A gloomy outlook for EU-Russia relations
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Summary

Relations between the West and Russia will be difficult, and possibly dangerous, for years to come

- Conflict in eastern Ukraine not to be resolved in short term
- A political deal is not possible before Ukraine’s 26 Oct. elections
- Sanctions are here to stay
- October elections will bring the most pro-EU/NATO government in the history of independent Ukraine
- Russia can choose violent or non-violent means to pursue its interests in Ukraine
Conflict in eastern Ukraine
Elections will bring the most pro-EU Ukrainian government ever
The rift is here to stay

End state of EU/US sanctions against Russia on 31 October 2014

16 September: Will a political settlement as per Russian conditions be achieved?
Longer term trade and investment implications

EU:
• Companies will search for less politically exposed markets for their products
• The Union will place emphasis on energy security and seek alternatives to Russian supplies
• The malaise that underpins EU-Russia relations will increase transaction costs and risk for investors

Russia:
• Moscow will try to mitigate its dependence on EU and US financial markets
• Increased cooperation with Asia, especially China, underlines Moscow’s plans
• Self-sufficiency prioritized: Eurasian Union will become even more of a strategic priority

Divisive political narratives and security concerns will remain a feature of Russia-EU relations for foreseeable future
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