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Geoeconomic Fragmentation in the Western Balkans

Tamás Ginter

Geoeconomic fragmentation has become one of the timeliest topics in international economics. This paper focuses on geoeconomic fragmentation in the Western Balkans by applying a descriptive analysis of trade flows with each of the region's major trading partners between 2010 and 2023. In addition to painting a detailed picture of the trading partner structures of the economies in the region, I examine whether geoeconomic fragmentation (growing trade within a geopolitical bloc) can be identified. I find that the Western Balkans trades predominantly with the EU and intraregionally. Trade patterns with Russia and China show mixed signs, and there are no clear signs of geoeconomic fragmentation. Thus, this paper supports the literature stating that so far in Central, Eastern and Southeastern Europe, geoeconomic fragmentation has rather been a possible policy narrative than an economic reality.

Journal of Economic Literature (JEL) codes: F4, F5, F6

Keywords: geoeconomic fragmentation, trade fragmentation, Western Balkans

1. Introduction

Geoeconomic fragmentation (i.e. a 'policy-driven reversal of global economic integration', *IMF 2023*, p. 91) has become one of the timeliest topics of international economic research during the past decade. The underlying causes are manifold: following the US-China trade war in the late 2010s, the polycrisis of the 2020s (including the Covid-19 pandemic, escalating geopolitical tensions as well as an energy crisis comparable with that of the 1970s) erupted. On the one hand, this polycrisis generated a need to restructure global value chains (GVCs) once the

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vulnerability of such had become evident after the numerous supply chain crises caused by pandemic-induced measures. This need to restructure value chains is described by the terms ‘reshoring’ and ‘nearshoring’, meaning the approximation of production and consumption, as well as shortening GVCs (see also *Aiyar – Ilyina 2023* and *Abeliansky et al. 2023*). On the other hand, the escalating geopolitical tensions of the 2020s (including military conflicts such as the wars in Ukraine and the Middle East as well as the emerging rivalry between the United States and China) resulted in a need to relocate production to and enhance trade with countries that are geopolitically aligned (described by the term ‘friendshoring’, *Maihold 2022*).

While geoeconomic fragmentation has emerged as a widely researched phenomenon in the past decade, relatively little focus has been directed towards its effects on the countries of the Western Balkans (WB).[1] This is all the more peculiar as the Western Balkans’ geopolitical position can be considered rather unique on the European continent (see, for example, *Zarić – Budimir 2022*; *Hake – Radzyner 2019*). The six countries of the WB can be primarily characterised by a westward orientation, and significant steps have been made towards integration into the European Union, albeit the bloc’s enlargement fatigue has resulted in a standstill and full-fledged integration into the European economy still seems a distant goal. In the meantime, global geopolitical actors have all expanded their influence in the Western Balkans (the United States by successful steps of NATO enlargement and China by launching the Belt and Road Initiative in the mid-2010s; see also *Barisitz 2024*). Furthermore, Russia has numerous historic, cultural and economic ties primarily with Slavic, orthodox WB nations, while regional geopolitical powers (such as Türkiye and certain Gulf states) are also exerting power via trade and investments (*Rémenyi – Csapó 2021*). Considering this unique position of the Western Balkans, the research of geoeconomic fragmentation in the region is particularly relevant and timely.

This paper thus aims to analyse geoeconomic fragmentation in the Western Balkans using trade data as a proxy. It is structured as follows: *Section 2* includes a literature review (focusing on the phenomenon of geoeconomic fragmentation as well as the relevant research on the Central, Eastern and Southeastern European region). *Section 3* and *Section 4* present the research methodology and results (on a country level as well as on a regional level), respectively. *Section 5* concludes.

[1] Albania, Bosnia and Herzegovina, Kosovo, Montenegro, North Macedonia and Serbia. The designation ‘Kosovo’ is used without prejudice to positions on status and in line with UNSCR 1244 and the ICJ Opinion on the Kosovo declaration of independence.

2. Literature review

2.1. Geoeconomic fragmentation: definitions and consequences

2.1.1. Definitions and a brief historical overview

Definitions of (geoeconomic) fragmentation vary to a certain extent. *IMF* (*2023*) defines geoeconomic fragmentation as a 'policy-driven reversal of global economic integration' (p. 91), reflecting on the fact that fragmentation is initiated by political and economic agents, rather than being a spontaneous shift in the global economy caused by exogenous factors. A similar, but more detailed, definition stems from *Gopinath et al.* (*2024*), who define fragmentation as 'policy-induced changes in the sources and destinations of cross-border flows, often guided by strategic considerations, such as national and economic security, sovereignty, autonomy, which may or may not be associated with a decline in world trade relative to GDP' (p. 1). *Campos et al.* (*2023*) consider the emergence of aligned blocs within the global economy as a prerequisite for fragmentation that eventually limits (trade and capital) flows between the respective blocs. The underlying causes of this (policy-driven) geoeconomic fragmentation include changes in trade policy (and the rise of protectionist policies in particular) as well as a reshuffling of the global geopolitical order (including the emerging need for strategic autonomy; *Baur et al. 2023*).

The term 'fragmentation' is often linked with the concepts of 'reshoring' and 'friendshoring', which are defined as 'strategies to move production processes to trusted countries with aligned political preferences, to make supply chains more resilient and less vulnerable to geopolitical tensions' (*IMF 2023*, p. 91). Similarly, *Norring* (*2024*) categorises geoeconomic fragmentation as a component of deglobalisation, where fragmentation (i.e. 'economic activity concentrating within blocs' (p. 4)) is 'driven by geopolitics' (*ibid*). No clear definition of these blocs is, however, available, and delving into the geopolitical background of the formation of blocs would exceed the scope of this paper. Common categorisations predominantly use three bloc models (the United States and the European Union, Russia and China, the rest of the world; *Gopinath et al. 2024* or similarly, East, West and Neutral; *Campos et al. 2023*).

Research related to economic disintegration and the reconfiguration of global supply chains in accordance with geopolitical motives has gained significant importance over the past decade. The literature (see, for example, *Kaaresvirta et al. 2023* or *Norring 2024*) typically refers to the trade war between the United States and China as a starting point of global fragmentation, but signs of economic disintegration were already seen during the aftermath of the Great Financial Crisis (*Halmai 2023*). Other major milestones causing a need for policies supporting fragmentation include the Covid-19 pandemic (primarily incentivising nearshoring) and the war in Ukraine (primarily incentivising friendshoring; *Blanga-Gubbay – Rubínová 2023*). Fragmentation is transmitted through a variety of channels, including foreign direct investment, cross-border migration and international trade (*Aiyar – Ilyina 2023*). The analyses in this paper focus on the latter as trade has been extensively used as a proxy for measuring geoeconomic fragmentation (see, for example, *Hakobyan et al. 2023; Alvarez et al. 2023*; etc.).[2]

2.1.2. Effects of geoeconomic fragmentation

While geoeconomic fragmentation has become a widely researched phenomenon, its extent is highly debated in the literature. *Gopinath et al.* (*2024*) corroborate the emergence of fragmentation since the 2022 start of the full-scale war in Ukraine: trade flows between geopolitically distant blocs have declined relative to trade among aligned countries. Nevertheless, so far fragmentation has proceeded at a relatively slow pace. These findings are supported by *Bosone et al.* (*2024*), whose EU-wide analysis concludes that when it comes to EU imports, evidence for nearshoring and friendshoring trends is limited. *Kaaresvirta et al.* (*2023*) found that despite the ever-intensifying discourse on deglobalisation, little evidence supports geoeconomic fragmentation on a global level. While trade and FDI flows between the United States and China have diminished since the start of the trade war between the two superpowers, the data do not support the emergence of other economic blocs. Furthermore, emerging regions (including Central and Eastern Europe) have seen growing patterns in trade and foreign direct investment since the start of the polycrisis of the 2020s. The latter findings are supported by *Ginter – Tischler* (*2024*) on a regional level: trade patterns in the Visegrád countries also do not show signs of fragmentation.

The effects of geoeconomic fragmentation are hard to model, and thus estimations vary substantially (*Norring 2024*). *Campos et al.* (*2023*) estimate that in the case of a global order with three blocs (West, East and Neutral), international trade would be reduced to one half in the most extreme scenarios and cause average welfare losses of 3.4 per cent. Losses would be more severe in the Eastern bloc. *Javorcik et al.* (*2023*) estimated the economic effects of friendshoring (i.e. reconfiguring trade flows by predominantly trading with countries that share similar values). They found that friendshoring may cause losses of up to 4.7 per cent of GDP, but the losses for countries in emerging Europe are estimated to be lower. Furthermore, *Javorcik et al.* state that not even emerging European countries would profit from friendshoring (through the relocation of production sites), although non-aligned status would help in minimising the losses caused by the restructuring of global value chains. Similarly, *Aiyar – Ohnsorge* (*2024*) state that while costly for most actors, fragmentation can

[2] FDI-related fragmentation in the Western Balkans is examined by *Ginter – Hildebrandt* (*2024*), for a review, refer to *Section 2.2*.

create opportunities for jurisdictions fostering free trade agreements, and thus acting as ‘connector countries’; emerging Europe being considered as one of these regions.

2.2. Geoeconomic fragmentation in the Western Balkans

As referred to in *Section 1*, despite the Western Balkans’ peculiar geopolitical position, little focus has been directed to geoeconomic fragmentation concerning the region. *Kaloyanchev et al.* (*2018*) painted a very detailed picture of the trade structure and main trading partners of the Western Balkans, albeit their data do not include recent developments induced by the polycrisis. According to *Kaloyanchev et al.,* as of 2018 the most important trading partner of the region was the European Union, with intraregional trade (i.e. trade within WB countries) ranking second; the former was declining, while the latter was rather stable. Looking at trade among the six WB countries, geographical proximity does not play a major role: it is rather linguistic and cultural proximity as well as the deconstruction of trade barriers that enhances intraregional trade. Trade with major non-Western geopolitical actors, i.e. ‘Russia, China and Türkiye is less pronounced and is systematically skewed towards imports from them’ (*ibid, p. 1*).

Ginter – Hildebrandt (*2024*) researched geoeconomic fragmentation in the Western Balkans by examining major geopolitical actors’ share in foreign direct investment stock (FDI) in the respective WB countries between 2010 and 2023. They found that while the EU has been the major investor in the region, its share in FDI stocks has declined over time, while China, and to a lesser extent certain Gulf states, have emerged as investors. US investment activity has been limited and so has that of Russia. (Russian investments, however, still play a substantial role in Bosnia and Herzegovina). Furthermore, there have been signs of regional integration, with WB countries becoming investors themselves in fellow WB countries. Thus, foreign direct investment does not show a pattern of fragmentation in the Western Balkans. On the contrary, the region’s investor structure has become diversified across geopolitical blocs. *Jovanović et al.* (*2024*) used micro-level data to identify nearshoring trends in the Western Balkans. They found that such trends are occurring in WB countries, and, that the region is a beneficiary of global nearshoring trends with production being moved to the Western Balkans (from Asia, in particular). Furthermore, they state that it is not only European companies moving production facilities to the region, but also certain Asian manufacturers which are aiming to ensure their proximity to European markets by their presence in the Western Balkans.

2.3. Research questions

Based on the reviewed literature, I posed the following research questions:

- Has the change in the global geopolitical landscape been reflected in the Western Balkans' trade flows?
- Has the Western Balkans been subject to geoeconomic fragmentation in the light of the global need for GVC rearrangements?
- Are there country-specific characteristics of geoeconomic fragmentation in the Western Balkans?

3. Methods

The goal of this paper is thus to identify any signs of potential geoeconomic fragmentation in the Western Balkans by analysing trade linkages with major trading partners and other, global and regional geopolitical actors. While fragmentation as a concept covers more than merely trade, similarly to a body of literature (*Hakobyan et al. 2023; Alvarez et al. 2023*; etc.), I use trade data as a proxy for measuring fragmentation (the limitations thereof can be found in *Section 5*). Based on the literature review, I consider geoeconomic fragmentation present if intra-bloc trade grows and trade outside the respective geopolitical bloc declines.

Before examining the trading partner structure of the Western Balkans, I first provide an overall assessment of the role of foreign trade in the Western Balkans. I used data from the World Bank[3] on the respective trade-to-GDP ratios for the WB countries. Then, I drew on the IMF's DOTS[4] database and analysed the shares of trade flows by respective trading partners for each WB country. This allows for a country-level understanding of the various structures. In order to gain a more long-term understanding of major trade trends in the WB countries, I used a dataset ranging between 2010 and 2022 (for imports) or 2023 (for exports). Exports and imports were treated separately in the analysis. Eight distinct trading partners and partner groups were identified as relevant for the analysis (based either on their global geopolitical influence and/or the significant trade share in some or all WB countries):

[3] https://data.worldbank.org/indicator/NE.TRD.GNFS.ZS?locations=AL-MK-XK-RS-BA-ME. Downloaded: 29 October 2024.

[4] Direction of Trade Statistics. https://data.imf.org/?sk=9d6028d4-f14a-464c-a2f2-59b2cd424b85. Downloaded: 29 October 2024.

- the European Union,
- the United States,
- Switzerland,
- the United Kingdom,
- Türkiye,
- the remaining five Western Balkans countries,[5]
- Russia, and
- China.

Altogether, the share of these eight trading partners and partner groups covers at least 85 per cent of total exports and imports of all the WB countries in focus, and in most cases their sum even exceeds 90 per cent, thus covering all major trading partners of the region. I provide a descriptive analysis of the share of trade flows by partner countries and groups between 2010 and 2023 (or 2022). By doing so, I provide a detailed picture of the trade structures and trade integration of the WB countries.

In order to measure geoeconomic fragmentation, I identified (the three) global geopolitical blocs based on the relevant literature. Based on all major categorisations of blocs (*Gopinath et al. 2024* as well as *Campos et al. 2023*), the EU and the US are undoubtedly representatives of the Western bloc; this paper categorises Switzerland and the UK as part of the Western alliance as well (see also *Campos et al. 2023*). Conversely, Russia and China are part of the Eastern bloc. In this analysis, I consider Türkiye as well as the rest of the world to be unaligned (the latter in accordance with *Gopinath's* categorisation). Furthermore, I treat the region itself separately, due to the region's historical intertwinement as well as the very peculiar bundle of interests present in the region. The comparison of the respective blocs' shares in each WB country's trade allows to determine whether signs of geoeconomic fragmentation are emerging.

[5] For example, if Albania is the country in focus, the remaining five Western Balkans countries (hereinafter abbreviated as WB5) consist of Bosnia and Herzegovina, Kosovo, Montenegro, North Macedonia and Serbia.

4. Results

4.1. Role of international trade in the Western Balkans

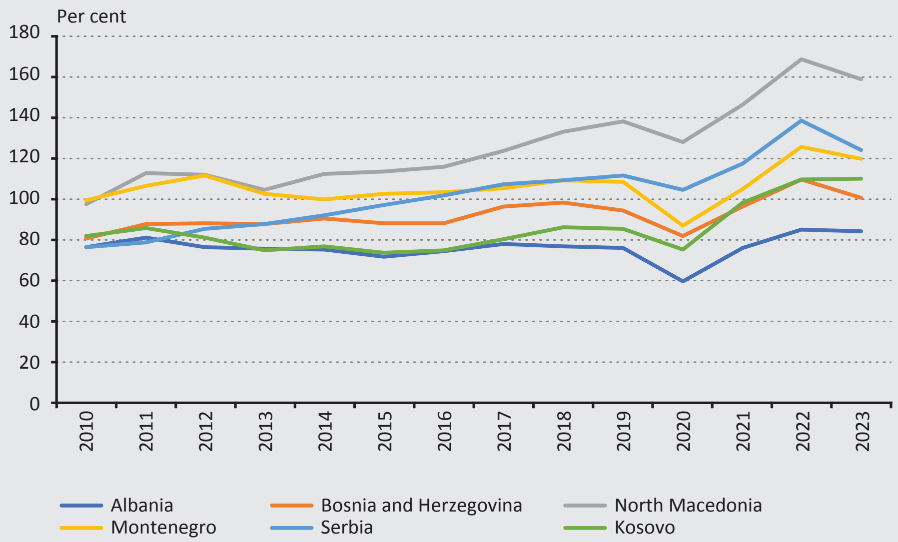
In this analysis, I first assess the overall role of trade in the WB countries. Trade-to-GDP ratios in these countries (as depicted in *Figure 1*) tend to be lower than those of the smaller Central, Eastern and Southeastern European (CESEE) EU member states (i.e. the Czech Republic, Hungary, Slovakia and Slovenia) and comparable with those of the larger ones (i.e. Romania or Poland; cf. World Bank data).[6] This primarily reflects the relatively small internal markets of the WB countries as well as the lack of beneficial effects of EU integration.

In terms of trade openness, as of 2023 North Macedonia (159.1 per cent) and Serbia (124.3 per cent) had the highest trade-to-GDP ratios. The least open economy in the WB is Albania (84.5 per cent). In the timeframe 2010 to 2023, trade openness trends varied among WB countries. Serbia, and even more notably North Macedonia, recorded strong growth in their trade-to-GDP ratios. Other WB countries' trade trends were more characterised by stagnation throughout the 2010s. These results align with the narrative on slowed-down globalisation (slowbalisation) after the GFC (see also *Halmai 2023*).

Trade-to-GDP ratios were significantly affected by global economic developments. The Covid-19 pandemic and the related measures caused a sharp setback in trade activities in 2020, followed by a rapid recovery, with 2022 trade-to-GDP ratios vastly exceeding pre-Covid levels in all six countries. (These results show much similarity to those of *Ginter – Tischler* (*2024*), who analysed trade-to-GDP ratios in the Visegrád countries for the same timeframe, implying that these metrics developed very similarly across the broader CESEE region). As far as data are available, this recovery might have been temporary, as 2023 came with another setback in all countries, also in connection with external crises. This setback happened irrespectively of the sanctions related to the Russian-Ukrainian conflict; countries refraining from sanctions were also affected (see also *Stanicek – Caprile 2023*).

[6] https://data.worldbank.org/indicator/NE.TRD.GNFS.ZS. Downloaded: 29 October 2024.

Figure 1
Trade-to-GDP ratios in the Western Balkan countries between 2010 and 2023



Source: World Bank

4.2. Country profiles

In this section, I present the developments in the shares of the respective trading partners by each country in focus (for a detailed depiction, refer to *Figure 2*).

4.2.1. Albania

As is widely common in the region, Albania's most important trading partner is the European Union. The EU's share is particularly dominant in the case of exports, exceeding 70 per cent over the entire timeframe analysed and remaining more or less constant over time. This is less the case with imports that can be characterised by a shrinking trend throughout the past decade, with the EU's share reaching an all-time low of 51.5 per cent by 2022 (vs. 68.5 per cent in 2010). This setback can be considered atypical compared to other WB jurisdictions. Albania's major trading partner within the EU is – due to its geographic and historical proximity – Italy, which accounts for more than one half of Albania's trade with the EU. Exports to other WB countries (especially Kosovo) showed a rising trend from 2010 on, reaching an all-time high of 18.8 per cent by 2023, indicating deepening regional integration. Imports from the WB5 are markedly lower and comparable with those from China (between 6–9 per cent during the timeframe analysed). Exports to Türkiye shrunk markedly in the past decade, while Turkish imports have grown, however, making Türkiye the second biggest import partner of Albania by 2023 (at 12.0 per cent of total imports). Trade with other major geopolitical actors (such as the United States and Russia as well as imports to China) is limited to negligible (maximum 2.5 per cent of total trade).

4.2.2. Bosnia and Herzegovina

In the 2010–2023 timeframe, the EU's share in Bosnian trade has always markedly exceeded 50 per cent (oscillating at around 60 per cent of total imports and 70 per cent of total exports). Contrary to other WB countries, the share of trade with the EU has not shrunk in the past decade (and on the export side it has even shown moderate growth). In addition to major EU economies (and Germany and Italy, in particular), trade is intensive with the former Yugoslav EU countries (Croatia and Slovenia). A notable and constant share of Bosnian exports (14–20 per cent) flow to the other WB5 economies (especially Serbia and to a lesser extent Montenegro). As for imports, WB5 countries (strongly dominated by Serbia) are the second biggest source after the EU, with a constant, albeit smaller share (10–13 per cent). In terms of imports, China and Türkiye also doubled their shares between 2010 and 2022 (reaching 8.1 and 5.8 per cent, respectively); Russian imports contracted significantly in this timeframe (from 8.4 per cent in 2010 to 2.3 per cent in 2022).

4.2.3. Kosovo

Kosovo is the least dependent on the EU out of the sample in focus. Imports from the EU account for a stable 40–45 per cent, while exports to the EU declined by one third between 2010 (45.2 per cent) and 2023 (32.3 per cent). On the other hand, the share of trade with the remaining five countries of the Western Balkans is outstandingly high. WB5 countries' share (particularly that of Albania and North Macedonia) in exports grew from 22.6 per cent in 2010 to an impressive 39.8 per cent in 2023; with imports (particularly from Serbia and North Macedonia), however, Kosovo experienced a decreasing share (34.4 per cent in 2010 vs. 17.7 per cent in 2022). Geographic proximity indeed plays a role in Kosovo's intra-WB trade (thus confuting the findings of *Kaloyanchev et al. 2018*). Furthermore, the United States' share in foreign trade is the largest in the case of Kosovo: in 2023, 12.3 per cent of Kosovan exports were directed to the US (this is a relatively new phenomenon: until 2019 the share of the US in Kosovan exports was negligible). On the import side, Türkiye is a notable player with a share of 14.9 per cent in 2022 (a share that has doubled in 12 years). The Russian share is negligible, and trade with China is much skewed towards imports and maintains a constant share.

4.2.4. Montenegro

The share of EU trade in Montenegro is lower compared to most other WB countries; major EU trading partners include Germany, Italy and Slovenia. The share of EU imports fluctuated around 45 per cent, while the share of exports narrowed in the early 2010s and has since stabilised around 30–35 per cent. Similar to Kosovo, intra-WB trade accounts for a remarkably high share in Montenegrin trade, with exports growing (38.1 per cent in 2010 vs. 48.0 per cent in 2023) and imports shrinking (36.5 per cent in 2010 vs. 26.1 per cent in 2022). There is trade with all WB5 countries, with Serbia as the largest partner. The share of imports from China ranges around 10 per cent (exports to China do not play a major role), while other partners' share is moderate.

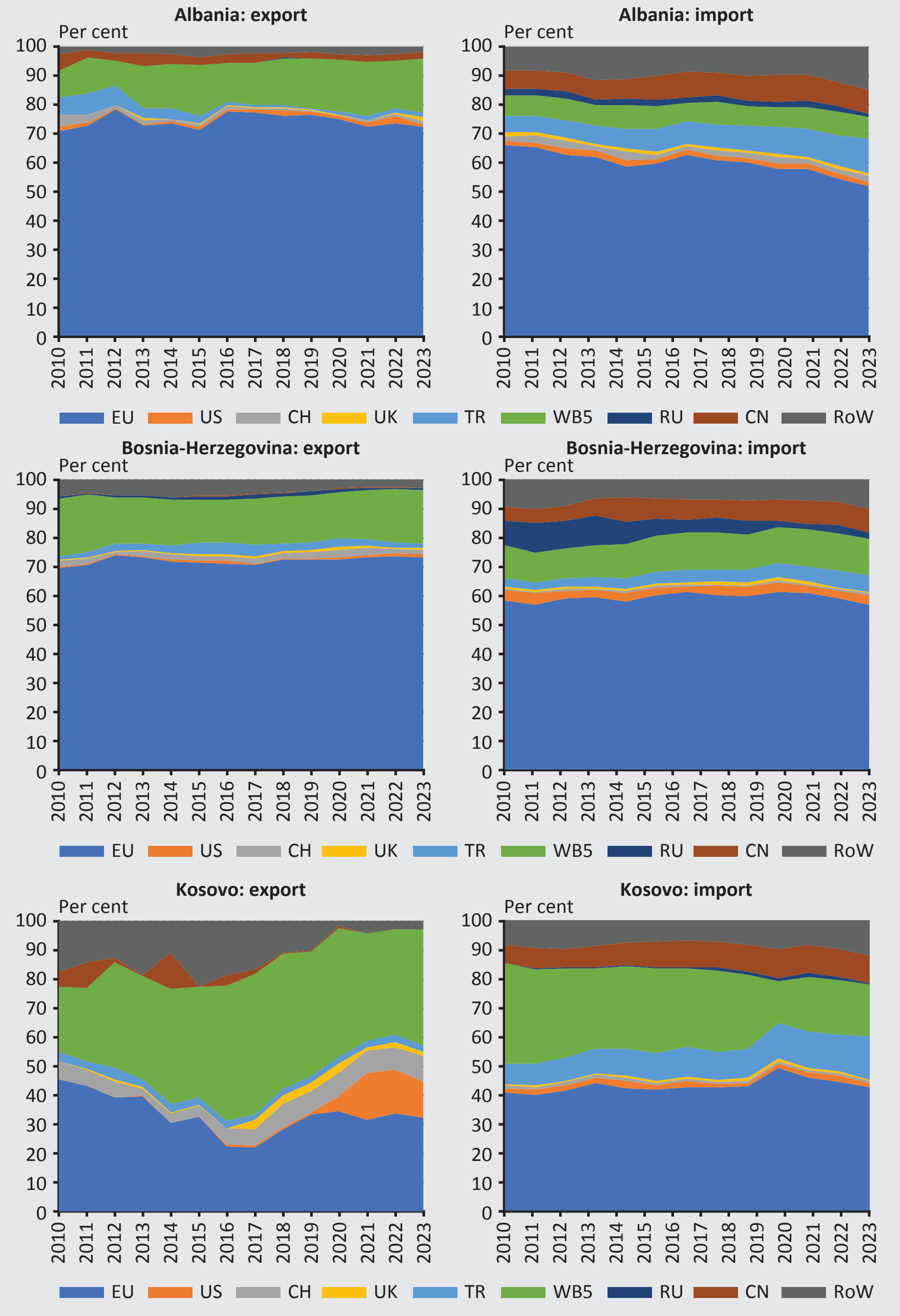
4.2.5. North Macedonia

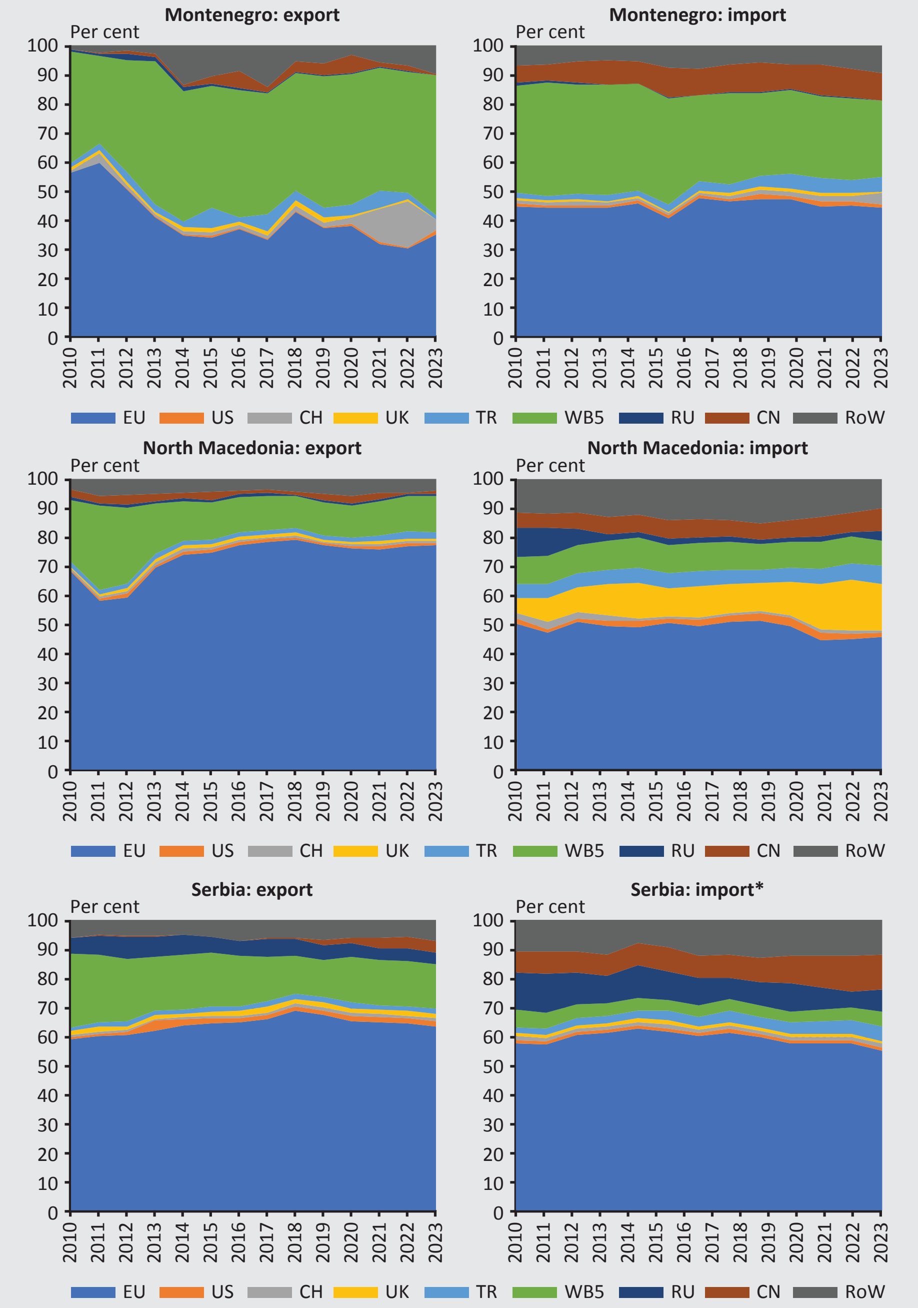
In contrast to several of its WB counterparts, the EU's share in North Macedonian exports has grown markedly over the past decade (from 68.0 per cent in 2010 to 77.3 per cent in 2023), making the country highly integrated into European value chains. However, the EU's share of imports has fallen slightly (50.0 per cent in 2010 vs. 45.5 per cent in 2022). The growing share of EU exports went hand in hand with lower intra-WB exports; along with Albania, North Macedonia is the least integrated into trade with the remaining five WB countries (12.0 per cent of exports and 8.6 per cent of imports in 2022). While these two groups of entities cover approximately nine tenths of North Macedonian exports, the structure of imports is somewhat more diverse. The share of Chinese and Turkish imports has grown to a moderate extent over the past decade (reaching 8.8 and 6.3 per cent in 2022, respectively). Furthermore, Russian imports have declined to a remarkable degree, dropping by approximately two thirds between 2010 (10.1 per cent) and 2022 (3.5 per cent; this decline was not related to the war in Ukraine and had already taken place in the first half of the 2010s). Furthermore, the United Kingdom plays a more than remarkable role in North Macedonian imports, with a share of above 10 per cent (a share that has grown markedly over the past decade).

4.2.6. Serbia

EU and intra-WB trade account for four fifths of Serbian exports, with the former showing moderate growth (58.9 per cent in 2010 vs. 63.2 per cent in 2023), while the latter shows a downward trend (25.5 per cent in 2010 vs. 15.3 per cent in 2023). The Serbian import structure is more diverse. While the EU is Serbia's main source of imports, its share has fallen moderately (from 57.3 per cent in 2010 to 54.9 per cent in 2022), and other, major geopolitical actors also play a role in Serbian imports. Chinese and Turkish imports expanded remarkably between 2010 and 2022 (rising from 7.2 per cent to 12.1 per cent, and from 1.9 per cent to 5.2 per cent, respectively), but Russian imports tapered off in this period (from 12.9 per cent to 7.5 per cent). The share of imports from other WB countries is low compared to other subjects in the sample (varying between 3.7 and 5.9 per cent). Thus, Serbia – which is the biggest economy of the WB countries – is the most globally oriented country as well. While Serbian imports have not become significantly more diversified, a restructuring of non-Western imports has taken place along with the geopolitical shifts of the past decade.

Figure 2
Country profiles: trade by partner





*Note: RoW: Rest of the World. * Data of the IMF regarding Serbian imports in 2020 was inaccurate, thus, data for 2020 imports are extrapolated.*

Source: IMF (2024)

4.3. Overall assessments of trade integration and geopolitics in the Western Balkans

After having presented the country profiles, in this section I discuss the overall results and trends regarding trade structures for the entirety of the Western Balkans. Three major results can be derived from the data.

First, the size of the respective economies appears to determine the trade orientation of a given country to a certain extent. The smallest countries (i.e. Kosovo and Montenegro) are the most integrated regionally (i.e. have the highest share of trade with the remaining five WB countries). Besides market size, this phenomenon can be explained by historical factors, as well: these two countries were the last to declare independence from Serbia (Montenegro in 2006 and Kosovo in 2008). Conversely, larger economies tend to be more diversified, as well as more open to trade with non-Western partners.

Second, despite growing concerns regarding WB foreign policy turning all the more eastward, the European Union is the main trading partner for all of the WB countries. (The only exception is Kosovo, where, by the 2020s, intra-WB exports exceed EU exports. Nevertheless, the share of Western partners, i.e. the European Union and the United States combined exceeds that of the WB5.) Despite the declining share of trade with the EU in some cases, the European Union has not ceased to be the main trading partner, and, in some cases has even gained in share of trade (these results align with those of *Ginter – Hildebrandt* (*2024*) where the respective shares in FDI stock show a similar structure). The second major partner group for all of the countries in focus consist of the remaining five countries of the Western Balkans themselves. Thus, trade in the WB countries is primarily characterised by regional integration: on the one hand, into EU value chains, and, on the other hand, on a more local level.

Third, in line with the EU's share in trade as well as the important role of intraregional trade, trade between other global geopolitical players (i.e. the United States, China and Russia) and the WB countries is limited and skewed toward the imports side. Imports from China are significant in all of the countries' trade portfolios; other than that, trade with global geopolitical powers does not play a major role. Certain alliances, however, are reflected in trade flows, such as growing Kosovan exports to the United States, and the moderate, yet persistent trade between Russia and both Serbia and Bosnia and Herzegovina. In addition, geographic proximity plays a greater role than global geopolitical power: nearby Türkiye is a major source of imports for (primarily Southern) WB countries. These findings largely support those of *Kaloyanchev et al.* (*2018*).

4.4. Overall assessments of geoeconomic fragmentation in the Western Balkans

In order to assess the geoeconomic fragmentation of the Western Balkans countries, I calculated the differentials between the respective shares of a trading partner (or partner group). These differentials (calculated from the two temporal endpoints of the sample, i.e. 2010 and 2022 or 2023, respectively, depending on data availability) are depicted in *Tables 1* and *2*. The tables also separate the different – and allegedly emerging – geopolitical blocs (West, consisting of the EU, the US, Switzerland and the UK; East, consisting of Russia and China; and Neutral, consisting of Türkiye and the rest of the world. The WB5 is not clustered in any of the three blocs due to itself being the subject of the analysis).

As for exports, WB countries' alignment with the Western bloc (and trade with its members) has remained unchanged. Some outliers exist in both positive as well as negative terms. While the smallest countries (having declared independence only in the 2000s, i.e. Kosovo and Montenegro) have registered a significant drop in the share of EU trade, the remaining four countries' exports to the EU have grown. The extent of this growth is most notable in North Macedonia and Serbia. Other major Western partners' shares have remained constant in the past decade, along with remarkable growth in Kosovan exports to the US. Regarding exports to the Eastern bloc, there are no clear signs of fragmentation. Exports to Russia have always been negligible (and have not grown either); Chinese exports have either shrunk (Albania, Kosovo) or grown (Serbia) to a smaller extent. Exports to the Neutral bloc have tended to decline. Intra-WB integration shows a mixed picture: exports have grown remarkably for Albania, Kosovo and Montenegro, while contracting remarkably in the case of North Macedonia and Serbia (see *Table 1* for more details).

Regarding imports, the overall picture is similar, yet certain differences apply. Western imports have remained roughly constant in the past twelve years (with Albania being a notable outlier having registered a sharp drop in EU imports). On the other hand, imports from the Eastern bloc have changed notably. WB countries that used to trade extensively with Russia (primarily the Slavic ones, Bosnia and Herzegovina, North Macedonia, and Serbia) have registered significant drops in imports from Russia. This has not been a result of 2022 sanctions in the aftermath of the escalation of the war in Ukraine, but rather a gradual downward trend since 2010. However, imports from China have grown in all WB countries over the past twelve years (most notably in Serbia). Thus, mixed conclusions can be drawn regarding import fragmentation and decoupling from the notable Eastern geopolitical actors. In the Neutral bloc, it is Türkiye from which imports have grown notably. As for imports, the share of the WB has remained unchanged, and, for the two smallest countries (Kosovo and Montenegro), it has fallen significantly.

Table 1
Heat map: percentage point change of the respective export partners' shares between 2010 and 2023

Exports	Albania	Bosnia and Herzegovina	Kosovo	Montenegro	North Macedonia	Serbia
European Union	1.50	3.61	–13.12	–21.25	9.27	4.32
United States	–0.46	0.96	12.28	1.30	0.13	1.09
Switzerland	–3.24	–0.68	2.78	3.01	0.35	0.25
United Kingdom	1.37	0.03	1.14	1.14	0.13	–0.08
Russia	0.02	0.07	0.00	–0.50	–0.34	–1.59
China	–3.29	0.11	–4.84	0.32	–1.61	3.88
Türkiye	–4.34	0.42	–0.80	–0.19	0.52	1.04
Rest of the World	–1.04	–3.19	–14.68	8.50	0.54	1.28
WB5	9.47	–1.32	17.23	9.94	–9.00	–10.19

Source: author calculations based on IMF data

Table 2
Heat map: percentage point change of the respective import partners' shares between 2010 and 2022

Import	Albania	Bosnia and Herzegovina	Kosovo	Montenegro	North Macedonia	Serbia
European Union	–14.26	–1.43	2.09	–0.39	–4.53	–2.49
United States	–0.18	–0.11	–0.37	0.10	–0.45	–0.33
Switzerland	0.78	–0.10	–0.26	2.65	–0.76	0.26
United Kingdom	–0.70	–0.19	–0.09	–0.16	10.63	–0.33
Russia	–1.07	–6.13	0.36	–0.99	–6.68	–5.40
China	1.74	3.46	3.44	3.61	2.52	4.92
Türkiye	6.32	3.17	7.96	3.03	1.57	3.24
Rest of the World	6.72	0.58	3.61	2.57	–1.51	1.01
WB5	0.64	0.75	–16.74	–10.43	–0.80	–0.88

Source: author calculations based on IMF data

To summarise, based on trade data, no clear signs of geoeconomic fragmentation can be seen in the Western Balkans: while the region has minimised trade ties with Russia, trade with China has grown notably. Also, intra-bloc trade (i.e. trade with major Western partners) has not grown significantly. In general, major trading partners have remained the same (i.e. the European Union and fellow WB countries), determined by geographic proximity, and cultural, historic and economic linkages (very similar trends persist for FDI in the WB, see *Ginter – Hildebrandt 2024*).

5. Conclusions

In this paper, I presented an analysis on trade data of the Western Balkan countries between 2010 and 2023. I found that the structure of the WB countries' trading partners has been relatively stable in the past thirteen years. The main trading partner of the region has been the European Union (albeit showing a somewhat shrinking share in certain cases). Intraregional trade plays a significant role as well. Trade with the United States is limited, while trade with major non-Western geopolitical entities (Russia, and especially China and Türkiye) primarily occurs on the imports' side, their share being smaller than that of the EU and the WB5. Trade with Russia has dropped off significantly in the past decade, its share being taken over by China and Türkiye. WB countries' trade has been thus organised by regional (WB-level and EU-level) integration rather than by the interest of global geopolitical actors. I also found that little evidence supports fragmentation in the Western Balkans: trade with the Western bloc has remained stable (has neither grown, nor shrunk), while the Eastern bloc results are mixed (lower trade with Russia, but Chinese imports growing significantly).

This paper generally supports findings on geoeconomic fragmentation (for example, *Kaaresvirta et al. 2023; Ginter – Tischler 2024; Ginter – Hildebrandt 2024*): hitherto moderate to no signs of fragmentation are seen in emerging Europe – including the Western Balkans. The reasons behind this are manifold. As the phenomenon of geoeconomic fragmentation is relatively new, economies need time to align. It is however not an economic necessity to reshape value chains according to a new geopolitical reality: as stated above, fragmentation is primarily driven by policy. Thus, it is not necessarily the case that small, open economies on the European semi-periphery share the needs for fragmentation of global geopolitical players. This is especially true if we accept the supposition of *Javorcik et al.* (*2023*) that, for emerging regions, it might be beneficial to conduct non-aligned (trade) policy. Furthermore, WB countries (along with the entirety of Central, Eastern and Southeastern Europe) may be beneficiaries of reshoring and friendshoring tendencies due to relative geopolitical alignment and geographic proximity to GVC sections with high value added – even if their trade policy is not completely aligned.

With these results, I hope to have contributed to the literature on geoeconomic fragmentation, including a yet unexamined region in the analysis. By doing so, I painted a detailed picture on the structure of the respective WB countries trading partners, providing a temporal prolongation for the sample *of Kaloyanchev et al*. (*2018*). Furthermore, I provided a descriptive analysis on the (potential) geoeconomic fragmentation of the six WB countries. Among the limitations of the study, it is important to emphasise that trade was the only factor in respect of which I analysed geoeconomic fragmentation. While trade may be a good proxy for measuring fragmentation, other cross-border flows (e.g. FDI or migration) also come into play. While geopolitical aspects of FDI in the Western Balkans have recently been covered by *Ginter – Hildebrandt* (*2024*), it would be beneficial for future research to focus on other variables proxying fragmentation. Furthermore, future research should tackle other factors that influence trade flows (such as free trade agreements or the progress of EU integration). Last but not least, as stated above, geoeconomic fragmentation is a relatively new phenomenon. Thus, a temporal extension of the sample and renewed study in the future could provide further insights.

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