



Press Release

Democracy That Delivers: Strategic Reengagement with the Western Balkans

Southeast Europe is exposed to unprecedented security risks, state capture and strategic corruption, fueled by Russia's aggression against Ukraine and the resurgence of global authoritarian tendencies.

At 6% of the region's GDP, illicit financial flows (IFFs) are more pervasive in the Balkans than the global average. The region is a key target for Russia's disinformation campaign and shows worrying signs of political instability and strategic ambiguity

In order to boost the EU integration processes of the Western Balkans, the [Center for the Study of Democracy](#) in cooperation with EURACTIV hosted the policy roundtable [Democracy That Delivers: Strategic Reengagement with the Western Balkans](#) in **Brussels on 30 March 2023**. The roundtable discussion focused on three priority areas:

- The quality of governance of the Western Balkan countries, and how they could enhance the capacity, independence, and accountability of their institutions to counteract the risks of state capture;
- How to monitor and combat authoritarian influence and its negative political, economic, and media fallout in the region; and
- Sustainable economic integration of the Western Balkans and ways to establish a foundation for a socio-economic transformation based on low-carbon innovation and constructive capital integration within the EU.

The event engaged a panel of experts, including **Boyko Todorov**, Senior Fellow at the Center for the Study of Democracy, **Wolfgang Nozar**, Deputy Head of Unit at the Directorate-General for Neighbourhood and Enlargement Negotiations, **Clive Rumbold**, Senior Expert at the European External Action Service, **Goran Georgiev**, Analyst at the Center for the Study of Democracy, **Antoinette Nikolova**, Director of the Balkan Free Media Initiative, and **David Sandson**, Attaché to the U.S. Mission to NATO, Brussels.

One of the highlights of the round table was the presentation by the Center for the Study of Democracy of its latest policy briefs, "[Illicit Financial Flows and Disinformation in Southeast Europe](#)" and "[Turning the Tide: A Policy Agenda for Re-Engaging the Western Balkans](#)". In its policy briefing CSD underlined that Southeast Europe (SEE) remains one of the most vulnerable soft targets for the Kremlin's ongoing hybrid war against the European Union and the democratic West. The combination of state and media capture, simmering ethnic divisions both between and within the countries, and the legacy of Russian cognitive bias all make the region a prime target for the Kremlin's aggression. While the region made important strides towards democratization and better governance in the past two decades, its economies remain less competitive than their EU peers, plagued by undue political interference and state ownership, an underdeveloped private sector, and opaque intergovernmental agreements with authoritarian states.

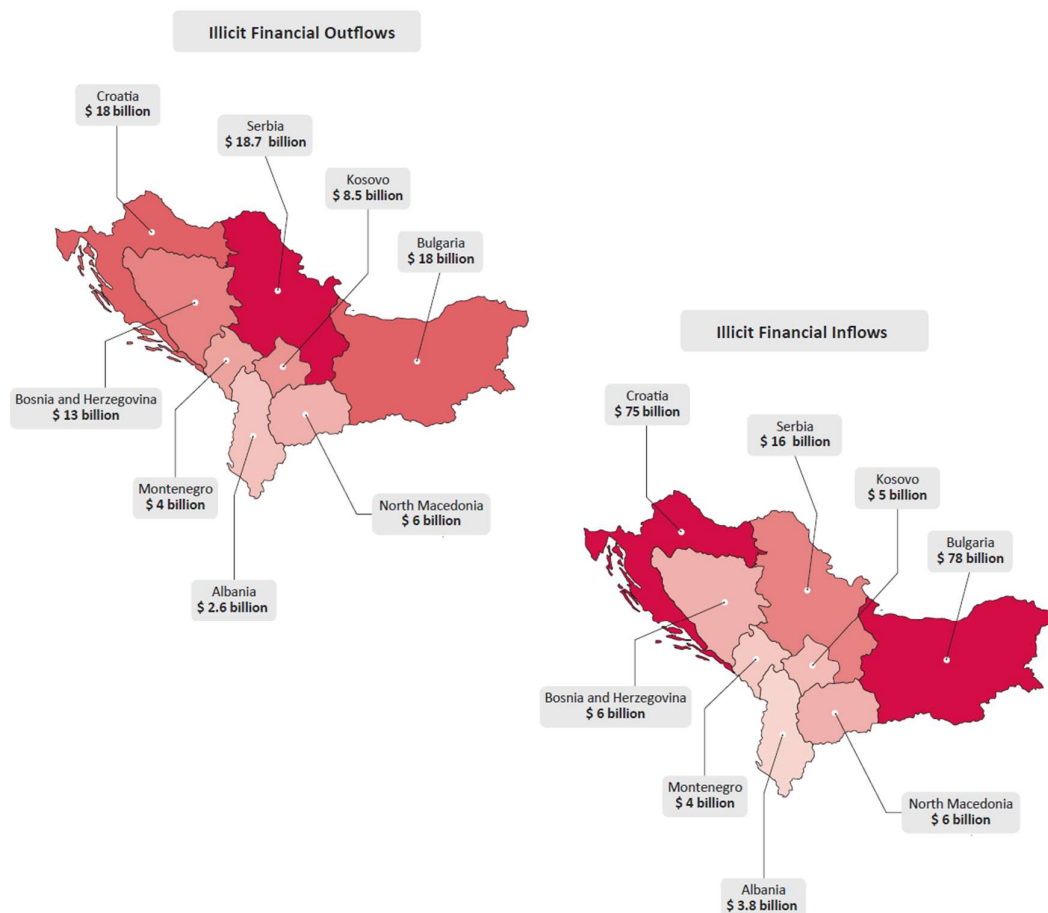
The Kremlin uses illicit finance and disinformation to undermine democratic processes in the region, which has also allowed China and other authoritarian powers to spread their

influence. Widespread disinformation is also a symptom of media capture, with Serbia as the primary launchpad for pro-Kremlin disinformation in the Western Balkans, as well as illicit financial flows.

To address the nexus of IFFs and media capture in the Balkans, political leaders must be held accountable for their support of outside authoritarian influence and corrupt capital inflows. This requires continued democratization and rule of law reforms and a new EU approach to economic security, including the accelerated rollout of the European Anti-Money Laundering Authority. The EU should also provide constructive capital to SEE through funds and development aid to help the region decouple from oligarchic networks by improving sanctions enforcement and investment screening.

IFFs are a major driver of state capture and oligarchic networks across the Western Balkans. These flows, which amount to 6% of the region's GDP, are more widespread in the Balkans than the global average, which is between 3-5% of world GDP. IFFs promote weaken governments' ability to support development and inclusive growth, erode the rule of law, undermine the criminal justice system, and jeopardize the business environment. As such, addressing the problem of IFFs is crucial to building more accountable and transparent institutions, promoting sustainable economic development, and ensuring a fair and level playing field for businesses in the region.

Illicit Finance in Southeast Europe (2000 – 2020)



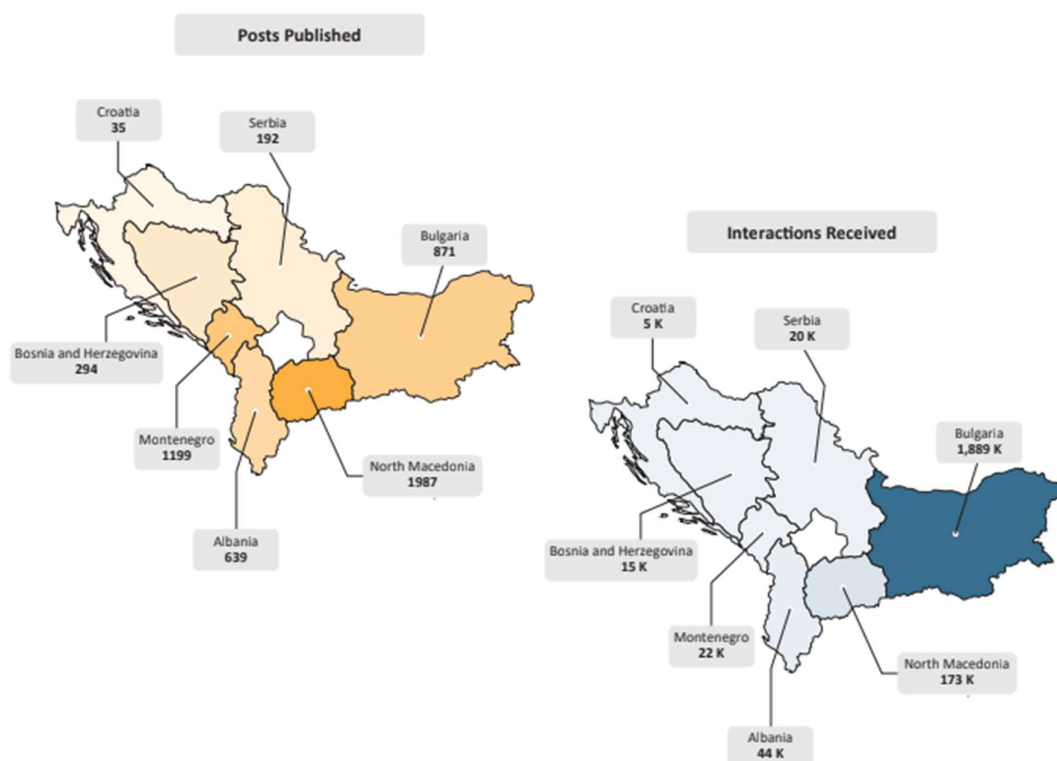
Source: CSD based estimations via Trade Mis-invoicing and Hot Money Narrow.

The media landscapes in the Balkans are particularly affected by foreign malign influence and domestic corruption, with the region's small and underdeveloped media markets being highly dependent on politically connected oligarchic networks, often with economic ties to Russia. These networks, which consist of business tycoons, politicians, and other influence agents, direct editorial policies of major outlets and propagate disinformation narratives to

ensure the mainstream information environment remains conducive to the Kremlin's operations.

In over half of the countries in Southeast Europe, at least one of the five most visited online outlets is an endemic proliferator of pro-Kremlin disinformation, with Serbia standing out as the most pronounced case. The mainstream outlets in all eight countries were found to be referencing sources from Russian state-controlled media, with Bulgaria and Serbia accounting for over half of all identified references.

Number of posts published and interactions received by Russian Embassy pages in 2022



Source: CSD based on data from CrowdTangle

The Western Balkans are facing a critical juncture in the coming years due to various internal and external factors. Urgent policy actions are needed to return the region to the reform track. The topmost priority is the dismantling of state capture, utilizing mainstream evidence-gathering mechanisms to identify capture practices in economic sectors and regulatory institutions. Governments need to update their investment and national security strategies to include a robust FDI screening mechanism and oppose state corporatism and the weaponization of trade by Russia and China.

To reverse media capture, national policymakers, the private sector, civil society, and European and U.S. institutional actors should cooperate. The region should also define consistent energy and climate policies and improve the quality of energy governance to enhance its energy security and propel its green transition. Western Balkan states should pivot to the EU and adhere to the Union's regulations and policies to become energy-secure. The EU should introduce a strong climate and rule of law conditionality for the disbursement of its funding for the region.

Please, read a [summary of the event](#) at CSD's website.

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