

WESTERN BALKANS AND RUSSIA

Assessing the Trade Impact of Sanctions

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Assessing the Trade Impact of Sanctions

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LIST OF ACRONYMS

Western Balkan countries	Albania, Bosnia and Herzegovina, Kosovo ¹ , Montenegro, North Macedonia and Serbia
CFSP	Common Foreign and Security Policy
EU	European Union
SAA	Stabilization and Association Agreement
HS	Harmonized System

¹ This designation is without prejudice to positions on status, and is in line with UNSCR 1244/1999 and the ICJ Opinion on the Kosovo declaration of independence.

INTRODUCTION

Sanctions have been employed throughout history in various forms. However, the effectiveness of sanctions is a subject of perpetual debate among politicians, diplomats, analysts and the wider public. While proponents argue that they offer a nonmilitary means of conflict resolution and a tool for advancing justice and human rights, critics point to their potential for unintended consequences, such as geopolitical instability. Therefore, assessing sanctions requires a multifaceted analysis, taking into account the goals, impact and broader international implications that may affect such outcomes.

In response to the war aggression against Ukraine on 24 February 2022, the EU has imposed massive sanctions against Russia. Broadly, these sanctions target: individuals (aimed at people responsible for supporting, financing and implementing actions that undermine Ukraine's territorial integrity, sovereignty and independence), economic sanctions (numerous import and export restrictions on Russia's economic operators) and visa measures².

Western Balkans and Türkiye have applied for EU membership and begun the pre-accession process, so to advance towards full membership, they are required to align their policies to the Common Foreign and Security Policy (CFSP) and this also means that they are required to impose sanctions on Russia.

Stabilisation and Association Agreement (SAA) which was signed by the EU and the six Western Balkan countries represents a basis for adhering to the EU's CFSP, whereby imposing sanctions on other countries are defined, while Türkiye signed the Association Agreement and the Additional Protocol before the CFSP entered into force³ and has no legal obligations to align with the CFSP.

The following statistical brief sets the stage for a more comprehensive exploration of the trade relations among Western Balkan countries and Russia in the period before and during the sanctions introduced by the EU.

Data used is from the Eurostat and CEFTA and due to methodological approaches and reporting some differences might appear later on when finalising the data reports from the respective sources.

² Source: [European Council](#)

³ Source: EU sanctions against Russia: alignment of the EU enlargement countries, [July 2022](#)

STYLISED MAP OF EUROPE



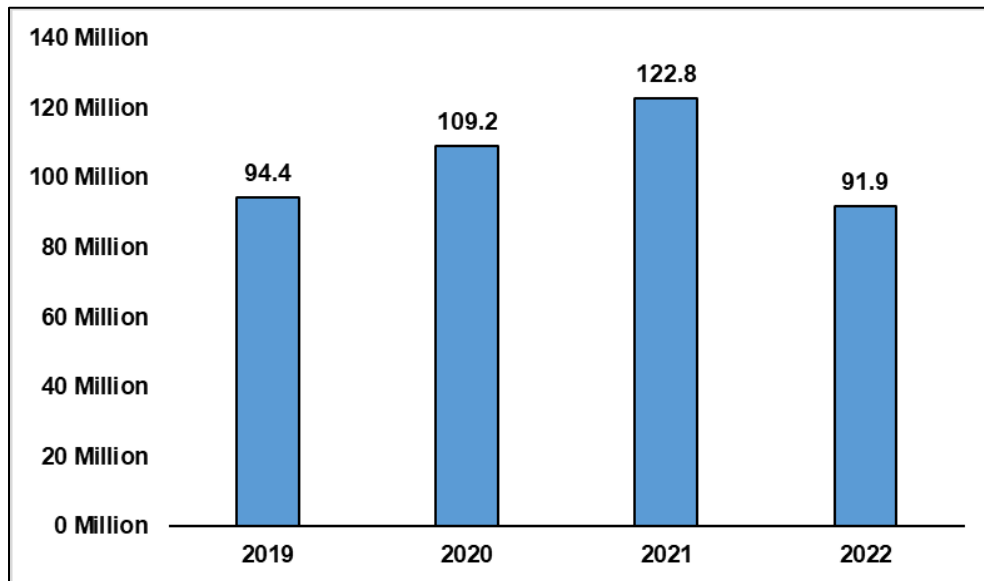
ALBANIA

The EU is the largest trade partner of Albania, with a total annual trade volume (combining imports and exports) of approximately 5.9 billion euros in 2021⁴. As a candidate country, Albania aligned its foreign policies with the EU sanctions imposed on Russia in March 2022 and is aiming to align its policies to the CFSP. Moreover, Albania, Kosovo, Montenegro, and North Macedonia is part of the so-called QUAD platform, which seeks to align 100% of its policies with the CFSP⁵. The QUAD group of countries⁶ is also added to the so-called “Unfriendly List of Countries and Territories” created by the Russian government and are subject to some restrictions⁷.

Albania’s import from Russia represents less than 2% of the total importation of goods. On the other hand, Albania’s export of goods to the Russian market was around 1 million euros annually and represents an insignificant share of overall Albanian exports.

Following the introduction of sanctions on Russia, Albanian imports have seen a decrease as represented in the figure below and currently represent less than 1% of the country’s total imports.

Figure 1 Albania’s import from Russia, annually (in million EUR)



Source: [CEFTA](#), Author’s calculations

Albania’s most imported goods from Russia are cereals, mineral fuels, and fertilizers. Although small in volume, Albania still relies on the importation of cereals and fertilizers from Russia.

⁴ Source: [European Commission](#)

⁵ <https://europeanwesternbalkans.com/2023/03/29/four-western-balkan-countries-launched-100-alignment-with-cfsp-platform/>

⁶ Kosovo is not recognized by Russia and its status is unknown.

⁷ <https://tass.com/politics/1418197>

Albania's top import products from Russia (annually)

Products/Year	2019	2020	2021	2022
Cereals	38.6M €	31.9M €	39.0M €	22.6M €
Mineral Fuels, Mineral Oils and Products of their Distillation	20.8M €	36.8M €	33.4M €	10.6M €
Fertilisers	12.7M €	8.1M €	12.5M €	13.0M €
Animal or Vegetable Fats and Oils and their cleavage products	4.6M €	8.2M €	9.4M €	
Iron and Steel			6.9M €	16.1M €
Wood and articles of Wood; Wood charcoal				4.6M €
Sugars and Sugar Confectionery		4.3M €		
Glass and Glassware	2.0M €			

Source: EUROSTAT, Author's calculations

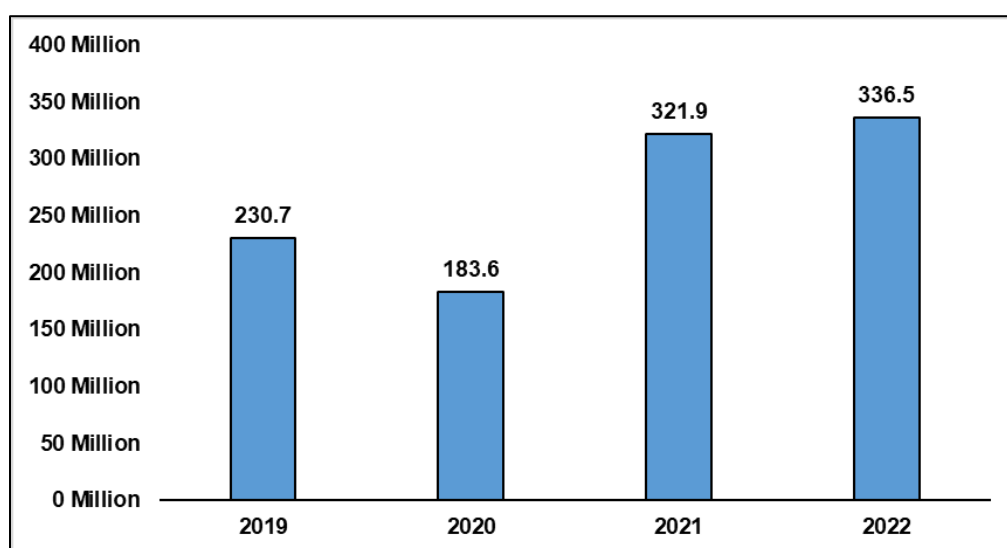
BOSNIA AND HERZEGOVINA

The EU is the largest trade partner of Bosnia and Herzegovina, with a total annual trade volume (combining imports and exports) of approximately 15.1 billion euros in 2022.

BaH's trade relations with Russia before 2022 represented around 3% of the total country's importation. From 2019 through 2022, the country's export of goods to the Russian market was around 60 million euros annually and represents around 1.5% of the country's export.

BaH's imports from Russia have seen a slight increase in 2022 compared to 2021 and this is mainly a result of price increase, particularly Mineral fuels (mainly Natural gas in gaseous state).

Figure 2 Bosnia and Herzegovina's import from Russia, annually (in million EUR)



Source: [CEFTA](#), Author's calculations

Bosnia and Herzegovina's top import products from Russia (annually)

Products/Year	2019	2020	2021	2022
Mineral Fuels, Mineral Oils and Products of their Distillation	104.0M €	84.7M €	104.8M €	170.7M €
Aluminium	43.2M €	30.6M €	36.4M €	47.3M €
Iron and Steel	8.0M €	9.1M €	18.2M €	7.6M €
Copper		7.7M €	8.3M €	5.4M €
Fertilizers	4.7M €			18.3M €
Aircraft and parts thereof		6.7M €	6.5M €	
Wood and articles of Wood; Wood charcoal	5.0M €			

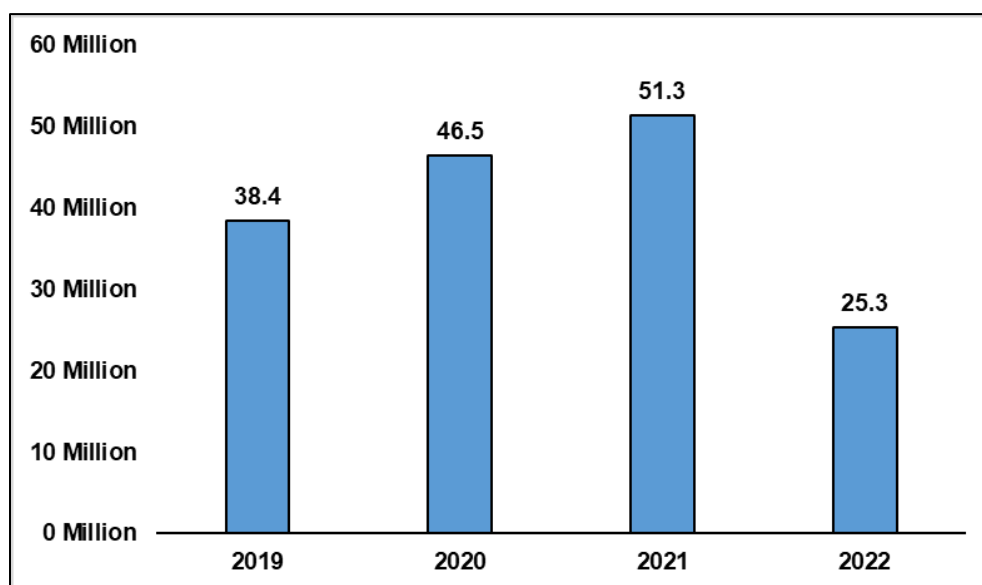
Source: EUROSTAT, Author's calculations

KOSOVO

The EU is the largest trade partner of Kosovo, with a total annual trade volume (combining imports and exports) of approximately 2.7 billion euros in 2022.

In 2022, Kosovo's imports from Russia reached only 25 million euros. Kosovo's export to Russia is small and based on the last 4-year export average, it was less than 50 thousand euro annually.

Figure 3 Kosovo's import from Russia, annually (in million EUR)



Source: [CEFTA](#), Author's calculations

Kosovo's top import products from Russia (annually)

Products/Year	2019	2020	2021	2022
Iron and Steel	12.5M €	12.3M €	25.7M €	16.3M €
Mineral Fuels, Mineral Oils and Products of their Distillation	13.8M €	23.2M €	9.1M €	
Fertilisers	3.6M €	3.6M €	4.5M €	4.2M €
Copper			3.6M €	0.8M €
Glass and Glassware	2.1M €	1.5M €	1.6M €	
Wood and articles of Wood; Wood charcoal	1.6M €			
Plastics and articles thereof				1.5M €
Miscellaneous Edible Preparations		1.3M €		
Rubber and articles thereof				0.7M €

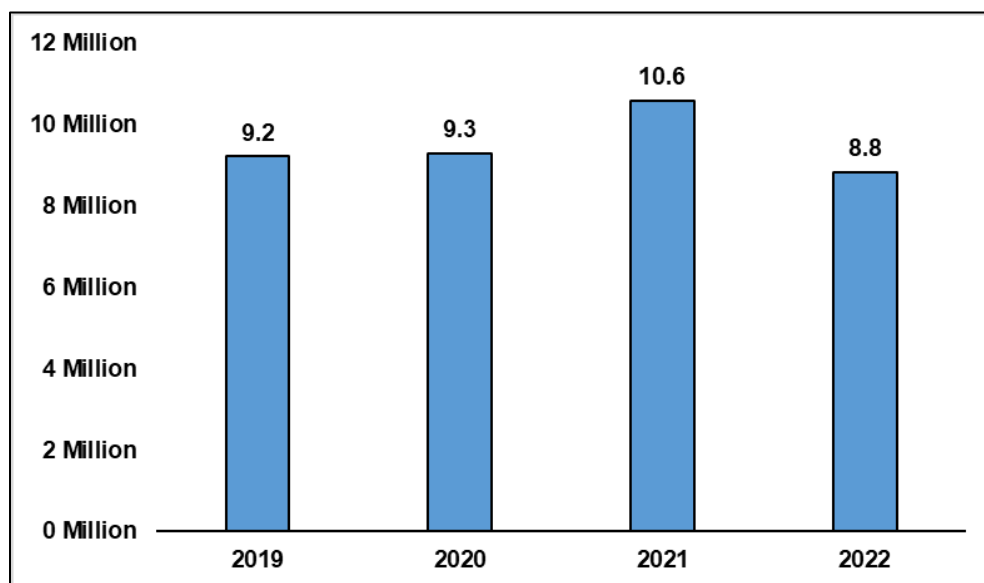
Source: EUROSTAT, Author's calculations

MONTENEGRO

The EU is the largest trade partner of Montenegro, with a total annual trade volume (combining imports and exports) of approximately 1.5 billion euros in 2021.

In 2022, Montenegro's imports from Russia reached only 8.8 million euros of which almost half were tobacco products. Montenegro is the least import-dependent country among Western Balkan countries, with less than 0.5% of its imports being from Russia. Montenegro's export to Russia is insignificant and will reach half a million euro in 2022.

Figure 4 Montenegro's import from Russia, annually (in million EUR)



Source: [CEFTA](#), Author's calculations

Montenegro's top import products from Russia (annually)

Products/Year	2019	2020	2021	2022
Tobacco and Tobacco substitutes	2.9M €	2.1M €	3.3M €	3.8M €
Mineral Fuels, Mineral Oils and Products of their Distillation	1.3M €	2.8M €	1.9M €	0.9M €
Wood and articles of Wood; Wood charcoal	1.4M €	0.7M €	0.9M €	0.8M €
Boilers, Machinery and Mechanical Appliances	0.6M €	0.8M €	0.6M €	0.4M €
Electrical Machinery and Equipment	0.7M €	0.5M €		0.4M €
Glass and Glassware			0.5M €	

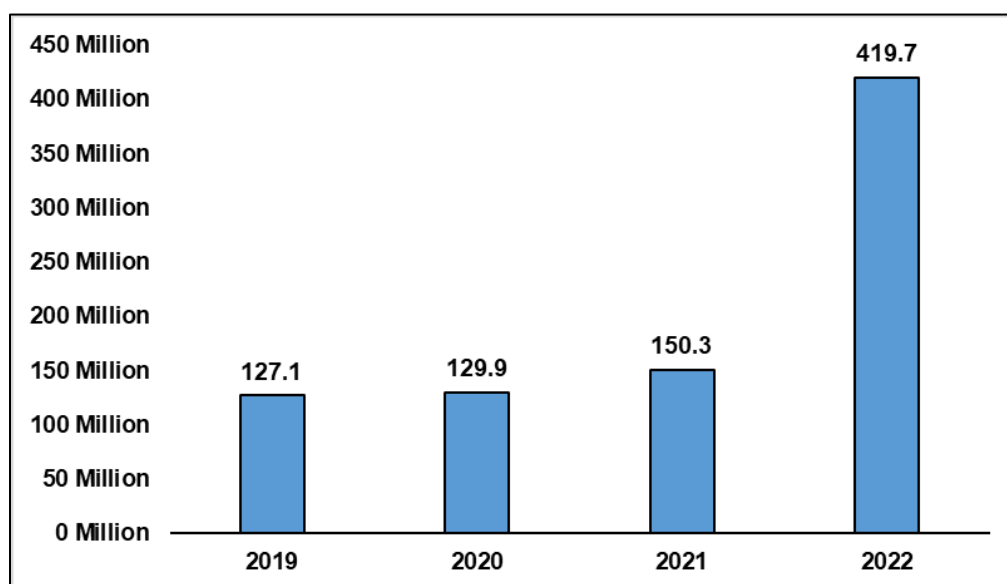
Source: EUROSTAT, Author's calculations

NORTH MACEDONIA

The EU is the largest trade partner of North Macedonia, with a total annual trade volume (combining imports and exports) of approximately 10.8 billion euros in 2021. North Macedonia joined the EU sanctions on Russia and was immediately added to the list of unfriendly countries on March 7, 2022⁸.

In 2022, Macedonia's imports from Russia reached a record high of 419 million euros, of which a significant part were Mineral fuels and mineral oils. Macedonia's export to Russia represents less than 1% and averaged 50 million euros per year in the past 4 years period.

Figure 5 North Macedonia's import from Russia, annually (in million EUR)



Source: [CEFTA](#), Author's calculations

North Macedonia's top import products from Russia (annually)

Products/Year	2019	2020	2021	2022
Mineral Fuels, Mineral Oils and Products of their Distillation	84.2M €	70.6M €	102.7M €	333.6M €
Fertilisers	4.4M €	6.4M €	5.8M €	12.9M €
Iron and Steel	9.7M €	23.6M €	20.4M €	
Plastics and articles thereof	4.5M €	5.0M €	4.9M €	3.7M €
Aluminium			3.1M €	
Copper	2.9M €	4.6M €		
Paper and Paperboard, articles of Paper				1.3M €
Boilers, Machinery and Mechanical Appliances				0.9M €

Source: EUROSTAT, Author's calculations

⁸ <https://tass.com/politics/1418197>

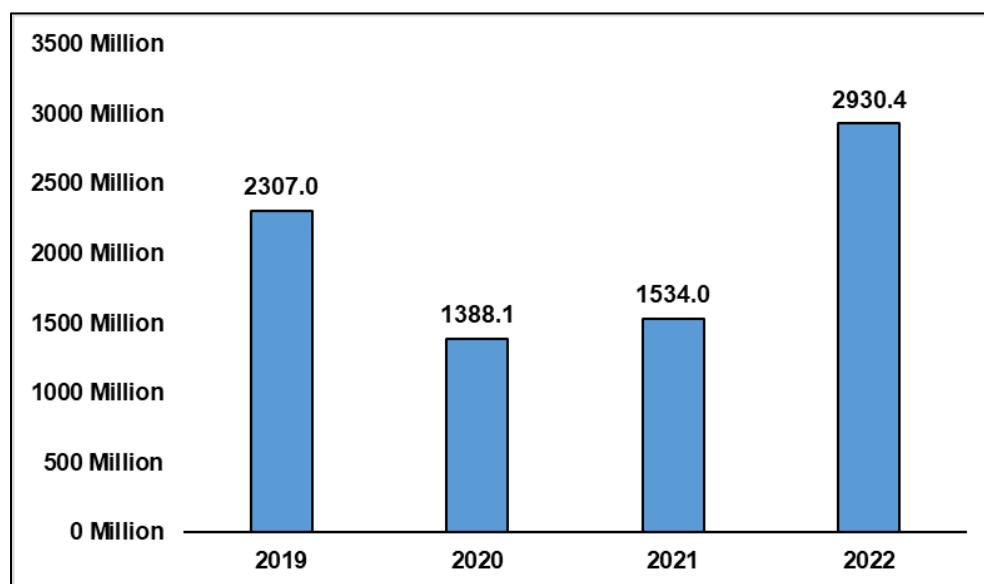
SERBIA

The EU is the largest trade partner of Serbia, with a total annual trade volume (combining imports and exports) of approximately 32.3 billion euros in 2021.

Russia is among the top five trade partners of Serbia. In 2022, Serbia's imports from Russia reached a historical maximum of almost 3 billion euros, thus placing Russia in third place, just after China and Germany⁹. Serbia's imports from Russia in 2022 reached 7.5% of the total country's imports and showed an increase compared to the pandemic 2020 and 2021. The major share of importation were Mineral fuels, mineral oils and fertilizers.

Contrary to other WB countries whose exports to Russia reach around 1% or less out of total exports, in 2022, Serbia exported around 1.1 billion euros of goods to Russia, which represents 7.5% of the country's exports.

Figure 6 Serbia's import from Russia, annually (in million EUR)



Source: [CEFTA](#), Author's calculations

Serbia's top import products from Russia (annually)

Products/Year	2019	2020	2021	2022
Mineral Fuels, Mineral Oils and Products of their Distillation	1,261.4M €	616.7M €	753.2M €	2,007.8M €
Fertilisers	132.4M €	149.0M €	137.1M €	382.0M €
Iron and Steel	236.4M €			
Aircraft and parts thereof	153.1M €	51.3M €		
Plastics and articles thereof		49.4M €	58.2M €	59.5M €
Arms and Ammunition			72.3M €	

⁹ Source: CEFTA

Ores, Slag and Ash			65.2M €	
Copper	49.9M €			
Tobacco and Tobacco substitutes				61.4M €
Paper and Paperboard, articles of Paper				42.4M €
Other products		182.5M €		

Source: EUROSTAT, Author's calculations

DEPENDENCY ON NATURAL GAS

Natural gas stands as a pivotal pillar in the global energy landscape, mainly for electricity generation. Countries in the South-East and Central Europe lean heavily on natural gas importation for both heating and power production, imported mainly from Russia. This reliance stems from the region's connections, where Russia remains a key player in natural gas supply. The abrupt surge of natural gas prices in 2022 affected considerably the economies of the three WB countries: Serbia, North Macedonia and Bosnia and Herzegovina, whose dependence on natural gas from Russia contributed to increased trade balance deficits with Russia.

On the other hand, Albania's importation of natural gas in gaseous state was majorly imported from Azerbaijan, while Montenegro and Kosovo's reliance on natural gas remains relatively modest, with a small reliance on this resource.

Monthly data from Eurostat reveals that there were disparities in the pricing of natural gas in gaseous state among European countries. Central and South-East European countries along with North Macedonia, displayed a similar pricing trend for the resource, while this was not the case for Bosnia and Herzegovina and Serbia.

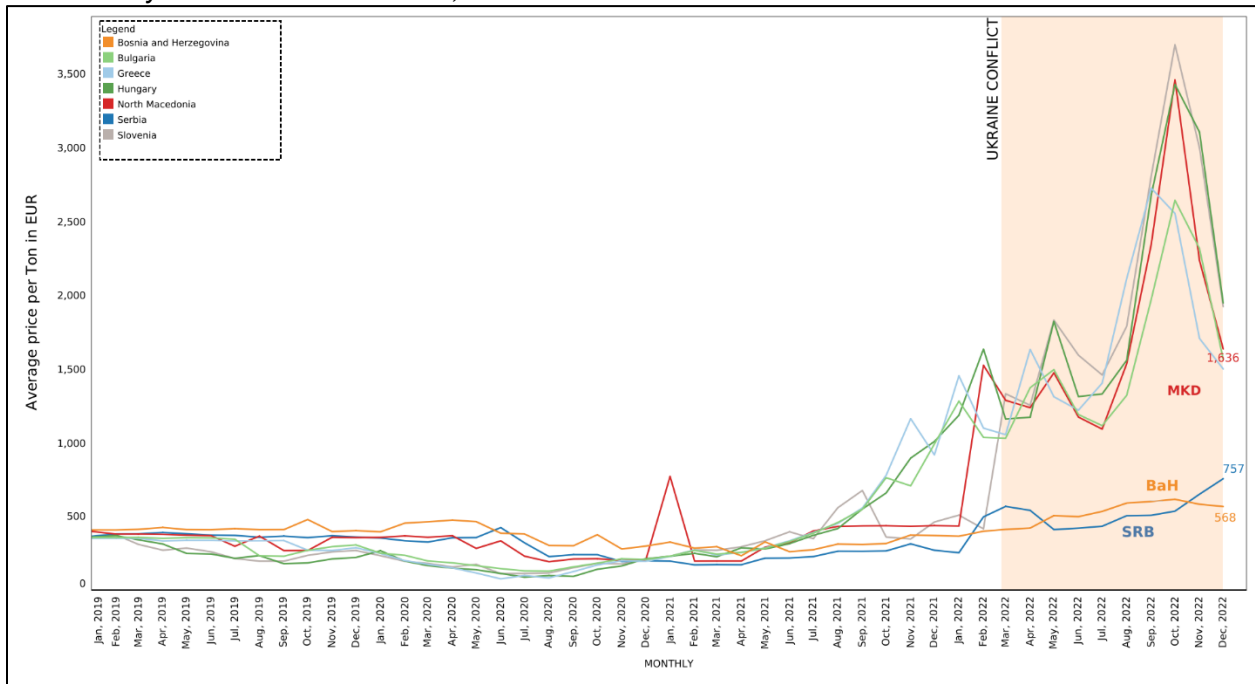
Both Bosnia and Herzegovina and Serbia enjoyed "discounted" prices, or prices from old contracts, despite soaring market prices for the resource. This can be interpreted as a form of acknowledgement for not aligning with the EU sanctions and CFSP and not being added to the "Unfriendly List of Countries" prepared by the Russian government.

However, it's worth noting that Serbia's pricing was determined by a bilateral agreement with Russia, which concluded in May 2022¹⁰. Subsequently, a new three-year contract was signed, starting in June 2022.

As shown in the figure below, a sharp surge in gas prices for Serbia coincided with the onset of the conflict in Ukraine. Moreover, in the months that followed a new contract was agreed thus securing competitive prices and quantities for Serbia.

¹⁰ <https://www.bbc.com/serbian/lat/srbija-61617476>

Figure 7 Average monthly prices of imported Natural gas in gaseous state from Russia from January 2019 to December 2022, in EUR*



Source: EUROSTAT; Prepared by the author

*the average price is calculated from the International Trade of Goods dataset, calculated monthly

CONCLUSIONS

Since February 2022, there has been a significant shift in trade relations among Western Balkan countries and Russia. While Albania, Kosovo and Montenegro have registered a sharp decline in imports from Russia, Bosnia and Herzegovina, North Macedonia and Serbia have registered an increase, which is attributed to the increased prices of Mineral fuels and mineral oils which constitute a significant part of their imports from Russia.

Albania is expected to maintain its dependence on importing cereals and fertilizers from Russia. This policy aims to ease food price inflation, while the import of fertilizers from Russia is expected to ensure competitive prices in agricultural production.

Concerning Bosnia and Herzegovina, it is expected to rely on the importation of mainly Mineral fuels (natural gas) and Aluminium. Despite obtaining a candidate status in December 2022, Bosnia and Herzegovina is not part of the so-called QUAD platform group and is not expected to align 100% of its policies with the CFSP due to political reasons.

North Macedonia has seen the highest increase in the import of goods from Russia with 2.5 times increase in 2022 compared to 2021. The surge of prices for Mineral fuels resulted in unprecedented pressure on the governmental budget and economic operators, which then resulted in a 14.2% increase in consumer prices in 2022¹¹.

Serbia's exports to Russia reached a record high of 1.1 billion euros in 2022 and showed an increase of 35% compared to 2021. Moreover, Serbia signed a three-year agreement for natural gas supply from Russia in May 2022, thus it is expected that Serbia would preserve this policy and not align 100% with the EU's CFSP as a result of possible negative implications on the economy.

¹¹ https://data.worldbank.org/indicator/FP.CPI.TOTL.ZG?end=2022&locations=AL-BA-RS-MK-XK-ME&name_desc=true&start=2022&view=bar

Annex 1

