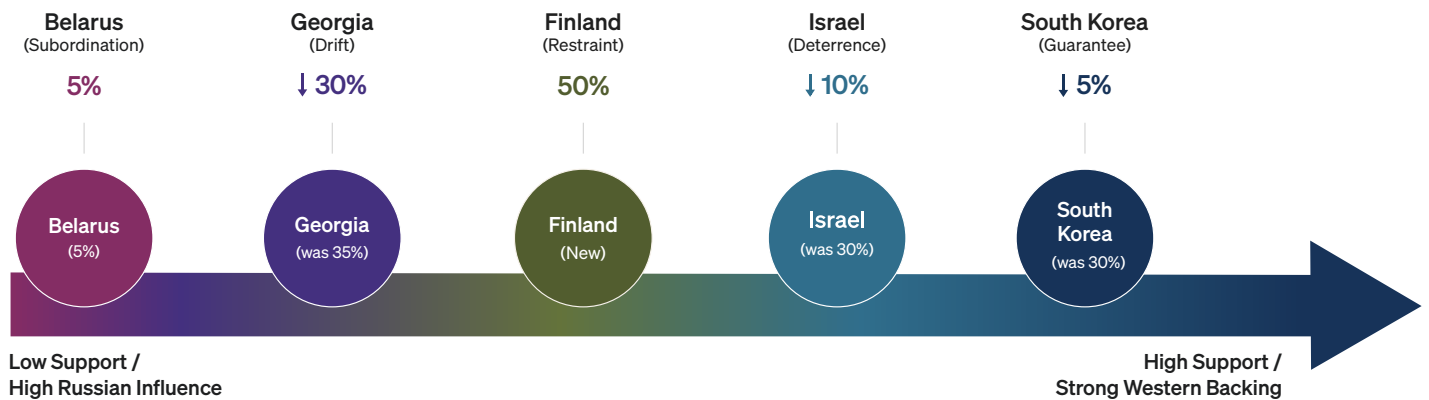
Five scenarios for Ukraine's Future—and What Will Determine Which Path Prevails

In our previous reports, we outlined four potential trajectories for Ukraine's future—each anchored in a country model: South Korea (best case), Israel, Georgia, and Belarus (worst case). Developments over the past year have clarified not only what Ukraine is likely to receive—but what it is not. As a result, we introduce a new base case: **Finland**.

The defining feature of the Finland scenario is a Ukraine that integrates into the West economically and politically over time—but without the formal security guarantees required to underpin a South Korea outcome.

Figure F. Ukraine's Possible Futures

A Spectrum of Western Support and Strategic Outcomes



Degree of external security support and integration with the West

Odds:
↓ 5%
(was 30%)

1. Long Shot: "South Korea"

If President Zelenskyy were able to secure **NATO membership** or an **American security guarantee**, along with an **in-country European tripwire force**, then the 80 percent of Ukraine still under Kyiv's control would be set on a much more stable, prosperous, and democratic trajectory. Like South Korea, which remains in a kind of long frozen conflict with its northern, nuclear-capable neighbor, a Ukraine with strong U.S. security guarantees and significant in-country foreign forces would have the necessary underlying characteristics to become a major economy and cornerstone of the Western security architecture. This outcome would require a step-change in Western political will that currently appears unlikely.

Odds:
↓ 10%
(was 30%)

2. Fortress State: "Israel"

Strong, enduring U.S. military and economic support without a foreign troop presence would likely still provide Ukraine the space to confidently turn itself into a heavily fortified state capable of deterring Russia independently. Ukraine would act "for itself by itself." In this scenario, war would always be on Ukraine's doorstep. To accept an unrestrained Ukrainian military, Putin would likely need to see sufficient economic benefits (including sanctions relief) and a stronger relationship with the U.S., in addition to other concessions.

Odds:
50%
New

3. Base Case: "Finland" Pre-NATO

Under this scenario, Ukraine cedes some territory but preserves its sovereignty and strategic direction. It rebuilds its military, invests in its industrial base, and gradually integrates into Europe economically and politically. Formal NATO membership remains off the table in the near term, and Kyiv may be forced into a degree of strategic restraint to avoid provoking Moscow. But over time, Ukraine strengthens its own deterrent capacity and deepens its Western alignment—eventually joining the EU and potentially NATO over a generational timeline.

Odds:
↓ 30%
(was 35%)

4. Drift: "Georgia"

In the absence of both foreign troops and strong security assurances, Ukraine would experience ongoing instability, stunted growth and recovery, waning foreign support over time, and the effective derailment of its Western integration (i.e., EU and NATO membership). Over time, Kyiv could drift back into Russia's orbit—politically, economically, and strategically—without formal capitulation.

Odds:
5%
(was 5%)

5. Worst Case: "Belarus"

If the United States abandons Ukraine—or is perceived as switching sides—and Europe fails to compensate, Russia will hold firm to its maximalist demands and seek Ukraine's total capitulation, turning the country into a vassal state of Moscow. In this scenario, Russia will have won the war, divided the West, and fatally ruptured the post-war world order. The longer this conflict goes on, the greater the chance that Ukraine's Western backers become unable or unwilling to maintain support.

Trajectory Update: What Changed?

When we last updated our scenarios in [August 2025](#), Ukraine's future looked roughly like a three-way coin toss between Georgia, Israel, and South Korea. **The past year has clarified not just what Ukraine is likely to receive—but what it is not.**

The security commitments currently on offer fall short of the ironclad U.S. guarantees that define our South Korea and Israel scenarios, but they are substantial enough to prevent the drift and dependence associated with our previous base case, Georgia.

That middle ground has precedent and a name: Finland.

For decades prior to its NATO accession in 2023, Finland maintained sovereignty, prosperity, and Western alignment without formal security guarantees or in-country foreign forces—navigating the space between Russian pressure and western aspiration through the credibility of its own military, the strength of its industrialized market economy, and the survival of its democratic institutions. This is now our base case for Ukraine.

Invoking “Finlandization” as a model remains controversial, as it is often viewed as an unjust concession to Russian aggression. We do not disagree. **But war rarely produces clean or fully just outcomes. Given the constraints outlined in this report, we see few viable pathways to such a peace. The more relevant question is not whether the outcome is ideal—but whether it is durable and sufficient.**

What Might a “Finland” Scenario Look Like? Tough Trade-offs, Strategic Restraint, and Buying Time

Finland preserved its sovereignty against the Soviet Union during and after World War II—but did so by accommodating Moscow’s interests in key areas of foreign and domestic policy, a strategy later termed “Finlandization.”

Our base case envisions a version of this dynamic for Ukraine—though with a few differences. With time working against Kyiv and Washington pushing for a deal, Ukraine may be forced to accept painful terms: roughly 20% of its territory remaining under Russian control, formal neutrality, and constraints on military size and capabilities. These concessions would give Putin the optics of victory while still stopping well short of full Ukrainian capitulation.

In this scenario, Ukraine adopts a “**Finland—without full Finlandization**” strategy: managing a persistent threat on its borders through a mix of deterrence, economic resilience, selective accommodation, and strategic restraint. **Unlike post-war Finland, Ukraine is now deeply aligned with Europe, and overt deference to Moscow would be politically untenable. But in the absence of a tripwire force or NATO/American security umbrella, Kyiv would likely be pushed toward a more calibrated posture than it would otherwise choose.**

Finland's experience offers several instructive parallels:

- **Economically**, Finland turned constraint into opportunity. Reparations to the Soviet Union forced rapid industrialization, building export capacity that sustained growth for decades. Ukraine faces a similar imperative to rebuild, but with advantages Finland lacked: strong agricultural output, a growing technology sector, and a defense industrial base already shaped by wartime demand. Crucially, Ukraine won't have reparations hanging over its head as Finland did or necessarily feel compelled to reject western assistance to appease Moscow—giving it a more diversified and resilient economic path.
- **Politically**, Finland maintained its democratic system despite sustained Soviet pressure, carefully calibrating policy to avoid provocation. Ukraine will face similar interference but with a more consolidated national identity and stronger Western ties. The challenge will be preserving democratic integrity without ceding effective veto power to Moscow. Ukraine's ability to tackle corruption within its political system will also be decisive in determining both how much influence Russia is able to maintain as well as how fully and quickly Ukraine is allowed to integrate westward.
- **Militarily**, Finland balanced deterrence with restraint—maintaining credible defense capabilities without triggering escalation. Universal conscription, rapid mobilization capacity, and moderate defense spending were sufficient to raise the cost of invasion. Ukraine would face a similar balancing act: building a capable territorial defense while avoiding postures that Moscow could exploit, likely with more Western support but under similar strategic constraints. Official neutrality would remove a key Russian justification for hostility, potentially stabilizing the ceasefire in ways more formal NATO backing might not.

The analogy is imperfect. Finland lost less territory (about 10% in 1944), faced a less central role in Russian imperial ambition, and entered the post-war period with intact institutions and infrastructure. Ukraine's scale, symbolic importance to Russia, and level of destruction make its challenge far greater.

But Finland's experience offers a broader lesson: sovereignty is not binary. States can preserve identity, build prosperity, and maintain credible deterrence even under constraint. And when conditions shift, they can move decisively. Finland ultimately integrated fully into Western institutions. We assess that a similar pathway—though likely measured in decades, not years—remains open to Ukraine.

Section Four:

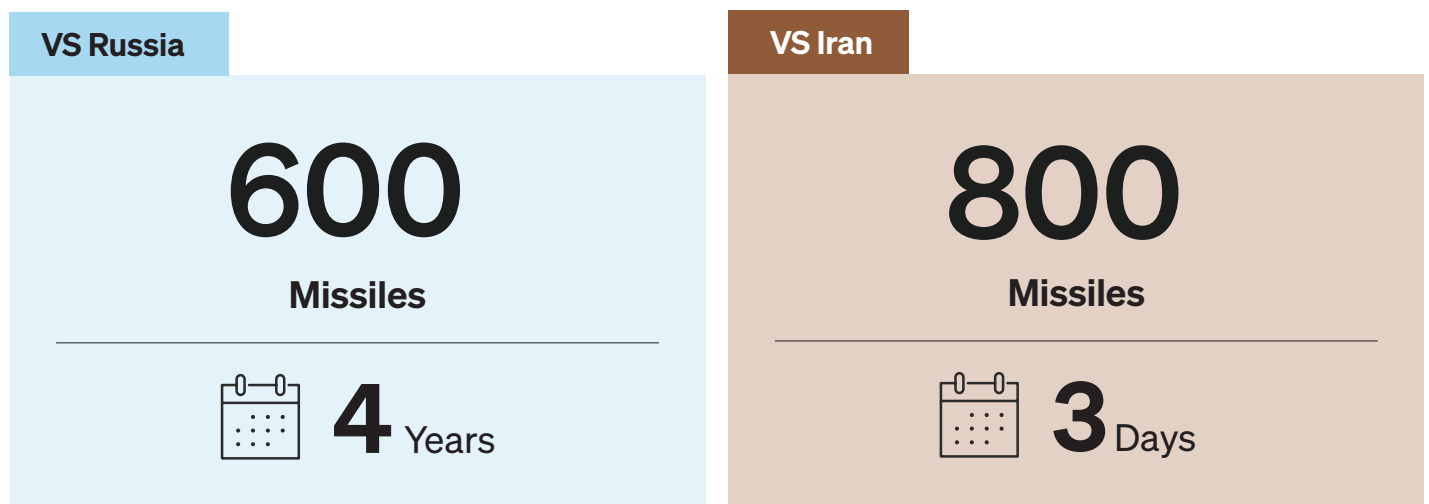
Black Swans—Risks to Our Outlook

Our upgraded outlook is conditional—dependent on sustained Western resolve, continued progress toward negotiations, and the absence of shocks that materially shift the balance of pressure on either side. Several scenarios, while not our base case, could disrupt that trajectory.

- **The West runs into the limits of “munitions math.”** Ukraine’s ability to sustain a defensive stalemate—and the broader viability of the Finland pathway—rests on continued access to Western weapons, particularly air defense and precision munitions. That assumption may not hold.
 - The war in Iran is already placing acute pressure on the same high-end systems required in Ukraine (See Figure G), raising the risk that demand across theaters outstrips supply. Unlike financial support, munitions cannot be surged quickly: production timelines are measured in months and years, not weeks. Analysis from the Center for Strategic & International Studies finds that the U.S. has already depleted around half of its pre-war Patriot missile inventory in the conflict with Iran, and it could take over three years for replenishments to be delivered. Stockpiles of other systems that Ukraine has requested, including ATACMS and PrSM missiles have also been heavily impacted. If Western stockpiles are drawn down faster than they can be replenished, policymakers may be forced into hard allocation decisions—prioritizing one theater over another. In that scenario, Ukraine’s position could deteriorate rapidly, not because of a shift in strategy, but because of a shortage of means.

Figure G. Fast Burn-Rate for Patriot Missiles in U.S.-Israeli Conflict in Iran has Raised Supply Concerns for Ukrainians

Patriot Missiles Used in Conflicts with Russia and Iran



Source: Ukrainian Ministry of Defense via [X.com](#)

- **Washington loses patience with Kyiv—or finds common cause with Moscow.** This is the most consequential risk. Over the past year, the United States has attempted to balance reduced direct support with continued weapons flows via Europe and limited security assurances—while increasing pressure on Kyiv to make concessions. That balance may shift.
 - The U.S. vote alongside Russia against a February 2025 UN resolution condemning the Ukraine invasion shook NATO and Kyiv alike—a stark reminder that American support was not guaranteed. More recently, the late-March indication that post-conflict U.S. support could be conditioned on Ukrainian territorial concessions in the Donbas suggests a harder line toward Kyiv. A further deterioration—whether driven by frustration with Ukrainian resistance to concessions or a broader U.S.-Russia rapprochement—could erode the external support underpinning the Finland scenario.
- **Washington gets tough on Russia.** Although more of Washington’s pressure to-date has fallen on Kyiv, a scenario in which the White House throws its support more fully behind Ukraine would meaningfully shift the negotiating calculus.
 - The current administration has already shown a willingness to turn up the heat on Moscow—its decision last year to impose new sanctions on Russia’s two largest oil companies made clear that it is not afraid to pressure the Kremlin when its expectations are not being met. Should Russia’s involvement in other global conflicts—such as in Iran—begin to more seriously undermine U.S. interests, or should the White House conclude that Putin is deliberately running out the clock on negotiations, Washington could swing more fully back into Kyiv’s corner. Greater military or financial support, or stronger post-conflict security guarantees from the U.S., could significantly bolster Ukraine’s position at the negotiating table.
 - Alternatively, if Ukraine believes it can outlast the current U.S. administration and a more supportive president takes office in 2028, Washington could re-engage—tightening sanctions on Russia or ramping up military and financial aid to Kyiv. We view this as a far less likely outcome than a U.S.-backed ceasefire push, but it remains a narrow possibility if Ukraine thinks it can hold on for several more years.
- **European political fragility undermines staying power.** Europe’s expanded role has been central to Ukraine’s resilience—but it rests on a coalition of governments that are themselves vulnerable.
 - Far-right and Russia-sympathetic parties are gaining traction across the continent and, as Orban’s obstruction of the €90 billion loan demonstrates, a single actor can disrupt collective action in a consensus-driven system. Election outcomes, coalition instability, or mounting fiscal and political fatigue could weaken European resolve at a critical moment—particularly if such shifts occur within the E-3 (France, Germany, UK), where political pressures are intensifying.
- **An energy shock weakens sanctions discipline.** The Iran conflict has already exposed fractures in the sanctions regime. Washington’s temporary easing of restrictions on Russian oil—despite European opposition—highlighted the potential for divergence.
 - A sustained or worsening energy shock would intensify these pressures, raising the likelihood of looser enforcement or partial rollback. The result would be increased Russian revenue and reduced economic pressure at a moment when leverage matters most.
- **Ukrainian domestic instability complicates the endgame.** Ukraine has demonstrated remarkable cohesion under prolonged stress, but fault lines remain. Corruption scandals, political fragmentation, or declining public morale could weaken Kyiv’s negotiating position and complicate Western support.

- The combination of martial law, population displacement, and pressure to accept territorial concessions creates conditions for domestic instability—risks that Moscow would likely seek to exploit. A leadership transition following a ceasefire—or pressure to hold elections even sooner, which Washington has floated as a potential concession to Moscow—could further complicate the political landscape.
 - **Regime fragility in Moscow upends the current calculus.** Although there are few outward signs that Putin's grip on power is weakening, political change triggered by a coup, uprising, or a health crisis could bring an entirely new leadership to the Kremlin—one with a different set of priorities, tactics, and redlines. Some analysts point to recent efforts to tighten control over the internet as evidence of growing public dissent, but this falls well short of a definitive indicator that regime stability faces a near-term threat.
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Why it Matters For Business:

- **A sanctions inflection point is coming.** How this conflict ends will determine whether and how the West relaxes the sanctions architecture that has reshaped global energy and commodity markets since 2022. A durable settlement could trigger a phased unwinding of sanctions on Russian oil, gas, and financial institutions—altering energy prices, supply chains, and competitive dynamics across multiple sectors.
- **Ukraine's reconstruction represents one of the largest investment opportunities in a generation.** Reconstruction costs are estimated at nearly \$600 billion over the next decade—close to three times Ukraine's annual GDP. Energy infrastructure, agriculture, housing, transport, and other sectors will all require massive capital infusions, with the EU, G7, and international financial institutions actively laying the groundwork to crowd in private investment. The terms of any settlement—and the security guarantees underwriting it—will determine when and how confidently that capital can deploy, as well as potentially which countries' companies are leading the charge. Businesses with exposure to construction, engineering, commodities, and financial services should be tracking this closely.
- **The war has permanently altered Europe's defense investment landscape—and Ukraine could become a significant part of it.** European NATO members and Canada spent more than \$574 billion on defense in 2025, up roughly 20 percent from 2024, and allies committed at last June's Hague Summit to reach 5 percent of GDP in combined defense and security-related spending by 2035. This is a structural demand shift, not a cyclical one. Ukraine, meanwhile, has spent four years battle-testing weapons systems and building one of the most combat-experienced militaries in the world. Its defense and technology sectors have significant postwar export potential, and a settled, westward-integrated Ukraine would be a meaningful addition to the Western defense industrial base.
- **How this ends will be read as a signal far beyond Europe.** At a moment when spheres of influence are resurging as a popular geopolitical framing, the terms of any Ukraine settlement will be studied carefully in capitals across Asia and the Middle East—nowhere more so than in Beijing. Governments are weighing how much Western security commitments are worth and investors are assessing the durability of the rules-based frameworks that underpin cross-border trade and capital flows. A world in which large-scale territorial aggression is effectively accommodated—even partially—is one in which the risk premium attached to operating in smaller, exposed economies rises. The outcome here will shape geopolitical risk calculations well beyond Europe.

What We're Watching:

- **Security guarantees: signed or stalled?** Kyiv says the framework is ready. The question is whether the U.S. and Europe move to formalize commitments—and whether Russia's rejection of any foreign presence remains a deal breaker or softens under pressure.
- **Trilateral talks: momentum or drift?** After the collapse of February's Geneva round, the timing and tone of the next session will be the clearest signal of whether a summer agreement is realistic—or slipping.
- **Putin–Zelenskyy meeting—signal or silence?** A direct bilateral meeting would indicate negotiations have crossed a political threshold. Its absence would suggest the gaps remain too wide for leaders to engage.
- **Kyiv's domestic temperature—preparing for compromise?** Watch for signals Zelenskyy is conditioning public opinion: movement on a referendum, discussion of special economic arrangements in Donbas, or a shift in rhetoric around territorial concessions.
- **Hungary's new leadership—breakthrough or more of the same?** The departure of Prime Minister Orbán after 16 years in power constitutes the removal of one of the main thorns in Brussels's side when it comes to supporting Kyiv. Orbán had consistently opposed EU efforts to increase funding or support for Kyiv, including most recently blocking the disbursement of the €90 billion package critical to Ukraine's solvency. While incoming Hungarian Prime Minister Peter Magyar is notably more pro-European than Orbán, he still faces domestic public resistance to Ukraine support and is unlikely to rubber-stamp new support measures for Kyiv. Recent [polling](#) from the European Council on Foreign Relations found that a majority of Hungarians would prefer to maintain the country's current approach to Ukraine or make only minor adjustments. On the campaign trail, he supported limits on direct Hungarian military or cash support to Kyiv and has opposed fast-tracking Ukraine's EU accession.
- **Will transatlantic tensions get better or worse?** From Greenland to Iran, 2026 has added more drama to relations between the U.S. and Europe. Once again there are worries that the U.S. may downgrade its relationship with NATO or leave the alliance altogether. Even if the U.S. stays in NATO, further transatlantic discord benefits Moscow and makes it harder to maintain unity in support of a Ukraine settlement. Will things get better or worse in the leadup to the NATO summit scheduled for July in Ankara?
- **Will Washington reduce its military footprint in Europe?** The White House recently said it was ordering a 5,000-troop drawdown in Germany. We're now watching whether, how, and when that order is implemented—and whether additional redeployment orders may follow.
- **Iran, oil, and munitions—relief or strain?** Prolonged conflict could keep oil prices elevated, ease pressure on Moscow through weaker sanctions enforcement, and strain Western stockpiles—tightening constraints on Ukraine at a critical moment.

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