

GEOPOLITICAL RISK OBSERVATORY

The Balkans

Luiss Report

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GRO Overview: The Balkans

GRO Overviews are neither extensive analysis nor news updates. Instead, they offer a general perspective over areas and issues, trying to provide a series of factors and variables that organizations should monitor to anticipate risks. For in-depth analysis or day-to-day updates, you should contact the observatory at strategicchange@luiss.it

Summary

The Balkan region remains at the center of competing geopolitical pressures and persistent instability, with mounting risks derived from unresolved ethnic and territorial disputes, fragile governance, complex external interventions, and the impact of global dynamics. Through 2025 and 2026 these vulnerabilities have deepened and, in part, shifted: renewed tensions between Serbia and Kosovo, secessionist moves in Bosnia and Herzegovina, Russia and China's assertive roles, and challenges to Euro-Atlantic integration continue to threaten regional and wider stability. To these must now be added a fourth structural vulnerability: Serbia's own domestic political crisis. Nearly two years of student-led anti-corruption protests, triggered by the November 2024 collapse of a railway station canopy in Novi Sad that ultimately killed sixteen people, have produced a serious challenge to President Aleksandar Vučić's hold on power and have forced a snap parliamentary election, confirmed for 25 October 2026.

Historical and Geopolitical Context

The dissolution of Yugoslavia in the 1990s unleashed a period of violent conflict, unresolved borders, and ethnic animosity that continues to shape the region's politics. The Western Balkans are marked by unfinished sovereignty questions, especially between Serbia and Kosovo and within Bosnia, whose federal structure remains fragile.

In Kosovo, government actions to dismantle parallel Serb institutions, exclude Serb political actors, and ban the Serbian dinar triggered tensions and violent incidents, with Serbia and local Serbs resisting these moves. That baseline remains, but the picture through 2025 and 2026 has become more mixed. Pristina continued closing Serb parallel structures, including tax agencies, postal services, water utilities, and employment offices, across the north and Kosovo Police carried out weapons-cache raids in northern villages as recently as April 2026. At the same time, the October 2025 municipal elections returned the Serb List to power in four Serb-majority municipalities, restoring a measure of local Serb political representation after three years of boycott and administration by other means. KFOR's force posture has also evolved: it announced calibrated troop reductions in June 2026 and began changing its static presence at the Ibar bridge in August. These steps should not, however, be interpreted

automatically as evidence that the underlying political dispute has been resolved. This sits uneasily alongside Serb community sentiment and alongside a separate strain that has emerged in Pristina's external relations: the United States suspended its strategic dialogue with Kosovo in September 2025 over unmet commitments on the Association of Serb-majority municipalities and on government formation. The risk of localized armed incident has not disappeared, but the principal near-term vulnerability now lies as much in Kosovo's political isolation and internal paralysis as in the prospect of direct confrontation.

Bosnia and Herzegovina's political crisis deepened after the conviction and banning of Republika Srpska (RS) President Milorad Dodik triggered institutional blockades and attempts at de facto secession. The succession contest revealed a weakened democratic mandate for the ruling SNSD. Siniša Karan nominally succeeded Dodik, narrowly winning a November 2025 snap election against opposition candidate Branko Blanuša and a subsequent February 2026 partial rerun triggered by fraud allegations. The transition was marred by record-low turnout of roughly 35% and heavily skewed public-broadcaster coverage documented by Transparency International. Practically, however, Karan acts as a loyal proxy, allowing Dodik to retain de facto control over the entity. Bolstered by the lifting of U.S. sanctions against Dodik in late 2025 following temporary institutional concessions, the RS secession drive has not been resolved. Instead, it has morphed into sustained manipulation ahead of the October 2026 elections for the Republika Srpska presidency and National Assembly.

Serbia, meanwhile, faces serious internal challenge at the leadership level. Student-led anti-corruption protests, sustained for nearly two years since the November 2024 Novi Sad railway station canopy collapse ultimately killing sixteen people, have grown into a broad movement unifying previously fractured opposition groups, demanding accountability and early elections. President Vučić pledged in June 2026 to step aside; his party subsequently nominated him for the post of prime minister, and the government moved to dissolve the parliament, setting a snap parliamentary election for 25 October 2026. Relations with Brussels have been further strained by Belgrade's decision to honor convicted war criminal Ratko Mladić with military honors, which drew EU criticism and underscored the widening gap between Serbia's domestic and foreign-policy conduct and the expectations attached to accession.

While some regional actors have pressed forward with EU and NATO integration (notably North Macedonia and Montenegro), progress is slow and fragile, hampered by endemic corruption, weak institutional capacity, and persistent political fragmentation.

Global implications

Disruptions within the Balkans can have immediate regional and European implications, with more limited global ramifications. Renewed conflict between Kosovo and Serbia or a

secessionist crisis in Bosnia could spark migration surges into the EU, destabilize NATO's southeastern flank, and fuel organized crime and extremist networks spilling into Europe.

Russian conventional leverage in the region is constrained by the demands of the war in Ukraine, but Moscow continues to run an active hybrid-influence campaign aimed at undermining Western unity and blocking further Euro-Atlantic expansion.

China's engagement is gradually expanding beyond infrastructure and soft power to deepening political and even military collaboration with Serbia, including joint military drills and advanced weapons transfers. Alongside joint exercises, Serbia has acquired Chinese HQ-9 systems for air defense and has expanded its acquisition of Chinese drones. Taken together these transfers signal a challenge to Western and NATO influence and provide Serbia with alternatives to Euro-Atlantic partnerships, leaving open questions in terms of interoperability, technology control and sanctions exposure for partners operating in the Serbian market.

The EU continues to press for integration as a stabilizing anchor, offering new funding and urging reforms, but the transformative power of accession is now questioned, as local and international actors use the region as a sphere of competition and leverage.

Practical implications for businesses and interests

The Balkans hold strategic interest for investors especially Italian ones. However, risks remain high: political volatility can disrupt commercial activity, ethnic and territorial conflict risks can upend supply chains, external actors may alter regulatory and market conditions, and anti-corruption and rule-of-law weaknesses remain major operational threats.

United States sanctions on NIS, Serbia's principal oil company, took effect in October 2025, though an immediate refinery shutdown was avoided via a series of U.S. waivers extending through September 2026. The waivers also created time for negotiations over a possible acquisition of the Russian stake by Hungary's MOL Group. Businesses with exposure to Balkan energy, logistics, or manufacturing should assume that ownership structures with Russian or Chinese links carry fast-moving sanctions risk irrespective of local legal standing but must also monitor how sanctions-driven divestments or acquisitions by European companies may rapidly alter regional supply chains.

Italy and other EU economies with significant exposure to the region should calibrate investments toward EU-supported projects and build resilience strategies for sudden instability. Possible defensive actions include supply chain diversification, robust political risk assessments, and compliance with evolving EU standards. A scenario of renewed violence or separatism could trigger EU interventions or sanctions, severely impacting both foreign and local businesses.

What to monitor

Factors that might lead to considerable changes in the current situation include:

- **Serbia-Kosovo Tensions:** Escalation or resolution in North Kosovo. Even small incidents could spiral into open conflict or major international crisis, impacting NATO, EU, and the entire region's security.
- **Secessionist Drives in Bosnia and Herzegovina:** Moves by Republika Srpska to undermine federal institutions, pass entity-level constitutions, or declare independence could destabilize the region.
- **External Power Rivalry-Russia and China:** Expanding Chinese military and digital cooperation with Serbia or renewed Russian initiatives to block EU or NATO expansion remain potential flashpoints for wider international confrontation, sanctions, and shifting geopolitical alignments.
- **Progress or Setbacks in EU Integration:** Concrete reforms or reversals in regional cooperation, anti-corruption, and institutional reforms, as well as EU's evolving willingness to push enlargement, will determine the economic outlook, investment climate, and scale of Western engagement in the region.
- **Potential for Sudden Ethnic or Political Violence:** Triggers could include crackdowns on minority rights, manipulated elections, populist or nationalist surges, or targeted attacks/fomented unrest by paramilitary or organized criminal groups.
- **Domestic Political Stability and Leadership Transitions:** Sudden changes in government (i.e. through elections, mass protest movements, or forced resignations) in any of the region's key states can rapidly reshape alignments.

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