

Anastasiya Feulner  
PhD Student at Sapienza University of Rome  
Peace Studies - Economics of Peace

## **The NATO Security Premium and Investment Diversion in the Western Balkans: A Synthetic Control Approach**

This project applies the Synthetic Control Method to estimate the effect of NATO accession on investment in the Western Balkans, a region whose recent conflict legacy and staggered integration with both NATO and the EU make it possible to separate the security premium from the parallel effects of EU market access. Three accession episodes are treated as institutional shocks — Croatia and Albania in April 2009, and Montenegro in June 2017 — and their post-accession trajectories are compared with synthetic counterfactuals built from a pool of non-NATO emerging and post-socialist economies. A second phase reverses the perspective, treating Serbia, the region's principal non-aligned state, as exposed to an external shock when its neighbours joined NATO in 2009, in order to test whether capital was diverted away from it toward the newly secured neighbours. The expectation is that NATO accession produces an upward divergence in indicators of industrial complexity and durable capital formation relative to the counterfactual, that the magnitude of this divergence varies with the host country's conflict legacy, and that Serbia's trajectory diverges downward after 2009 in a manner consistent with institutional arbitrage by risk-averse capital.

Phase I — The security premium. Croatia (2009), Albania (2009), and Montenegro (2017) are the treated units. The objective is to measure how their post-accession economic complexity diverges from synthetic counterfactuals built from non-NATO peers.

Phase II — Investment diversion. Serbia is a treated unit, with the 2009 NATO accession of its neighbours acting as an external shock. This tests the institutional arbitrage hypothesis of investors penalising Serbia by reallocating capital toward the newly secured neighboring countries.