KCS Group International
We look at the world differently...

The Western Balkans – the rising threat from Russia and the risks for Europe

September 2026

The Western Balkan states - Serbia, Bosnia and Herzegovina, Montenegro, Kosovo, Albania, and North Macedonia - remain overlooked areas of potential investment. However, oft-cited risks of operating there include weak governance and political paralysis, unresolved conflicts and secessionist movements, the enduring presence of organised crime groups and foreign hybrid influence. These structural threats are considerable, particularly during this period of global geopolitical uncertainty, but remain navigable for organisations engaging the necessary safeguards, such as enhanced third-party vetting, and political and security risk monitoring.

Primary Risks

Weak governance and political instability

The typically fragile framework of governance in the region produces commercial and security risks for business operations, whether through regulatory uncertainty or the presence of corruption. Political paralysis affects the governments of Bosnia and Herzegovina, Kosovo, and Serbia in particular, their impotence hiding underlying instability, with neighbours Montenegro and Albania having more room to act.

In Bosnia, the political structure, which requires international oversight, is unable to deliver stability or much in the way of state-level governance, dooming the country to political deadlock and confrontation on ethnic lines. The increasingly separatist stance of Republika Srpska, whose former President, Milorad Dodic, bought powerful friends in the White House, has made the situation in Bosnia more volatile.

The Serbia-Kosovo conflict is the other key point of potential escalation, which requires close monitoring for any international interests operating in the area. Weak local institutions engender a more disruptive overall environment due to political polarisation, social discontent, and the risk of civil unrest, all helped by an ever-more feverish online social sphere.

This was evident in the enormous political demonstrations that took place in Serbia across 2024-2025, and those that are ongoing in Albania, which brought widespread disruption. Instability brings higher transaction and compliance costs, particularly around procurement, and the fractious nature of the broader political atmosphere has the potential to disrupt operations and deter investment.

Corruption and organised criminal activity

Corruption remains a perennial issue in the region, with political patronage underpinning everything from procurement decisions to the legal system, leading to weak institutions and political capture, where informal networks tend to dominate decision-making. The structures of corruption in official and business cultures in the region are exhibited through improper payments and opaque financial arrangements, with competitive disadvantage likely for those who refuse to engage. There exists an increased risk of AML and bribery exposure when dealing with Balkan counterparties and procurement. The increasing involvement of state-embedded and foreign actors, such as the Russian state, in these processes increases the potential risk factor for foreign investors.

The Western Balkan states' longstanding challenges with corruption are linked to the enduring presence of organised crime groups (OCGs), which are often structured along ethnic lines. Albanian criminal groups, in particular, hold increasing international influence, engaged in the smuggling of drugs, weapons, contraband and people. Political interference in business and weak institutions have created the space for OCG networks to operate and, in places, become entwined with political and economic elites. Whether through drug trafficking, illicit finance or smuggling, OCGs have penetrated legal markets and supply-chains, injecting risk into diverse areas and increasing the potential for supply-chain and logistics disruption. The Balkans are also experiencing the increasingly common occurrence of cyber-crime originating from the region, due to OCGs diversifying out from 'traditional' business lines.

External influence and geopolitical competition

Competing external influences in the Balkans seek to serve their own ends, and the region is a hotbed of foreign interference, seeing everything from US-Russia competition to Chinese machinations to Israeli election interference and Gulf monarchies seeking soft influence in Muslim Europe. The EU remains the most consequential external actor due to its leverage over trade, infrastructure and development funding, and institutional standards.

Potential exposure to state-linked entities and individuals raises the risk of sanctions-related issues, given the wide presence of Russian actors in the region and heightened political influence. Foreign government activity also presents cyber and data security problems for European organisations operating in the region.

Competition over influence, and resources, drives instability and directly impacts certain sectors. The invasion of Ukraine dented Russian influence, but the Kremlin's reach endures due to deep-seated cultural ties, not least through the Orthodox Church.

In a marked change of approach under the Trump administration, the US is seeking to embed dependence in the Western Balkans on energy and commercial links, rather than through its traditional role as regional security guarantor. Firms must ensure that regional strategic dependency is not linked to external influence, whether through local agents, consultants or partners, lest they become reliant on politically-exposed individuals or entities.

Ongoing hybrid-warfare of many types also presents the potential for supply-chain and logistics disruption, particularly through ongoing cyber-warfare taking place against Western-aligned entities in the region. Russian state agencies are continuing to target Western interests in the Balkans, particularly those in sensitive sectors such as energy, communications and defence, and are likely to view jurisdictions with fewer protections as potentially soft targets. Direct action against private-sector interests and infrastructure linked to geopolitical competition cannot be ruled out.

Conclusion

The interactions of weak governance and political volatility, criminal networks and foreign influence, produce persistent low-level instability in the Western Balkans. Amid ongoing geopolitical competition, the states are slowly shifting closer to Europe. As US interest wanes, the EU is taking a more active role in bolstering resilience there, as part of its own security strategy.

This may mean greater stability in the long-term but brings further external pressures in the immediate. It also ensures that conflict and competition with Russian interests will persist, creating threats to businesses, including possible direct targeting from Russian-backed entities. Enhanced due diligence and vetting can assist in alleviating political risk and remediating threats, and are essential for politically-exposed operations in the Balkans.

However, these measures cannot eliminate all sources of commercial exposure. Political landscapes which are fractious and unpredictable induce greater costs, while the potential of OCG activity impacting operations remains a significant likelihood. This creates heightened vulnerabilities for external investors, whether through business and integrity concerns or more direct threats to staff, finances and property. Intelligence-led awareness of the threat landscape and contingency planning, particularly for higher-risk sectors and government-linked business, can make the Balkans a more attractive place to operate.

While the challenges facing the Western Balkans remain significant, opportunities exist for organisations that are supported by appropriate safeguards, expert advisory services and strong local knowledge.