

Helping Clients Navigate Global Challenges

The Russia-Ukraine Endgame and the Future of Europe

Expect an imperfect deal by end of Q2

As Europe runs low on weapons, Ukraine on fighters, the U.S. on patience, and transatlantic unity frays, **President Zelenskyy will likely be forced to accept a negotiated settlement with Russia sometime this year** that freezes the fighting but stops short of a comprehensive peace agreement. Putin's losses are also far from sustainable. At its current rate of gain, Russia will control all of Ukraine in about...118 years. So Putin will aim to cut a deal that is favorable to his overall goal to eventually control Kyiv. **2025 was always going to be the year of negotiation, and the endgame is here.**

But will it last? The durability of any settlement will depend on: (1) how satisfied President Putin is with Ukrainian and Western concessions (*did he get enough of what he wanted?*). Both sides need a deal they can defend politically. And (2) the strength of the security promises underwriting it (*are they sufficient to deter further aggression and allow Ukraine to rebuild with confidence?*). These are in direct tension; **the weaker the security promises, the more concessions Ukraine will have to swallow**—neutrality, demilitarization, disarmament, territory, etc.—or risk a return to fighting.

Generally, we see **4 possible outcomes, each with parallels to other countries today:**

Odds:
15%

Best case – “South Korea”

President Zelenskyy will get neither NATO membership nor the full restoration of Ukraine's territory. However, if he can secure an **in-country European tripwire force** backstopped by an **American security promise** on assistance and intelligence support, then the 80 percent of Ukraine still under Kyiv's control will be set on a much more stable, prosperous, and democratic trajectory. The West's decision to leverage the approximately \$300 billion it has frozen in **Russian sovereign assets** would also get reconstruction in Ukraine off to a good start.

Odds:
20%

Still OK – “Israel”

Strong, enduring military and economic support without a significant foreign troop presence would likely still provide Ukraine the space to turn itself into a fortress, pursue military modernization, and eventually establish its own deterrent. But war would always be on its doorstep. Putin would still need to see sufficient economic benefits (including sanctions relief) and a stronger relationship with the U.S.

Odds:
50%

Not great – “Georgia”

In the absence of both foreign troops and strong military support, Ukraine will 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), with gradual drift back into Russia’s orbit.

Odds:
15%

Worst case – “Belarus”

If the United States abandons Ukraine—or is perceived as switching sides—and Europe fails to step up, 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 effectively won the war, divided the West, and irrevocably upended the post-World War II world order.

Putin’s maximalist demands: 6 nos and 6 yeses

- | | |
|--|---|
| 1. No: NATO membership and Ukraine’s declared neutrality | 1. Yes: International recognition of Russia’s claim on Crimea and four provinces (about 20% of Ukraine) |
| 2. No: Nuclear weapons in Ukraine or umbrella for it | 2. Yes: Veto over foreign security guarantees for Ukraine |
| 3. No: Foreign troops in Ukraine (including peacekeepers) | 3. Yes: Ban on military exercises by U.S. and other NATO forces on the territories of newer alliance members |
| 4. No: Foreign military aid or intel sharing | 4. Yes: Limits on U.S. troops in Europe |
| 5. No: Large Ukrainian military (major reduction in the size of Ukraine’s army) | 5. Yes: Sanctions relief and unfreezing of Russian assets |
| 6. No: Modern weapons in Ukraine (major restrictions on the types of weapons Ukraine can possess) | 6. Yes: Return of Russian diplomatic compounds in the U.S. |

What might a “Georgia scenario” look like for Ukraine?

Democratic drift without security anchors

Following its 2008 war with Russia, Georgia benefited from a surge of Western aid and political support that stopped short of troops and security promises. Today, Georgia’s ruling party, Georgian Dream—backed by a Russia-friendly oligarch—has frozen EU accession and adopted Kremlin-style “foreign agent” laws that led to the suspension of U.S. and EU funding. Political instability and democratic erosion, fostered by creeping Russian influence, have influenced investor confidence amid drops in FX reserves.

Meanwhile, economic connectivity with Russia has deepened: remittances from Russia alone accounted for over 15% of Georgia’s GDP in 2022–2023, making it the country’s largest source of remittance income. Trade and direct travel have expanded, and the inflow of Russian nationals has surged. With a 2023 GDP of just \$30.5 billion—one-eighth the size of Oklahoma’s—Georgia’s small, remittance- and tourism-heavy economy is still growing but increasingly vulnerable. Once seen as a reform success story, Georgia illustrates how the absence of credible security and institutional anchors can gradually undermine democratic governance and weaken economic potential.

A Ukraine facing a similar outcome could initially benefit from a wave of donor enthusiasm and reconstruction assistance. **But without firm integration**

into Western security and political structures, Ukraine would risk a slow drift into geopolitical gray space.

Some percentage of the nearly 7 million Ukrainian refugees may choose not to return, depriving the economy of much-needed skilled labor. Risk-averse investors could choose to avoid an unstable, security-fragile environment, limiting foreign direct investment and stunting diversification.

Ukraine could re-open vulnerable trade corridors or informal dependencies linked to Russia. Insurance costs and risk premiums for business would remain high, undermining competitiveness. Restrictions on military size and capacity—if part of a negotiated settlement—could prematurely stifle Ukraine’s dynamic defense and tech sectors, erasing a potential engine of postwar growth. Paradoxically, the loss of eastern territory might act as a tourniquet—cutting Kyiv off from a costly insurgency in the Donbas and allowing reconstruction to focus on more governable, less damaged regions requiring less public spending.

Absent firm commitments, Ukraine’s future could echo Georgia’s—a sobering reminder that wars can end without a just peace, and even the strongest pro-Western sentiment can fade if not adequately reciprocated by Western institutions.

Territorial control in Ukraine

Before 2014 invasion



Before 2022 invasion



Russia Seized Crimea
in 2014

As of Feb. 12, 2025



Controlled by Russia

Source: Institute for the study of War with American Enterprise Institute's Critical Threats Project - By Samuel Grandos

The future of Europe

Shifts in U.S. policy on Ukraine and other issues are super-charging European calls for greater “strategic autonomy” from its most important ally and top trading partner.

How we got here:

Twin shocks

Russia’s full-scale invasion of Ukraine shocked the continent from its post-Cold War complacency and sparked bold changes to European security, energy, and economic policies in support of both Kyiv and the post-war international order the conflict has come to represent.

The *second shock* was the abrupt shift in U.S. policy as exemplified by President Zelenskyy’s visit to the Oval office on February 28, 2025. The acrimonious visit, preceded days earlier by a U.S. vote in the United Nations against a resolution condemning Russia’s aggression and then followed by the temporary suspension of U.S. military and intelligence aid to Ukraine, was a thunderclap across Europe – raising fears about America’s abandonment of its principles and position as leader of the free world.

Tipping point

Whether this signal was intended or not, there is now broad acknowledgment in European capitals that greater “strategic autonomy” is needed to correct for the continent’s over-reliance on the United States—a deep and fundamental interconnectedness built by design and over decades. Reflecting wider sentiment, the new Chancellor of Germany and long-time transatlanticist, Friedrich Merz, has declared that his “absolute priority” will be to “achieve independence from the USA” and has pledged significant defense investments.

While the conversation around such autonomy is not new—it has been building since U.S. President Barack Obama began a “pivot to Asia” in 2012—we are at a tipping point, with more European states moving from a position of hedging to de-risking. The recent introduction of new U.S. tariffs is amplifying calls for greater European protectionism and has made transatlantic cooperation across a range of key issues more difficult.

What happens now:

Consensus remains elusive on precisely how to establish greater independence from the United States, to what degree, at what cost, and to whose benefit. The EU has stated its commitment to enhancing competitiveness, deepening financial integration, coordinating an energy policy, investing in defense, and diversifying diplomatic and economic relationships. Becoming a true counterweight, however, will depend on whether it can come together both internally and with the UK—a task made more difficult by the lack of a clear leader and some members states (like Hungary) more sympathetic to the new U.S. agenda.

Urgent challenges

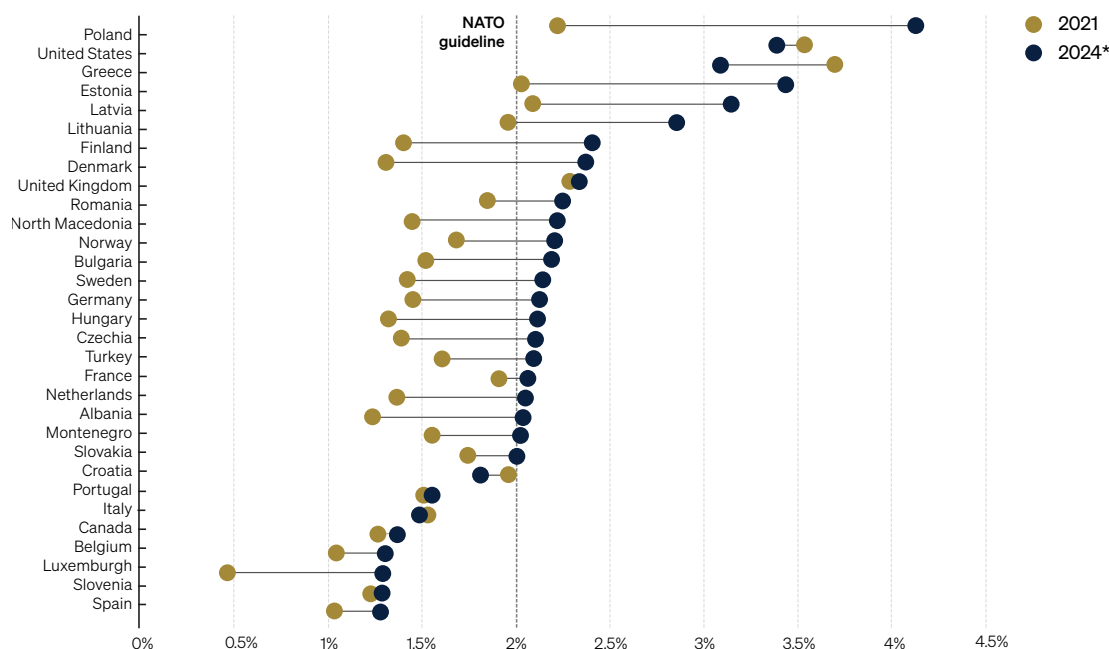
Some of the most pressing challenges for which Europe will need quick answers are in the security and defense realm, namely: (1) how to ensure Ukraine continues to have the materiel support and, importantly, the security guarantees it needs to reach a just and lasting peace with Russia (something Beijing will be closely watching), and (2) how to strengthen its own territorial defenses against rising geopolitical and hybrid threats (which blur the lines between war and peace) in a way that credibly compensates for America’s unclear commitment to NATO’s Article 5 collective defense agreement.

Need to grow the DIB

The strength of Europe’s defense industrial base (DIB) will be important, if not dispositive, in both cases and it is not currently fit for purpose—a matter of increasing urgency in London, Paris, and, notably, Berlin, where Chancellor Merz championed an historic spending deal exempt from debt restrictions. There are also serious efforts underway in Brussels to address structural deficiencies to rearmament, including relaxing EU deficit spending rules and opening new avenues for borrowing, but whether individual member states—many of which are managing brittle governing coalitions, fiscal constraints, and populist

headwinds—will have the political will and capacity to introduce tough trade-offs, particularly to beloved social welfare programs, remains to be seen. In 2024, EU member states' collective defense spending totaled €326 billion or 1.9% of EU GDP, a 30% increase since 2021, but still just four-tenths that of the United States at almost \$900 billion. As Europe moves from a “post-war” to a “pre-war” footing, this will be an important space to watch.

Defense spending as share of real GDP (%)



*2024 numbers are estimates. Iceland excluded as it does not have a standing army
Source: NATO, Atlantic Council

What to do with Russian frozen assets?

Beyond troops and security guarantees, Europe’s other powerful, if controversial, card to play in shaping the outcome of the Russia-Ukraine war is its control over approximately two-thirds of the \$300 billion in Russian frozen assets. The EU must achieve unanimous consent every 6 months to extend its sanctions on Russia; the next vote is needed by July 31. If Hungary or another member state decline to vote in favor of extension—without the blocked assets having been

seized—sanctions against Russia will end, along with much of Europe’s leverage, and the funds will return to Russia. Such a sizable sum would provide a lifeline to the Russian economy, invigorating its military rearmament efforts. Alternatively, if transferred to Kyiv, the funds would go a long way in compensating Ukraine for the estimated \$523 billion in Russian-caused damage and boost its reconstruction efforts.

Too early for last rites

After 80 years, no one should be rushing to eulogize the transatlantic alliance, which has proven remarkably resilient and underwritten the longest period of peace and global prosperity in history.

European leaders are courting the Trump Administration in an effort to preserve the transatlantic relationship and the U.S. role in Europe, an acknowledgement of both its intrinsic value and irreplaceability over the near- to mid-term—a timeline that extends well beyond Russian military reconstitution estimates of 5-10 years. **So there is still a chance, though seemingly remote, to steady the ship.**

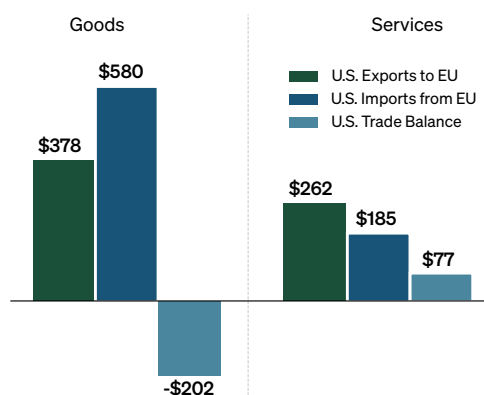
Why it matters

The transatlantic relationship has been a cornerstone of modern geopolitics, and the implications of a break are severe for both sides and, indeed, for the world as a whole.

1. The security and prosperity of the United States remains tightly linked to that of the Euro-Atlantic area. No other economic relationship is as integrated with as great an ability to shape and steer the global economy. The EU is America's largest trading partner, and their combined economies represent close to fifty percent of global GDP. The dollar and the euro are two of the world's most important reserve currencies.
2. European militaries remain the United States' most capable partners in confronting international challenges, and Europe is a primary basing hub enabling the American military's global reach.
3. Transatlantic coordination within multilateral institutions and forums, such as the United Nations and G7, have galvanized global action on some of the world's most intractable challenges.

4. It is the absence of conflict in Europe that has allowed the United States to focus its attention and resources elsewhere, including in the Indo-Pacific. And it is the combined strength of Europe and the United States that has formed the essential barrier to imperial and revisionist powers seeking a return to the pre-1945 world order—a world defined by spheres of influence and predatory land grabs by bigger countries against smaller neighbors.

2023, trade in flows, investment data on a stock, historical-cost basis



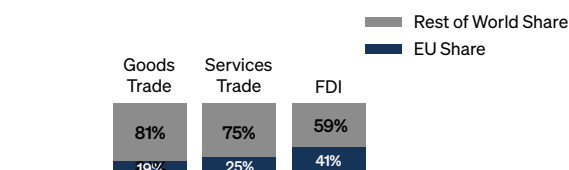
Source: CRS, with U.S. Bureau of Economic Analysis data for 2023.

Foreign Direct Investment



Source: CRS, with U.S. Bureau of Economic Analysis data for 2023.

EU Share of U.S. Total Trade and Investment with World



Source: CRS, with U.S. Bureau of Economic Analysis data for 2023.

What we're watching: Key things to look for in the weeks ahead

→ **Two weeks in June**

The June 15-17 G7 Leaders' Summit in Canada, followed closely by the June 24-26 NATO Summit in The Hague and the June 26-27 European Council meeting, will be revealing of the approach and leverage of each side.

→ **When will Trump and Putin meet?**

After several long phone calls between the two leaders, Trump is keen to sit down with Putin, asserting that “nothing will happen” in resolving Ukraine until they do. This moment will be the diplomatic equivalent of the Super Bowl, capturing the world's attention (like President Biden's only meeting with Putin in 2021 in Geneva) and leaving everyone to ask whether it will achieve a genuine breakthrough or, like Trump's 2018 meeting with Putin in Helsinki, be remembered for controversy.

→ **Redeployment order?**

Approximately 90,000 U.S. troops are in Europe—for now. Some of them almost certainly will not be there at this time next year.

→ **Trade war or skirmish?**

The U.S. has imposed tariffs on the EU of 25% on steel, aluminum, and finished autos, and a 10% “universal” tariff with certain carveouts. It announced a 20% “reciprocal” tariff on April 2, but paused for 90 days on April 9. The EU has since paused any retaliatory measures, but will be prepared should negotiations fail. Despite its stated openness to making a deal, the EU will have little room for maneuver on agriculture and non-tariff barriers like those associated with the Digital Services Act and Digital Markets Act.

→ **European defense—fact or fiction?**

European governments have promised big increases in defense investment but delivering won't be easy. If new German Chancellor Friedrich Merz's budget lives up to the hype, it will mark a turning point for European defense investment and set new, continent-wide expectations.

→ **Sanctions renewal?**

The EU's regular 6-month extension of sanctions against Russia is due July 31. If the votes aren't there, Europe has a short window to seize frozen Russian assets.

→ **China-Europe Reproachment?**

Beijing is trying to make the most of a chill in the U.S.-Europe alliance. An expected EU-Xi Summit in July could open doors.

→ **Next steps on U.S.-Ukraine mineral deal?**

Signed on April 30, the deal positively affirms the “long-term strategic alignment” between the U.S. and Ukraine and establishes a reconstruction investment fund, but remains murky on details. The economic viability of exploitation is still in question (the infrastructure alone will require billions of dollars) and estimates suggest up to 40% of Ukraine's minerals are in territory occupied by Russia.

→ **Populist diplomacy?**

More controversial U.S. engagements with outlier parties like Germany's AfD will add friction.

About the Center for Geopolitics

The JPMorganChase Center for Geopolitics harnesses the firm's vast global network of expertise and know-how to help clients successfully seize opportunities and weather the trends transforming our global landscape. Access to the Center's offerings can be facilitated through bankers or other client advisors. For more information or to contact the JPMorganChase Center for Geopolitics, please visit: www.jpmorganchase.com/geopolitics

About the Authors



Derek Chollet is Managing Director and Head of the JPMorganChase Center for Geopolitics. He has held senior positions at the U.S. State Department, Pentagon, White House, Congress, and numerous research institutions, and been a top adviser to multiple Secretaries of State and Defense.



Lisa Sawyer is Executive Director of the JPMorganChase Center for Geopolitics. She most recently served as the Deputy Assistant Secretary of Defense for European and NATO policy and, previously, as special advisor to the Vice President on all matters related to Europe, Russia, and defense.

Disclaimers

This material is a product of JPMorganChase Center for Geopolitics (the "Geopolitics Center") and is provided to you solely for general information purposes. Unless otherwise specifically stated, any views or opinions expressed herein are solely those of the Geopolitics Center and may differ from the views and opinions expressed by J.P. Morgan Securities LLC (JPMS) Research Department or other departments or divisions of JPMorgan Chase & Co. or its affiliates. This material is not a product of the Research Department of JPMS. Information has been obtained from sources believed to be reliable, but JPMorgan Chase & Co. or its affiliates and/or subsidiaries (collectively JPMorganChase) do not warrant its completeness or accuracy. Opinions and estimates constitute our judgment as of the date of this material and are subject to change without notice. No representation or warranty should be made with regard to any computations, graphs, tables, diagrams or commentary in this material, which is provided for illustration/reference purposes only. The data relied on for this report are based on past transactions and may not be indicative of future results. JPMorganChase assumes no duty to update any information in this material in the event that such information changes. The opinion herein should not be construed as an individual recommendation for any particular client and is not intended as advice or recommendations of particular securities, financial instruments, or strategies for a particular client. This material does not constitute a solicitation or offer in any jurisdiction where such a solicitation is unlawful.

