Deglobalisation and Decoupling Tendencies in the Visegrád Countries in the Wake of the Polycrisis*

Tamás Ginter – Patrik Tischler

After a number of shocks (including the Covid-19 pandemic and the war in Ukraine, in particular), global trade has undergone a transformation that is characterised by deglobalisation and decoupling tendencies. In this paper, we use descriptive statistics to analyse the short-term effects of exogenous shocks on international trade in the Visegrád countries. We find that between 2019 and 2022, deglobalisation tendencies were not persistent in the region. The trade-to-GDP ratio has exceeded the pre-pandemic levels (thus, the region is more globalised than in 2019), despite short-term declines induced by the various shocks. While the region trades mainly with politically-economically aligned partners, the proportion of international trade with non-Western partners has also grown over the past four years. Trade with Russia has declined significantly since the outbreak of the war in Ukraine, but decoupling from China has not started. However, certain country differences apply.

Journal of Economic Literature (JEL) codes: F02, F50, F62

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1. Introduction

The global economy of the 2020s may be experiencing *"the most difficult set of challenges of the 21st century",* the so-called "polycrisis", during which nations must simultaneously tackle climate change, the Covid-19 pandemic, the threat of nuclear war and the war in Ukraine (*Henig – Knight 2023:3*). One of the key changes induced by the polycrisis is that exogenous shocks such as the pandemic and the war in Ukraine have evoked a need for a massive restructuring of global value chains (GVCs; see *Hausmann 2020*; *Halmai 2023*). Measures aimed to prevent the

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spread of the coronavirus included temporary closures of borders and businesses, causing trade disruptions on a global level and thus incentivising companies and governments to prioritise safety over (economic) efficiency (*Simola 2021*). From early 2022 on, war in Ukraine resulted in a further destabilisation of supply chains: sanctions and public pressure prompted Western companies and governments to sever trading ties with Moscow, transforming energy trade flows on a global scale, amongst other things (see e.g. *Borin et al. 2023*). The far-reaching effects of the pandemic and the war in Ukraine have led to a shift in the globalisation debate: due to the uncertainty caused by the exogenous shocks, the past years have reinforced the narrative of deglobalisation.

This paper aims to empirically analyse potential deglobalisation tendencies in CEE countries after the pandemic and the war in Ukraine, respectively. To do so, in the literature review, we first introduce the terminology used for describing different (de-)globalisation phenomena and present their brief theoretical development, with a particular focus on the CEE region. Based on this framework, we then conduct an empirical study of how the polycrisis of recent years has influenced deglobalisation (including a brief historical overview of globalisation tendencies in the past two decades) and decoupling tendencies in Central and Eastern Europe by examining international trade flows.

2. Theoretical background

In the course of developments in the past decade, a wide range of new concepts has emerged when describing phenomena related to globalisation. Therefore, in the first section of the literature review, we introduce a set of relevant concepts (such as deglobalisation, nearshoring, friendshoring, etc.). As this paper is not a systematic literature review, we do not aim to collect all available definitions and aspects, providing instead a taxonomical framework upon which we then base our empirical analysis.

Globalisation is commonly associated with international economic integration, multilateralism and interdependence among nations. Thus, globalisation is not characterised by a single factor, but is instead a complex "*process that encompasses the causes, course, and consequences of transnational and transcultural integration of human and non-human activities*" (*Al-Rodhan – Stoudmann 2006:5;* see also *Halmai 2023*). Therefore, globalisation has a cultural dimension with the transmission of different cultures, traditions and knowledge across borders. In the economic dimension, globalisation creates a highly interconnected economic environment through the establishment of global value chains, the enhancement of free trade, international capital flows, cross-border payments and the establishment

of international organisations (*Kim et al. 2020; Irwin 2020*). Globalisation also has a political dimension associated with global governance, meaning that states in hegemon positions provide a level of global order, which affects the functioning of every nation to a greater or lesser extent. This political globalisation comes hand in hand with global rivalry among hegemons, as they aim to maintain their authority over the global order by means of military and economic power as well, creating dependencies and vulnerabilities in GVCs. Thus, political (de-)globalisation is one of the key drivers of economic (de-)globalisation and vice versa: changes in power structures at certain intervals (as a result of rivalry) can initiate globalisation and deglobalisation trends (*Chase-Dunn et al. 2023*).

According to *Jones* (*2005*), a historical cyclical pattern can be observed between globalisation and deglobalisation forces. Jones argues that the first wave of globalisation lasted from 1840 to 1929. After that, the Great Depression caused the first deglobalisation wave from 1929 to 1979, during this period the negative consequences of the Second World War and the formation of the bipolar world order reversed globalisation. Then, globalisation gained ground again, as financial and trade integration developed quickly and peaked, until the Global Financial Crisis (GFC) in 2008. The GFC marked a turning point, as distrust in the global financial system and global companies emerged among citizens, pushing nations towards renationalisation, populism and financial fragmentation (*James 2018; Kim et al. 2020*). As *Halmai* (*2023*) stated, the GFC led to a temporary decline in global trade of over 10 per cent. Before the GFC, global trade had reached more than 60 per cent of global GDP, before falling to approximately 50 per cent by 2009. Subsequently, up to now, global trade has still not been able to recover to pre-GFC levels.

After the GFC, a new wave of deglobalisation emerged, marked by a significant drop in international trade and foreign direct investment (FDI; *Witt 2019*). *Goldberg – Reed* (*2023*) argue that recent deglobalisation processes can be clearly divided into three stages. Between 2015 and 2019, due amongst other things to Brexit and the emerging trade war between the USA and China, protectionist policies gained momentum, triggering a slowdown in globalisation, but not terminating it. With the outbreak of the pandemic, there appeared a growing need to enhance the resilience of value chains, and thus a justification for nearshoring (also known as reshoring or backshoring). Last but not least, the war in Ukraine compelled decoupling based on political alliance: demand for minimising trade with countries that are not considered friends resulted in the restructuring of GVCs in the form of friendshoring.

With the growing need to describe deglobalisation processes, a broad range of definitions and concepts has emerged. According to *Kandil et al. (2020)*, reshoring implies the geographical relocation of activities within a company back to a country close to the country of origin. Consequently, there is no significant difference between the meanings of reshoring and nearshoring, as nearshoring means relocating activities to a nearby country compared to the home country. Thus, we argue that the two terms are used interchangeably. Furthermore, while friendshoring (which is undeniably the most important component of decoupling) aims to reduce supply chain risks by shifting GVCs to trusted and friendly countries, the term backshoring used in Europe indicates relocating abroad activities back to the home country of the company. The term decoupling is used similarly to that of friendshoring (denoting the need to minimise trade with politically non-aligned countries; see *Maihold 2022*). In this paper, for the purposes of our analysis, we use the term "decoupling" as an equivalent of friendshoring.

Our analysis focuses on deglobalisation and decoupling tendencies in the Visegrád countries (i.e. the Czech Republic, Hungary, Poland and Slovakia). The reasons for our particular focus on the Visegrád countries as the subject of the analysis are manifold. First, the four Visegrád countries share a very similar historical development. After having been controlled (partially or entirely) by the Habsburg Empire and a short-lived independence between the two world wars, they were forced to be members of the Warsaw Pact. Since having regained their independence in the early 1990s, these countries have transitioned from a centrally planned to a market-oriented, open economy and become parts of Western structures (the EU and NATO, most notably) (*Gorynia – Wolniak 2009; Losoncz 2017*). This market transformation resulted in a significant increase in foreign trade and inward foreign direct investment. In addition, they also share a common political-cultural platform, the Visegrád Group (*Kazharski 2020; Pakulski et al. 2016*). Second, these countries' geographical position is peculiar amidst the polycrisis of the early 2020s: with the global economy transforming into two blocks, these countries are the easternmost members of the Western bloc. This is of particular relevance not only because of geographical proximity to the war, but also due to the high level of energy-related links with Russia. Third, while they show very similar characteristics in terms of the structure of the economy and economic development, these countries are also among the most embedded in global trade and are thus particularly vulnerable to disturbances of global supply chains (*Chetverikova 2020; Darmo et al. 2020; Kordalska – Olczyk 2021*). Additional similarities among the Visegrád countries can also be detected in terms of trade relations, as they developed strong trade linkages with Germany in the 1990s. Moreover, these countries have gained a similar position in GVCs: their presence is more robust within the downstream segment of GVCs compared to developed countries (such as the USA, Germany, Japan) and

EU average. Thus, the Visegrád countries present lower added value in global trade, meaning that their economies tend to focus on assembly phases in manufacturing (*Cieślik et al. 2016*).

The deglobalisation tendencies of the past decade have also been present in the four Visegrád countries (*García-Herrero – Tan 2020*; as cited by *Bykova et al. 2021*): the latest literature features conflicting findings as to whether the region has witnessed a decreased pace of globalisation (slowbalisation) or a decrease in the level of embeddedness in GVCs (deglobalisation). *Bykova et al.* (*2021*) also suggest that these trends are reinforced by the trade shifts caused by the pandemic. This is also confirmed by *Kalotay – Sass* (*2021*), who state however that the Visegrád countries were less affected by the reduction of FDI inflows than the global average. *Kaaresvirta et al.* (*2023*) analysed decoupling tendencies in the CEE region as well.[1] The authors contend that on the one hand little evidence is available for decoupling on a global level and on the other hand the level of bilateral trade flows has grown even considerably between the USA and the CEE region and China and the CEE region, respectively. Thus, so far, on an aggregate level, the CEE region has not taken a demonstratable part in decoupling tendencies.

Based on the reviewed literature, we pose the following research questions:

- Has the polycrisis affected the level of globalisation of the Visegrád countries? Does the region align with the global trends in deglobalisation?
- Have the Visegrád countries started decoupling from non-aligned economies? If so, can the region be considered homogeneous in terms of the possible restructuring of trade flows?

3. Methods

3.1. The quantification of (de-)globalisation

To quantify the terms of deglobalisation and decoupling, we use international trade statistics as a proxy variable. Based on *Vujakovic* (*2009*) and *Irwin* (*2020*), we assume that a country's international trade as a share of GDP can be used as a proxy for the degree of globalisation. While this does not cover all dimensions of globalisation (see e.g. financial globalisation, capital flows, political-institutional globalisation, etc.), numerous authors (see above) consider this as a sufficient means for tracing (de-)globalisation tendencies.

[1] *Kaaresvirta et al.* (*2023*) consider Poland, Romania, Bulgaria, Ukraine, Hungary and Czechia as Central Eastern Europe, thereby diverging from the Visegrád Four to a certain extent.

Data were retrieved from *the "Direction of Trade Statistics (DOTS)"* database of the IMF.[2] DOTS *"*presents the value of merchandise exports and imports disaggregated according to a country's primary trading partners. (…) Imports are reported on a cost, insurance and freight (CIF) basis and exports are reported on a free on board (FOB) basis*"* (*IMF DOTS*).

For our long-term analysis, we used annual data of the IMF DOTS ranging between 2002 and 2022 (the latest timepoint available). In order to obtain data comparable both in temporal and geographical terms, we calculated trade-to-GDP ratios (adding up imports and exports by country and then dividing it by the respective GDP, with data on the latter retrieved from the World Bank[3]). With four countries (the Czech Republic, Hungary, Poland and Slovakia) in the sample, our long-term analysis consisted of a sample with N=84.

To paint a more detailed picture of deglobalisation tendencies during the polycrisis, we collected data (in million USD) on quarterly imports and exports (and total international trade, as an aggregate) by country and divided this by the quarterly GDP of the respective country for the time period between 2019Q1 and 2022Q4.[4] Quarterly GDP data was retrieved from the OECD's Quarterly International Trade Statistics (*OECD 2023*). We calculated an import-to-GDP ratio, an export-to-GDP ratio and a trade-to-GDP ratio (expressed in the form of percentages), allowing for country comparison (and controlling for inflationary effects, amongst other things).[5] We thus obtained an initial dataset with three indicators: with the four examined countries (i.e. the Czech Republic, Hungary, Poland and Slovakia) and 16 (15 in the case of Poland) quarters in our sample, we used here a dataset with N = 65.

3.2. The quantification of decoupling

With the aim of measuring the effects of decoupling in the Visegrád countries, we used the same IMF DOTS dataset. The database contains trade volume with respective trading partners (covering "all IMF member states, some non-member countries, the world and major areas"; IMF DOTS) for each country (quarterly, between 2019Q1 and 2022Q4).

[2] https://data.imf.org/?sk=9d6028d4-f14a-464c-a2f2-59b2cd424b85. Downloaded: 16 March 2024.
[3] Source: *Countries and Economies.* https://data.worldbank.org/country. Downloaded: 28 February 2024.
[4] Except for Poland where data is available until 2022Q3.
[5] Instead of calculating the percentage change (by defining the first point on the timeline as 100 per cent), we calculated nominal percentages, thus allowing for the comparison of the trade structure of the respective countries in the sample.

In order to quantify the effects of decoupling/friendshoring, we follow a two-step methodological process. First, we grouped all trading partners into two possible subgroups. The first subgroup contains aligned countries (in terms of economic partnership and foreign policy), while the second subgroup contains all other trading partners. As *Rashid* (*2022:47*) argues, the war in Ukraine "pushed the world into an ideological divide", identifying the West as one pole of an emerging new cold war. Aligning with both sociological concepts (see e.g. *Huntington 1996*; *World Population Review*[6]) and economic ones (e.g. *Spielvogel 2015, IMF database*[7]), we consider all member states of the European Union and/or NATO and/or the European Free Trade Association (see complete list in the *Appendix*) as members of the group of allies. All other countries (that were not included in the group of allies) were considered as the "rest of the world" (RoW).[8] Trade figures by both groups were added up (thus expressing the sum of exports, the sum of imports and the sum of international trade by group). With this first grouping, we aim to quantify the effects of decoupling, as we set up a possible distinction between countries aligning with the Western side of the political-economic divide and the rest of the world. With four countries and 16 (15 in the case of Poland) points on the timeline, we once again obtained a dataset with N=65, with the following variables:

- International trade with allies (the sum of exports and imports, as a percentage of GDP)
- International trade with RoW (the sum of exports and imports, as a percentage of GDP)

At this point, it is worth noting that we use data on trade value for measuring the effects of deglobalisation and decoupling. This data, however, does not reflect on price changes. It is therefore possible that even if trade grew in a certain period, the actual volume of traded goods did not. This is also addressed in *Section 5*.

In the second step of our analysis, we proceeded as follows. In order to explore the phenomenon of decoupling in more depth, we further broke down the aforementioned two-faceted categorisation of allies and RoW. Based, *inter alia*, on *Kaaresvirta et al.* (*2023*), we constructed the following subgroups of the main trading partners:

[6] Source: *Western Countries 2023.* https://worldpopulationreview.com/country-rankings/western-countries. Downloaded: 14 August 2023.
[7] *World Economic and Financial Surveys*. International Monetary Fund. https://www.imf.org/external/pubs/ft/weo/2022/01/weodata/groups.htm. Downloaded: 14 August 2023.
[8] The reason for using this dichotomous categorisation is derived from *Rashid* (*2022*) on the one hand. On the other hand, the concept of decoupling / friendshoring implies a dichotomy itself: a country is either friendly or it is not; the ideological divide leaves little room for anything in between. The second step of our analysis aims to paint a more detailed picture where both allies and RoW are further deconstructed into relevant trading partner countries and country groups.

- the European Union,
- the United States,
- China,
- Russia,
- the United Kingdom,
- and Japan and South Korea (as an aggregate of the two sums).

It is worth noting that certain trading partners in the list above belong to the category of allies, while others belong to that of RoW (notably, China and Russia). Besides being some of the main trading partners of the region, these two countries (i.e. China and Russia) are the ones that are the main subjects of Western decoupling intentions. Thus, this allows for a direct analysis of decoupling phenomena (or, potentially, the lack thereof).

The six listed countries and country groups cover at least 86 per cent of total imports and exports of the Visegrád countries (and often exceed even 90 per cent).[9] This also implies that an analysis of trade with these countries and country groups provides sufficient understanding of decoupling in the Visegrád countries.

As we were primarily interested in the decoupling effects emerging during the polycrisis, we used quarterly data from between 2019Q1 and 2022Q4 for imports and 2019Q1 and 2023Q2 for exports, respectively (the difference in the timeframe resulted from the availability of data). Altogether, we thus obtained a dataset of 16 quarters for imports, while 18 quarters for exports and 6 export partner groups, resulting in a total N of 816 (all items in all the four examined countries' exports and imports). In order to control, *inter alia*, for inflationary effects and other distorting factors, we calculated the ratio of exports to (imports from) a certain trading partner to total exports (imports). Thus, we were able to measure the relevance of a certain trading partner country or country group proportionately to total trade.

[9] Detailed statistics on the distribution of trade with the six constituted countries and country groups can be found in the *Appendix in Table 1*.

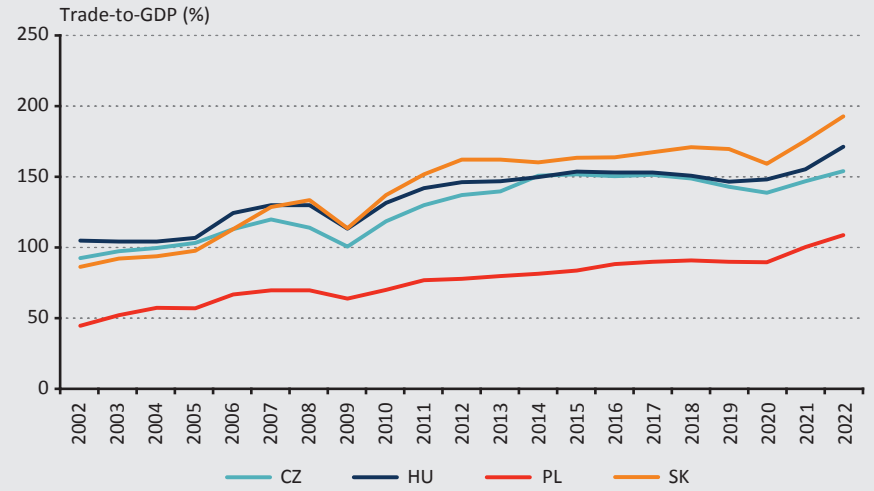
In this paper, we thus use descriptive statistics to analyse the short-term effects of exogenous shocks on international trade in the Visegrád countries. While descriptive methodology does not allow for testing hypotheses, it does provide us with the opportunity to answer the research questions stated in *Section 2*.

4. Results

4.1. Long-term (de-)globalisation tendencies in the Visegrád countries

First, we aimed to provide an overall picture of (de-)globalisation tendencies of the analysed region over the longer run, for the period from 2002 to 2022. This allows us to construct a framework for the time when we later strive to identify deglobalisation tendencies (or a lack thereof) in the region during the polycrisis of the early 2020s. Our results correspond with the relevant findings in the literature (see *Kaaresvirta et al. 2023*; *Kalotay – Sass 2021*). We found that European economic integration had a visible effect on these countries' embeddedness in the global economy: the examined countries were characterised by a rising share of foreign trade (to GDP) between 2004 (the year of EU accession) and 2007/2008 (the start of the Global Financial Crisis). Recovery after the GFC was achieved by the early 2010s (varying by country to a certain extent), with the globalisation indicator exceeding pre-crisis levels. A notable slowdown in the pace of globalisation occurred in the second half of the 2010s (referred to in much of the literature as "slowbalisation"; see *Kandil et al. 2020; Bykova et al. 2021*). Then, in 2020 (i.e. the outbreak of the Covid-19 pandemic), a sudden decline was seen in the level of globalisation (albeit less grave than during the GFC), which was followed by a quick recovery, despite the prolonged crisis induced by the pandemic and the subsequent war in Ukraine (which was also assumed to have further disrupted GVCs.) In addition, in accordance with previous suppositions (see *Chetverikova 2020; Losoncz 2017; Cieślik et al. 2016*), it is visible that while the Czech Republic, Hungary and Slovakia share a very similar path and extent of globalisation tendencies, Poland's share of foreign trade (in relation to GDP) is significantly lower than that of the other three countries. Also, the Polish economy appears to be more resistant to shocks (such as the GFC or the Covid-19 pandemic). This presumably results from the relative size of the Polish economy and that the Polish economy relies strongly on internal consumption (in contrast to the other three Visegrád countries, which mainly base growth on foreign investment). *Figure 1* shows the aforementioned trends in detail.

Figure 1
Long-term (de-)globalisation tendencies in the Visegrád countries between 2002 and 2022

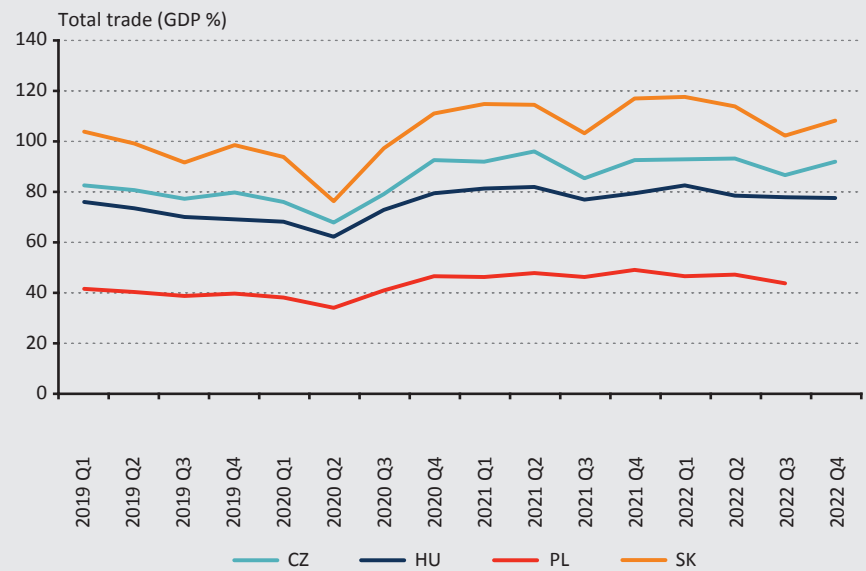


Source: Compiled based on data from IMF DOTS and the World Bank

4.2. Short-term effects of the polycrisis on the (de-)globalisation of the Visegrád countries

In this section, we present the statements on short-term deglobalisation tendencies that can be drawn from international trade statistics. First of all (and despite the widespread presumption of deglobalisation tendencies), over the longer run (i.e. between early 2019 and late 2022) we do not see any significant decline in international trade. International trade (controlled for the change in output) was higher in late 2022 than prior to the shocks of the early 2020s (i.e. the Covid-19 pandemic and the war in Ukraine). This is true for all four countries in the sample, regardless of these countries' embeddedness in global trade flows (which has traditionally been significantly lower in the case of Poland compared to the other three Visegrád countries, for comparison, see also *Figure 2*).

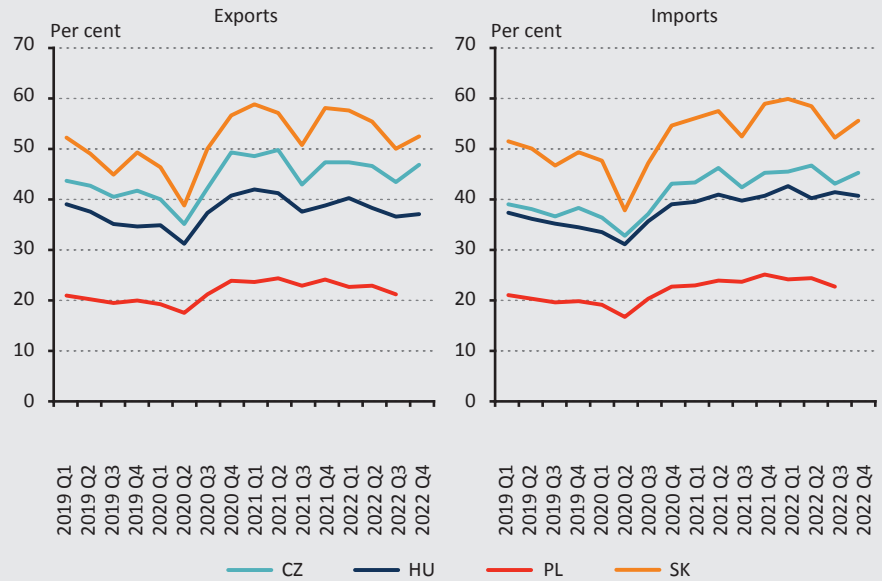
Figure 2
International trade as a percentage of GDP in the Visegrád countries



Source: Compiled based on data from IMF DOTS and the OECD (2023)

However, during the past four years, components of the polycrisis affected international trade figures over the short run. All of the examined economies experienced a significant drop in international trade in the first wave of the Covid-19 pandemic (2020Q1 vs. 2020Q2), due to restrictions and the short-term deterioration of global value chains. This drop, however, was followed by a very quick recovery of trade activities, which exceeded the pre-pandemic levels within a maximum of 6 months. A similar drop occurred in 2021Q2 to 2021Q3, followed by another fast recovery. The drop was caused by manufacturing supply chains reaching their limit and slowing down production, thus creating further disruptions in international trade (*Tradeshift 2021*). Unlike the outbreak of the Covid-19 pandemic in early 2020, the war in Ukraine affected the international trade of the Visegrád countries with a lag, as the ratio reached its low point as late as 2022Q3, approximately one half year after the start of the war (it should be noted that the downturn in 2022Q3 still approximates the 2019 figures in all of the examined countries). Thus, we can state that the supply chain shocks caused by measures aimed to stop the pandemic had a faster and more direct effect on international trade than the war in Ukraine (and sanctions directed against Moscow).

Figure 3
Imports and exports as a percentage of GDP in the Visegrád countries



Source: Complied based on data from IMF DOTS and the OECD (2023)

If the trade statistics are further broken down into imports and exports, we see that the imports-to-GDP ratio is slightly higher in all of the examined countries in late 2022 (compared to early 2019). By contrast, exports are slightly lower in Hungary, slightly higher in Slovakia, and roughly the same in the Czech Republic and Poland in late 2022 (compared to early 2019). Therefore (assuming that international trade is a proxy for measuring globalisation), we can state that no significant deglobalisation trends can be detected in the Visegrád countries, but also that international trade did not increase significantly. (See *Figure 2* on overall trade statistics; a presentation of disaggregated data on imports and exports can be seen in *Figure 3*. Certain limitations regarding the shift in terms-of-trade ratios may apply; this is addressed in the subsequent subsections.)

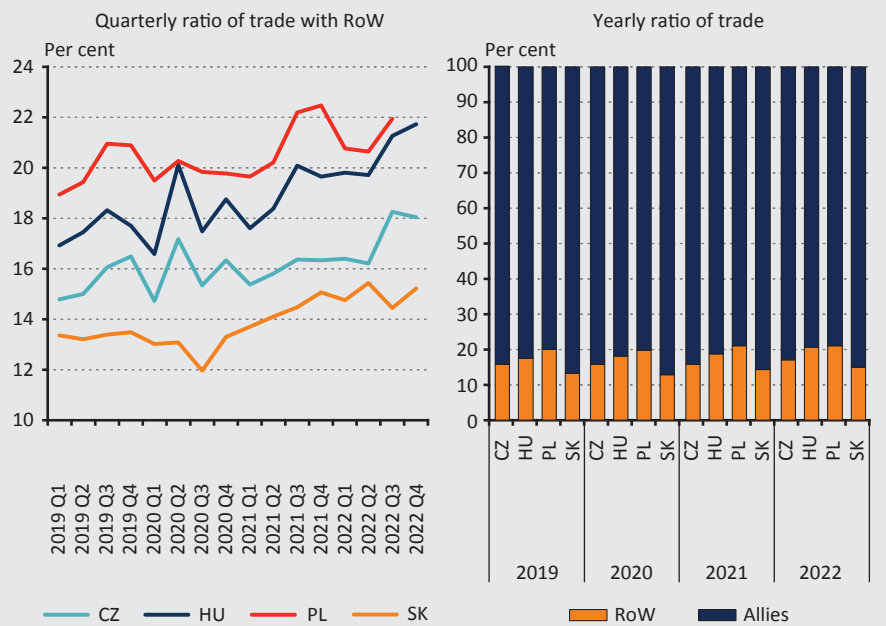
4.3. Decoupling tendencies in the Visegrád countries

4.3.1. Share of trade with allies and RoW

In this section, we focus on decoupling tendencies in the Visegrád countries after the polycrisis of recent years (and the shock of the war in Ukraine, in particular), based on international trade statistics. To measure these effects, we first use the previously introduced dichotomous categorisation of the group of allies (i.e. NATO, EU, and EFTA countries) and the rest of the world (RoW).

First of all, we find that the Visegrád countries trade predominantly with allies. Between 2019 and 2022, over 80 per cent of the trade conducted by the Czech Republic, Hungary and Slovakia trade was with allies, with Poland's ratio also fluctuating around 80 per cent. Accordingly, between 2019 and 2022, only 12–15.4 per cent of Slovakia's international trade flowed to and from RoW countries. In the Czech Republic, this ratio ranges between 14.7 and 18.2 per cent, in Hungary 16.5–21.7 per cent, and in Poland 18.9–22.5 per cent. (Interestingly, while Poland is the least open economy in the examined group, its trade relations are also the most diversified in terms of this two-faceted setup.) Disaggregated for imports and exports, the ratio of imports from RoW to total imports significantly exceeds that of exports directed towards RoW countries to total exports. (See *Figure 4* on overall trade data with RoW and allied countries to total trade ratio, while disaggregated data on imports and exports by trading partners can be found in *Sections 4.3.2* to *4.3.4.*)

Figure 4
International trade with allies and RoW countries as a percentage of total trade in the Visegrád countries



Source: Compiled based on data from IMF DOTS

When analysing the effects of the polycrisis, it is worth noting that – despite all of the efforts to shorten value chains and minimise trade with countries outside the political-economic block of alliance – trade with RoW countries has not diminished over the past four years. All of the examined countries traded more with RoW countries in 2022 than they did in 2019 (adjusted for GDP). In the Czech Republic, Hungary and Poland, the Covid-19 pandemic resulted in an upward spike in trade with the rest of the world (most probably due to a need for healthcare goods typically produced by non-Western countries). Also, 2021 as a whole was characterised by an increase in the ratio. When analysing imports and exports on aggregate, no clear decline in trade with RoW can be shown after the start of the war in Ukraine. One major exception here is Poland, where a decline in trade with RoW countries can be seen in the ratio in 2022Q1 and 2022Q2 (in the case of Slovakia, after the outbreak of the war, the ratio oscillates close to the value recorded for 2021Q4).

Altogether, considering exports and imports on aggregate, no clear signs of decoupling can be seen in the Visegrád countries in a dichotomous setup (i.e. distinguishing between allies and RoW). In order to paint a more detailed picture, in the next section we analyse trade flows with specific trading partner countries (and country groups).

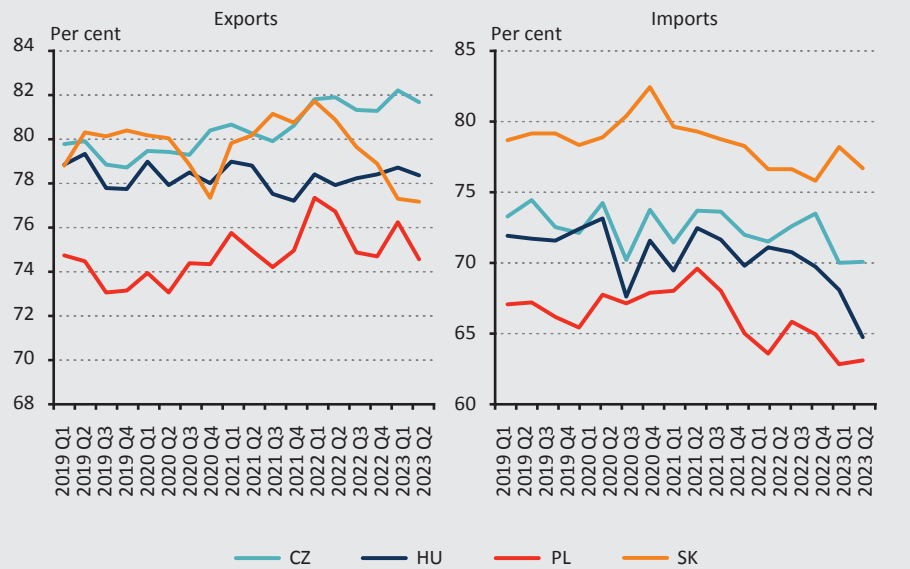
4.3.2. Trade with the European Union

While "decoupling" has become a keyword when it comes to the restructuring of global value chains in the past years, it was already shown in *Section 4.3.1* that all of the Visegrád countries mostly trade with countries (and groups) with which they are politically, economically and militarily aligned. By far the most significant trading partner of the region has been and remains the European Union. Out of all countries, at least 70 per cent of exports are directed towards the European Union, with Poland being the least reliant on EU exports, while Czech exports directed to the EU exceed 80 per cent. (This reflects not only the political-economic alignment of the region, but its position in European-owned global value chains.) Furthermore, exports to the EU have remained more or less constant regardless of the polycrisis: a moderate decline can be seen in Slovakia, while moderate growth occurred in the case of the Czech Republic.

The European Union is also the largest import partner for all of the Visegrád countries, with imports ranging from approximately 65 per cent (in the case of Poland) to approximately 80 per cent (in the case of Slovakia), with the Czech Republic and Hungary in between. However, in respect of trends and tendencies, the polycrisis did affect the ratio of imports to the region: between early 2019 and late 2022, imports from the EU declined by 2–7 percentage points (with Hungary

registering the steepest decline). This, however, can not necessarily be interpreted as a "decoupling from the EU". The relative decline in imports from the EU most likely resulted from the steep increase in energy prices starting from 2021 on (and particularly early 2022; see e.g. *Yagi – Managi 2023*) (with energy being imported from outside the EU, thus reducing the relative proportion of trade with the European Union). *Figure 5* presents the aforementioned results in detail.

Figure 5
Exports to and imports from the European Union expressed as a percentage of the respective total imports and exports by country



Source: Compiled based on data from IMF DOTS

4.3.3. Decoupling – imports (non-EU)

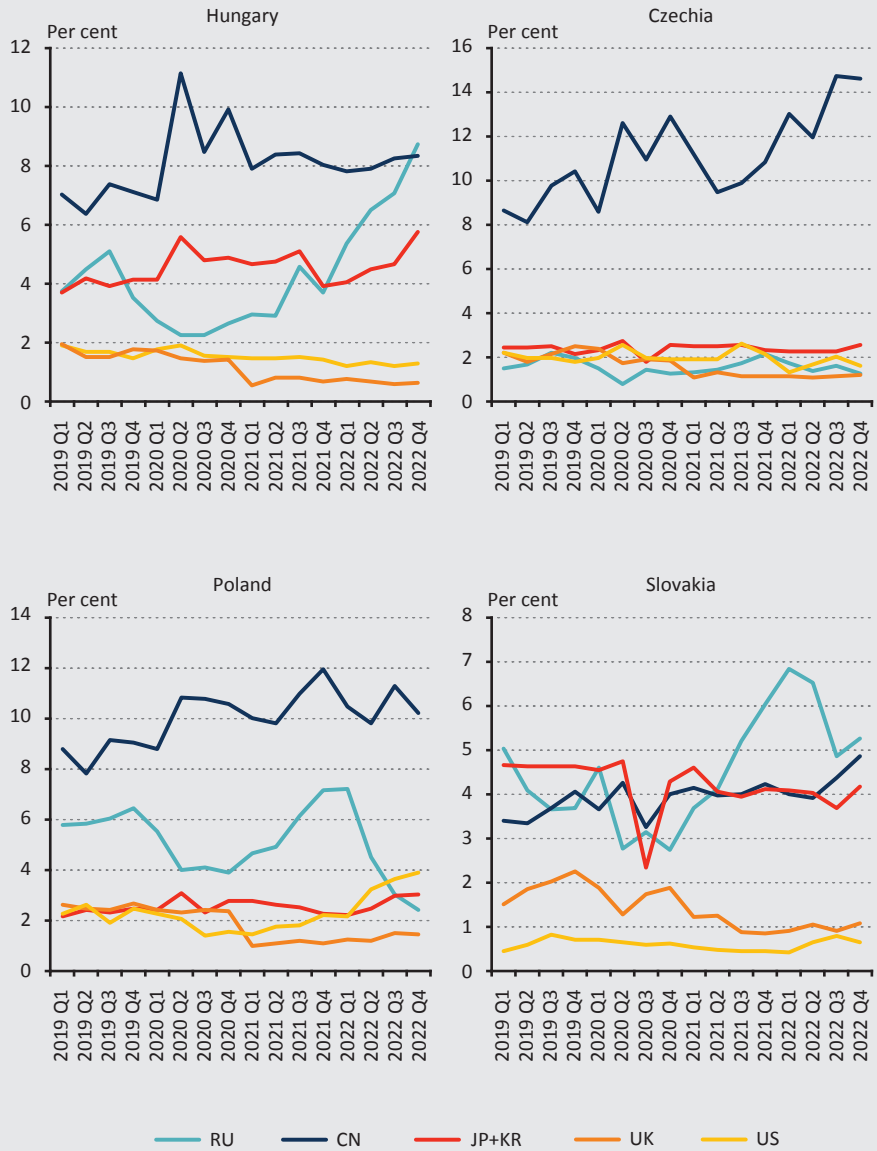
When it comes to analysing imports from the aforementioned partners and partner groups, the Visegrád countries diverge. However, some commonalities can be mentioned. First, even though China is one of the trading partners from which certain Western actors aim to decouple, none of the Visegrád countries trade less (as a percentage of total trade) with China than before the start of the polycrisis. Moreover, in all four countries, the ratio of Chinese imports is higher

than before 2020 (with significant upward spikes during the start of the Covid-19 pandemic, presumably reflecting the elevated need for healthcare products typically manufactured in China). Also, it is worthy to mention that, except for Slovakia (and in 2022Q4, Hungary), China is the number one import partner for all countries; China's position is particularly strong in the case of the Czech Republic.

The four countries diverge when it comes to decoupling from Russia. In geopolitical terms, Russian power projection potential is significantly higher in the region than that of China. Thus, while the global decoupling discourse primarily focuses on China (vis-à-vis the United States and Europe), decoupling from Russia carries with it a particular significance for the region – due to the geopolitical proximity on the one hand and energy dependence on the other. Despite certain common regional interests, significant country differences apply. Poland decoupled to a vast extent from Russian imports after the start of the war in Ukraine, shrinking its imports by two thirds throughout 2022. Poland's ability to decouple from Russia is likely associated with the fact that Warsaw had already severed numerous energy sector ties prior to the war in Ukraine (see e.g. *Abnett et al. 2022*). Czech imports from Russia have stagnated since the start of the polycrisis (at around 2 per cent of total imports), while Hungarian and Slovak imports have risen significantly (due to the sharp rise in energy prices from late 2022 on).

Imports from the United Kingdom, the United States, Japan and South Korea represent a relatively small proportion (less than 5 per cent in all cases) of total imports in all four Visegrád countries. By late 2022, no major overall rises in imports from the aforementioned partners had occurred, and the trade relations are rather characterised by stagnation. Imports from the UK tended to shrink (presumably due to Brexit rather than any decoupling aims). A notable rise in imports from the United States occurred in the case of Poland throughout 2022. Further details can be seen in *Figure 6*.

Figure 6
Imports from Russia, China, Japan, Korea, the United Kingdom and the United States expressed as a percentage of total imports by Visegrád countries



Source: Compiled based on data from IMF DOTS

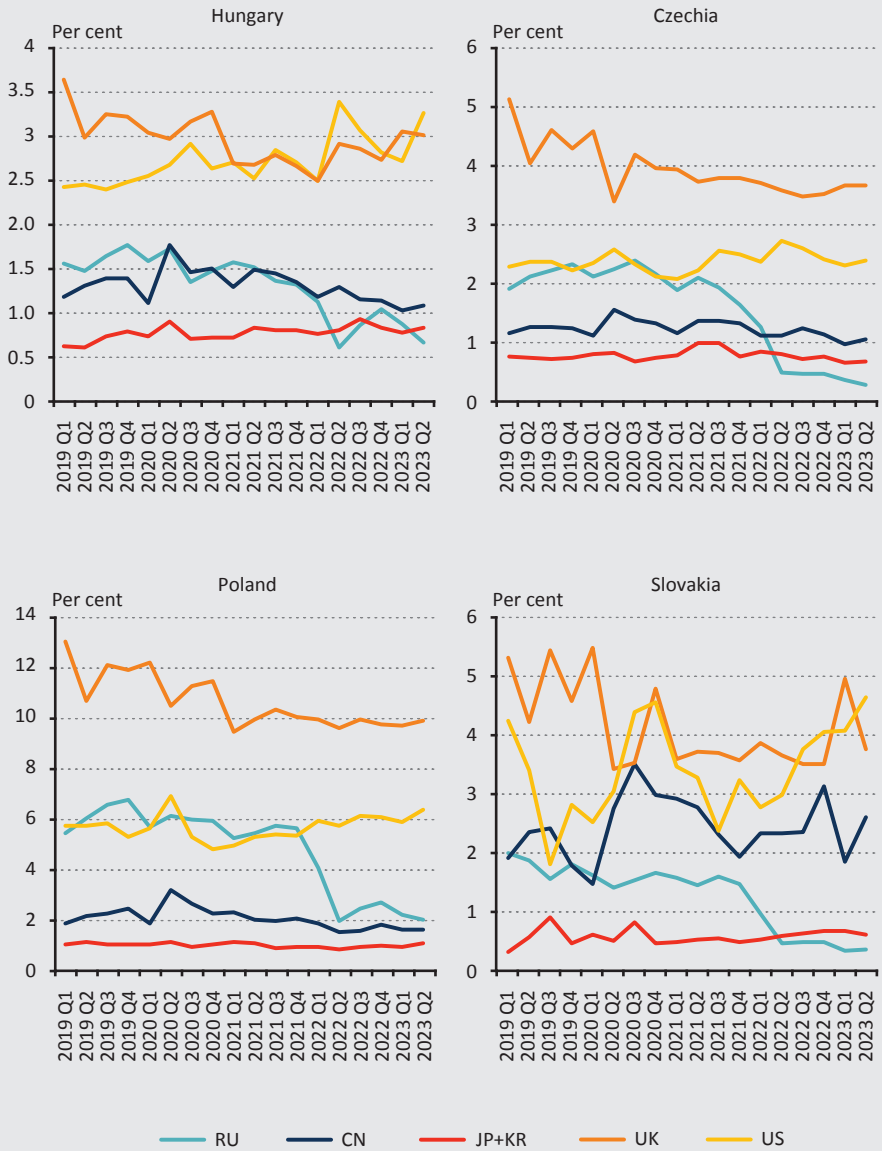
4.3.4. Decoupling – exports (non-EU)

In respect of exports, besides the European Union, the United Kingdom and the United States are the largest partners of the Visegrád countries (before 2022, Russia came in second place in some quarters for some of the countries; this shift is shown below), while these two partners play a less significant role in imports. This fact clearly reflects the region's position in global value chains: while imports arrive from the East (China, in particular), after assembly, goods move westward. Exports to the UK shrunk to some extent between 2019 and 2023 (again, presumably due to Brexit) except for Hungary, which exported more to the United Kingdom during this period. Thus, trade with the major Western partners did not grow significantly (despite the communicated need for re- and friendshoring). Similarly, exports to Japan and Korea also did not change significantly; however, altogether these two countries account for less than 1 per cent of total exports for each country and thus are not to be considered major export partners for the region.

While China is the most significant import partner for all Visegrád countries, it plays a significantly less relevant role when it comes to exports (also well reflecting the region's position in GVCs). Only one per cent of the respective Visegrád countries' total exports is directed towards China (the ratio is somewhat higher in Slovakia, ranging between 1.5 and 3.5 per cent during the examined timeframe). Exports to China saw a short-term upward spike during the first wave of the Covid-19 pandemic. Other than that, no major changes in exports have occurred, and accordingly there are no signs of decoupling from Chinese exports, despite Western efforts to do so.

While the region has not decoupled from the Chinese economy in the past five years, the case with Russian exports differs. In all four Visegrád countries, exports to Russia already started to decline before the start of the full-scale invasion of Ukraine and reached an all-time low in 2022, with exports falling by one half to two thirds after February 2022. Thus, in contrast to the lack of decoupling from China, the region indeed did decouple from the Russian economy (when it comes to exports) due to the geopolitical reshuffling, the sanctions regimes, uncertainty and the lack of trust in Russian actors (see e.g. *Sonnenfeld et al. 2022*). This has been the case regardless of foreign policy preferences (that do diverge among the Visegrád countries to some extent). Further details can be seen in *Figure 7*.

Figure 7
Exports to Russia, China, Japan, Korea, the United Kingdom and the United States expressed as a percentage of total exports by Visegrád countries



Source: Compiled based on data from IMF DOTS

5. Conclusion

In this section, we summarise our key findings and their contribution to state-of-the-art literature on deglobalisation and decoupling. The key findings are the following.

1. In contrast to expectations about deglobalisation (see *Witt 2019, Goldberg – Reed 2023*), the ratio of international trade to GDP in the Visegrád countries is higher than before the pandemic. Thus, in terms of the value of international trade, the countries examined are more globalised than ever. Accordingly, we do not see any long-term changes in international trade in any of the Visegrád countries in the wake of polycrisis. Shocks (such as the pandemic, the war and the disruption of supply chains in Q3 2021) did indeed cause temporary setbacks in the trade-to-GDP ratio, but a recovery generally occurred within no more than two quarters.

2. Trade between the Visegrád countries and non-aligned ones (RoW, i.e. non-NATO, non-EU and non-EFTA) countries is generally low (ranging between 12 and 22 per cent of total international trade activities, respectively). However, trade with RoW countries in 2022 was higher in all of the examined cases than in 2019.

3. After we deconstruct the dichotomous setup, it becomes clear that the EU is by far the biggest trading partner of the region. Besides the EU, China is the biggest import partner of every Visegrád country, but a minor partner when it comes to exports. The share of trade with China has not declined since 2019, and thus the region has not started decoupling from the Chinese economy.

4. Russia was (and in some cases, still is) a major import partner for the region. When it comes to imports, Poland (which is less energy dependent on Russia) was able to decouple from the Russian economy after February 2022 to a vast extent; this, however, could not be achieved by the other three Visegrád countries due to energy-related links. Nevertheless, all of the Visegrád countries export significantly less (as a proportion of their total imports) to Russia since the outbreak of the war in Ukraine in 2022, signalling weakening bonds with the Russian economy.

Our findings contribute to the current literature in several ways. While deglobalisation and decoupling have become an ever more widely researched phenomenon in the course of the past years (see especially *Kaaresvirta et al. 2023*), hitherto no focus was directed on the Visegrád countries' trade patterns in the wake of the polycrisis. We hope to have narrowed this gap.

Also, our findings challenge mainstream expectations about trade tendencies in the Western world. Neither have the economies of the Visegrád countries become

less globalised than in the late 2010s, nor have they decoupled from the non-Western part of the global economy. This is particularly surprising in a region that is extremely embedded into GVCs (and thus has a potential to reduce this embeddedness) and which is much more affected by the war in Ukraine (due to its geographic proximity) than its Western counterparts. With these findings, we generally support the claims of *Kaaresvirta et al.* (*2023*) and *Kalotay – Sass* (*2021*) regarding the lack of deglobalisation and decoupling in the region, and thus contradict *Bykova et al.*'s (*2021*) expectation of deglobalisation tendencies in the Visegrád countries. We also contribute to previous findings by presenting specific characteristics in the trade of the respective countries in the sample.

In terms of decoupling, it is also important to note how differently trade relations with Russia and China have developed. While decoupling is often treated as an equivalent of decoupling from China, the Visegrád countries – due to historical and geographic reasons – have a different focus when it comes to restructuring supply chains. As China does not pose a direct geopolitical threat to the Visegrád countries, there are no intentions to reduce this dependence. On the other hand, trade with Russia has shrunk to a vast extent since the 2022 escalation of the war in Ukraine. As energy ties are relatively hard to sever, the reduction of trade is particularly visible on the side of exports. Conclusively, the Visegrád countries' focus area on decoupling lies closer to home: it is directed against trade with Russia, instead of China.

The aforementioned findings have several implications. From a theoretical perspective, one must consider the issue of why deglobalisation and decoupling tendencies are lacking in this part of the world. While the format of such a paper does not allow for a thorough analysis for the reasons for this phenomenon, we suggest a few possible explanations.

First, in a region that is extremely dependent on its embeddedness in GVCs, political elites (irrespective of ideological preferences) will remain committed to maintaining participation in global commerce – even if this contradicts the interests of powerful allies or other domestic (geopolitical, economic, etc.) aspects. (This is a significant implication for policymakers within and outside the Visegrád countries as well: the globalised nature of these economies puts pressure on local policymakers to sustain international trade with all possible measures as long as possible.) Second, the lack of deglobalisation tendencies (or in some cases even the growth of the level of globalisation) can be explained by the specific position of the region in GVCs. Traditionally, the Visegrád countries (and CEE economies in general) are specialised in production phases with lower added value. Thus, when it comes to reshoring/nearshoring production processes, the Visegrád countries can be an alternative to faraway, politically unstable or untrustworthy countries to which low value-added production was offshored previously (East Asia, in particular). If production is indeed

nearshored to the Visegrád region, it explains why this region can become further globalised, despite deglobalisation tendencies on a global level. This again has a very important policy implication: decoupling tendencies hide a potential for the region, as these countries have good chances to attract production sites withdrawing from the non-Western world.

In the meantime, overall decoupling tendencies (i.e. aims to create a bipolar world economy) are not persistent in the Visegrád countries, and trade with non-aligned partners has grown in the past years (for obvious motives, Russia is an exception in this case). The most notable reason for this might be the fact that the Visegrád countries constitute a region that is already decoupled to a notable extent. The region predominantly trades with aligned countries (and in particular, fellow EU members), leaving little space for further decoupling. Also, the structure of GVCs incentivises maintaining the current setup. Beside the fact that GVCs are not necessarily easily reconfigured, the region is a connection point in production where imports from non-aligned countries are assembled, which later move westwards, to aligned countries. This function as a gateway thus leaves little space for individually determined decoupling, unless global decisions on value chain reconfigurations are made.

Also, we find it paramount to emphasise the special position of the Visegrád countries when it comes to decoupling. These countries focus on decoupling from Russia (instead of China, or, in more general terms, from all non-aligned economies) due to obvious geopolitical reasons. A simultaneous decoupling from both Eastern powers (in more general terms, all non-aligned economies) seems economically implausible and thus the priority is set to the decoupling from the more direct threat (even if the severing of energy ties can only be a longer-term goal in some cases). Thus, in this paper, we make a case for a new, regionally adjusted understanding of decoupling.

As a conclusion of this paper, we identify some limitations of our work and propose some directions for potential further research. Regarding the limitations, first (and as stated in the methodological unit of the paper), we used international trade as a proxy variable for measuring globalisation. The key here is the word proxy: while many (see *Vujakovic 2009* and *Irwin 2020*) argue that it is indeed a good proxy for globalisation, it does not cover all possible factors, such as cross-border flows of capital or political-institutional globalisation. Furthermore, as addressed in *Section 3.2*, in our dataset, we used trade volumes (in USD) to measure globalisation (and not terms of trade). Thus, it is possible that the lack of deglobalisation (and, in some cases, trade volume growth) rather reflects the price growth of certain goods and not a real upward shift in goods traded. On the one hand, this does not change our findings on globalisation: international exposure is well reflected in the value trade volume (measured in USD). On the other hand, we suggest that future research

delve further in this phenomenon to determine whether international trade (as a whole and by different possible groupings, as well) grew in real volumes as well, or it is the change in prices that leads to the perceived growth. The former would indicate higher embeddedness in the global economy, while the latter would tend to implicate problems of the real economy. Another methodological limitation is the potential persistence of sanction evasion (especially when it comes to decoupling from Russia where, as our analysis suggests, significant supply chain reconfigurations took place within a short timeframe); trade diversions via intermediaries were not controlled for in our analysis.

Additionally, our sample is limited in both geographic and temporal terms. While our results apply to the Visegrád countries, it would be worthwhile to extend our research to the entire CEE region (including the Baltics and the Balkans), or even to examine the issue on a global database. Also, the timeframe analysed (i.e., from 2019Q1 to late 2022 and early 2023) allows for measuring short-term effects of the polycrisis, it would also be worthwhile to examine the topic in a broader timeframe when it comes to the measurement of decoupling. This applies to decoupling tendencies since (at least) the GFC in 2007–2008 on the one hand, and a retrospective analysis some years in the future on the other (especially considering the fact that already the 2010s featured some events, such as the 2014 Russian aggression in Ukraine or the US-China trade war, that may have affected trading partner preferences). It is certain, however, that, due to the economic, political and military shifts in the global order, not even by then will deglobalisation and decoupling tendencies lose relevance – neither in the Visegrád countries nor elsewhere in the world.

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Appendix

Countries categorised into the group of allies: Albania, Austria, Belgium, Bulgaria, Canada, Croatia, the Czech Republic, Denmark, Estonia, Finland, France, Greece, Germany, Hungary, Iceland, Ireland, Italy, Latvia, Liechtenstein, Lithuania, Luxembourg, Montenegro, the Netherlands, North Macedonia, Norway, Poland, Portugal, Romania, Slovakia, Slovenia, Spain, Sweden, Switzerland, Turkey, the United Kingdom, the United States.

Table 1
Average ratio of trade with the six trading partner countries and country groups by country between 2019Q1 and 2022Q4 (imports) and 2023Q2 (exports), respectively

	Exports (%)	Imports (%)
Czech Republic	90.29	91.10
Hungary	87.43	90.03
Poland	86.95	87.96
Slovakia	91.53	93.22

Source: Compiled based on data from IMF DOTS