
A note on our U.S. election coverage

- As most seasoned election observers know, the outcome of the U.S. election is impossible to predict with any degree of accuracy.
- Most reliable polls indicate a very tight race in the battleground states that will decide the election: Arizona, Georgia, Michigan, Nevada, North Carolina, Pennsylvania, and Wisconsin.
- Our narrow base case sees the Democratic candidate, Kamala Harris, winning the electoral college (60% probability). Republicans will probably take the Senate (80% unconditional probability) and Democrats will probably take the House (60%)
- But unlike, say, market action, elections are not a repeated game—they only take place once every four years. And because the human brain is not good at calculating probability it is better to think of the outcome of the presidential election as a true coin toss.
- To better serve our clients, instead of prognosticating, we lay out the likely consequences of the U.S. election under the various scenarios. Today's piece focuses on the Russia-Ukraine conflict.

Executive Summary

- Because foreign policy is led by the executive, and Congress has already passed multi-year assistance to Ukraine, the presidential election is the most important one for the Russia-Ukraine theater.
- If Kamala Harris wins the November 5 election, we expect broad continuity with regards to the current sanctions regime.
- Harris would probably go further on tightening enforcement of the oil price cap, following through on recently expanded U.S. secondary sanction threats.
- Buyers of Russian liquefied natural gas – though not directly targeted by the price cap – would also face additional secondary sanctions risk under a Harris Administration.
- If former president Donald Trump wins, we expect he would seek to avoid being associated with a major Ukrainian defeat; instead, he would push Kyiv into negotiations by easing sanctions enforcement and halting support for new arms packages aimed at freezing the lines of control.
- Trump would ease secondary sanctions immediately. In the event the kind of ceasefire outlined above emerges, he would then seek to ease some other sanctions but not export controls.
- Russia would nevertheless remain dedicated to its “war economy.” In the event of such a ceasefire, we would expect new major Russian aggression against Ukraine within the next four years.

1. Biden-Harris policy

- A Harris administration would maintain the current sanctions posture vis-a-vis Russia, especially concerning recently-authorized [secondary sanctions](#) threats to intermediaries funneling or financing sanctioned goods into the Russian war machine.

- Concerning the oil price cap, we expect a Harris administration to take a slightly stronger position, including expanding sanctions to crack down on the so-called [“shadow fleet”](#) facilitating the uncapped sale of Russian oil. The UK and EU have recently committed to [strengthening the price cap](#).
- An expansion of the existing secondary sanctions regime intermediaries, and recently-announced [increased export controls](#) on dual-use technologies (including the potential imposition of penalties on U.S. firms found to be in non-compliance) would continue under a Harris administration. The monitoring and enforcement infrastructure built from these sanctions will also be adapted down the road against China and other adversaries reliant on Western technology imports.
- Further drawdowns such as the most recently announced release of support for Kyiv, which includes more long-range capabilities and air defenses, would continue apace under a Harris administration.
- We do not expect Harris’s election to change the U.S. reluctance on significantly expanding long-range strikes by Ukraine on Russian territory using NATO-supplied weapons. There remains widespread [institutional wariness](#) within the U.S. national security and intelligence establishment.
- While the Biden Administration [approved](#) the first glide bomb deliveries to Ukraine on September 25, signaling some expansion will be allowed, Kyiv will likely still be prohibited from using key long-range ATACMS rockets in such attacks.
- Harris signaled her commitment to supporting Ukraine’s war effort, and her divergence with Donald Trump on how best to broker peace, in a meeting with President Volodymyr Zelensky on Thursday, September 26. In the meeting she [criticized proposals](#) that would “force Ukraine to give up large parts of its sovereign territory” as “proposals for surrender.”
- The line is demonstrative of the increasing polarization of the war in the U.S. along traditional party lines, which could affect Congressional approval of new aid. However, in the event of a Harris victory Republican focus may shift away from this depending on how much influence Trump retains over party policy.
- Our view is that this meeting, and the growing backlash to Trump’s public romancing of Russian President Vladimir Putin, were the impetus for Trump’s [awkward make-nice meeting](#) with Zelensky during the U.N. General Assembly meeting in New York.

2. Trump policy

- Should Trump win in November, we expect a gradual climb-down on enforcing certain sanctions on Russian commodity exports.
- As president, Trump would theoretically have the power to unilaterally withdraw the various executive orders issued by President Joe Biden. Instead, we expect him to gradually ease sanctions, starting with secondary sanctions, given the political cost of immediately lifting the sanctions regime wholesale overnight.
- If Trump were to ease commodity sanctions on Russia, we expect downward pressure on the prices of key commodities like nickel, titanium, and potentially uranium.
- Putin has signaled he would welcome Trump’s election, giving comments hinting he is ready to reverse Russia’s own weaponization of its commodity base.

- A short-term return of Russian oil and gas to international markets, especially to the EU, remains unlikely. Rather, given a Trump win, we would expect a gradual easing of the enforcement of the oil price cap.
- Russian gas exports to the EU would not recover even under a Trump presidency.
- While enforcement would gradually weaken, we do not expect export controls on dual-use technology products to be lifted, given that infrastructure's usefulness in the economic and technological competition with China, which Trump has repeatedly stated [he would escalate](#) by introducing more tariffs and export controls.
- Under a second Trump term, we anticipate further divergence between the E.U. and U.S. on policy vis-a-vis Russia.
- A withdrawal or reduction of U.S. aid to Ukraine cannot reasonably be wholly filled by the E.U., and our expectation is that Trump's purported aim of shocking the Europeans into dramatically increasing defense spending to more appropriate levels will not have the desired effect.
- U.S. involvement in the €45bn loan package for Ukraine backed by the G7 based on harnessing the profits of sanctions-immobilized Central Bank of Russia assets at Euroclear would be dead on the arrival of a Trump presidency.
- On September 20, Brussels took steps to indicate it is willing to do more without U.S. buy-in, [announcing a plan](#) for up to €35 bn in such loans on its own, up from the initial proposed even split with Washington. However, the mechanics of how it aims to do this remain unclear as we still await publication of the bloc's "Ukraine Loan Cooperation Mechanism."
- The specifics of Trump's peace plan are also vague. He has stated before that he would get a peace deal ["done in 24 hours"](#) because of his good relationship with Putin and has indicated that he supports trading Ukrainian territory for peace.
- In the September presidential debate, Trump pointedly [refused to commit](#) to supporting a Ukrainian victory, instead deferring to his usual line that he wants "the war to stop" and to "save lives" without citing a specific plan.
- Trump's own September 26 meeting with Zelensky highlighted the continued personal tensions between the pair.
- While we expect Trump to soften his approach if elected – as he will wish to avoid being associated with a major Ukrainian defeat – we expect he would force negotiations on freezing the conflict along the current lines of control.
- We suspect he would be successful, as Ukraine is highly reliant on U.S. assistance to continue the fight. While Europe - including the UK - has committed €187 bn to supporting Ukraine, double the U.S.'s €98.4 bn, the region lacks sufficient ammunition production and crucial battlefield technologies necessary for the Ukrainian military to sustain its defense.
- Were such an arrangement to succeed, a new Russian invasion would most likely follow-- at the latest immediately at the end of Trump's term.

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