



Research Center
Strategic Change
“Franco Fontana”

GEOPOLITICAL RISK OBSERVATORY

The Balkans

An overview

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July 2025

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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. In 2025, these **vulnerabilities have deepened**: 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.

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 2025, the region faces new **high-stakes flashpoints**: in **Kosovo**, government actions to dismantle parallel Serb institutions, exclude Serb political actors, and ban the Serbian dinar have triggered tensions and violent incidents, with Serbia and local Serbs resisting these moves and the risk of armed confrontations persisting. Meanwhile, **Bosnia and Herzegovina** has entered its most severe state crisis since the end of the war, following the conviction and political banning of **Republika Srpska** President Dodik, leading RS to block state-level institutions, push for de facto secession, and directly challenge the Dayton Agreement. 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 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 influence**, though diminished by logistical limits post-Ukraine war, persists in supporting **Serbia** and **Republika Srpska** as a means to undermine Western unity and block further Euro-Atlantic expansion. **China's engagement** has expanded beyond infrastructure and soft power to deepening political and even military collaboration with Serbia, including joint military drills and advanced weapons transfers, signaling a **challenge to Western and NATO influence** and providing Serbia alternatives to Euro-Atlantic partnerships. **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. Italy and other EU economies with significant exposure to the region must **calibrate investments toward EU-supported projects** and build resilience strategies for sudden instability. Defensive actions—such as supply chain diversification, robust political risk assessments, and compliance with evolving EU standards—are essential. 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 entire Balkan settlement.
- 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. These events tend to have cascading effects on stability, migration, and security well beyond the region