



DEGLOBALISATION AND DECOUPLING TENDENCIES IN THE VISEGRÁD COUNTRIES IN THE WAKE OF THE POLYCRISIS





THEORETICAL FRAMEWORK



Terminology

- Globalisation / deglobalisation / slowbalisation (Kim et al, 2020; Irwin, 2020)
- Decoupling / Reshoring / Backshoring / Friendshoring (Kandil et al, 2020; Maihold, 2020)

Historical developments

- Cyclicity (Jones, 2005)
- GFC as a turning point (Witt, 2019), then three phases (Goldberg & Reed):
 - Brexit and trade war between the U.S. and China
 - Covid-19
 - Russian aggression in Ukraine



Why the Visegrád countries (V4)?

- Relatively homogeneous region in a special geopolitical position

Deglobalisation in the Visegrád countries

- Deglobalisation persistent, but literature controversial
- Slowbalisation vs. deglobalisation? (Bykova et al, 2021)
- Less affected by the reduction of FDI inflows (Kalotay & Sass, 2021)
- Decoupling not persistent (Kaaresvirta et al, 2023)



(De)globalisation:

- Has the polycrisis affected the level of globalisation of the Visegrád countries?
- Does the region align with the global trends of deglobalisation?

Decoupling:

- Have the Visegrád countries started decoupling from non-friendly economies?
- If so, can the region be considered homogeneous in terms of the possible restructuring of trade flows?



METHODS

Assumption: a country's international trade as a share of GDP is a proxy for the degree of globalisation (Vujakovic, 2019; Irwin, 2020)

Data source: IMF (2023), Direction of Trade Statistics and OECD (2023)

- 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, 2023, para. 1.)

Dataset:

- Variables:
 - Import-to-GDP
 - Export-to-GDP
 - Trade-to-GDP
- Sample: Czechia, Hungary, Poland and Slovakia
- Quarterly data between 2019Q1 and 2022Q4 (Q3), thus N=65

Data source: IMF (2023), Direction of Trade Statistics

Decoupling: grouping each trading partner into two subgroups (based i.a. on Rashid, 2022; Huntington, 1996; Spielvogel, 2015)

- Allies: all EU and/or NATO and/or EFTA members
- Rest of the world (RoW)

Dataset:

- Variables:
 - Exports to allies (as a % of GDP)
 - Exports to RoW (as a % of GDP)
 - Imports from allies (as a % of GDP)
 - Imports from RoW (as a % of GDP)
 - Total trade with allies (as a % of GDP)
 - Total trade with RoW (as a % of GDP)
- Sample: Czechia, Hungary, Poland and Slovakia
- Quarterly data between 2019Q1 and 2022Q4 (Q3), thus N=65



RESULTS

SHORT-TERM EFFECTS OF THE POLYCRISIS ON GLOBALISATION IN THE VISEGRÁD COUNTRIES



No deglobalisation on the longer run (2022 vs. 2019) in any of the V4 countries. However, no major increase in international trade, either.

Covid-19: significant and immediate drop in international trade in 2020Q2, followed by a quick (max. 6 months) recovery

Supply chain disruptions: 2021Q2/Q3, followed by quick recovery

Ukraine war: lagged drop, recovery not fully visible yet

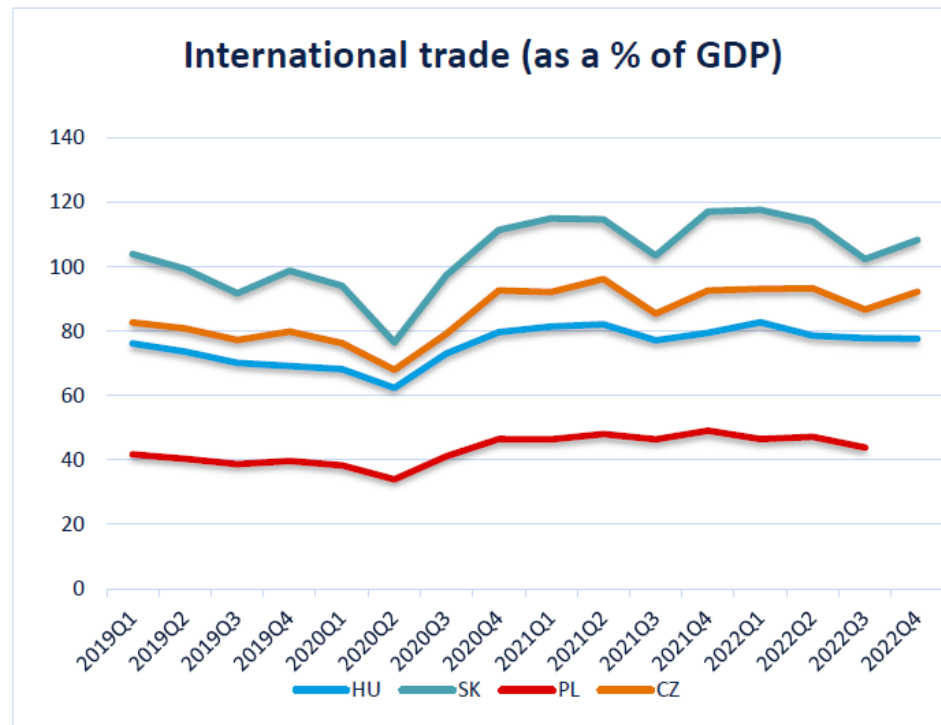
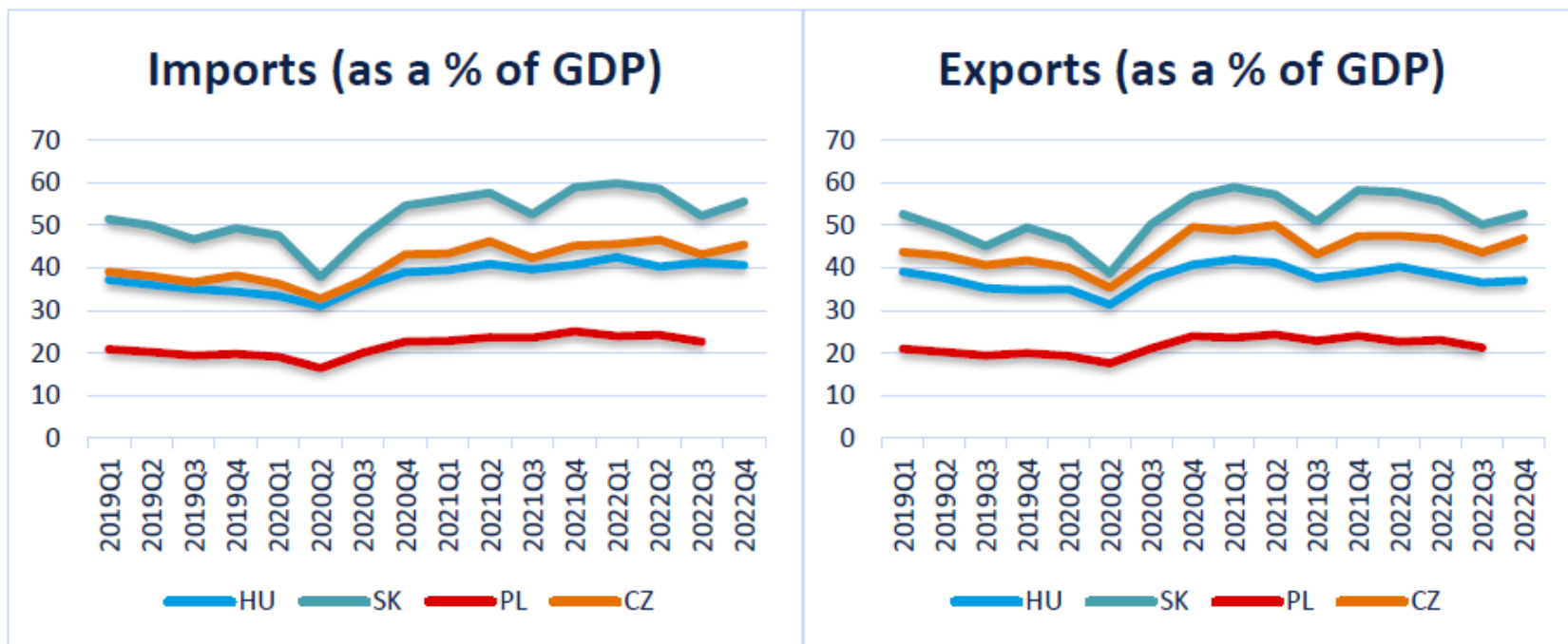


Figure 1. International trade as a percentage of GDP in the V4 countries. Own edition, based on the data of the IMF (2023a) and the OECD (2023).

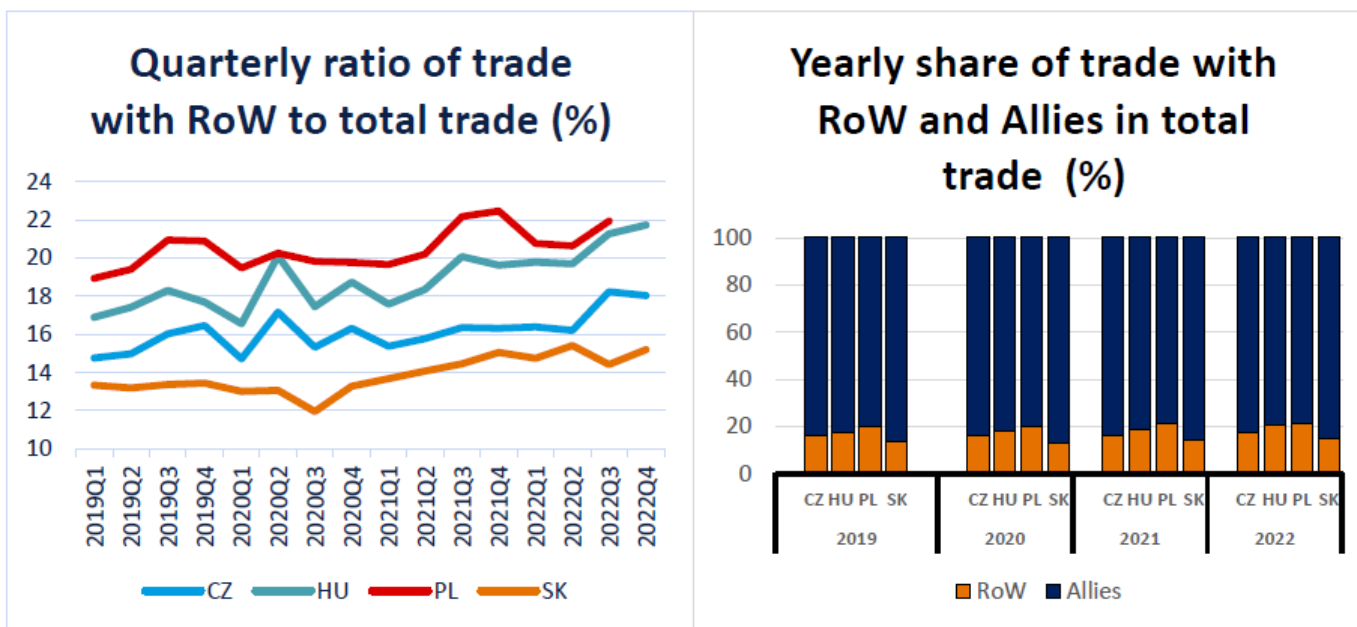
SHORT-TERM EFFECTS OF THE POLYCRISIS ON GLOBALISATION IN THE VISEGRÁD COUNTRIES



Figures 2 and 3. Imports and exports a percentage of GDP in the V4 countries. Own edition, based on the data of the IMF (2023a) and the OECD (2023).

Share of trade with allies vs. RoW

- All V4 countries predominantly trade with allies
- Imports from RoW (to GDP) > exports to RoW (to GDP)
- Overall, no clear sign of decoupling between 2019Q1 and 2022Q4



Figures 4 and 5. International trade with Allies and RoW countries in the Visegrád Four countries. Yearly and quarterly data. Own edition, based on the data of the IMF (2023a).

Exports to RoW

- Overall, exports to RoW are low
- Covid-19: „short-term decoupling” in 2020Q1 (approx. -1 pp) and quick rebound
- Supply chain crisis: steeper decline in 2021Q3-2022Q1 (approx. -2 pp), sharp rebound except Hungary
- Ukraine war: exports to RoW rising (except Hungary)

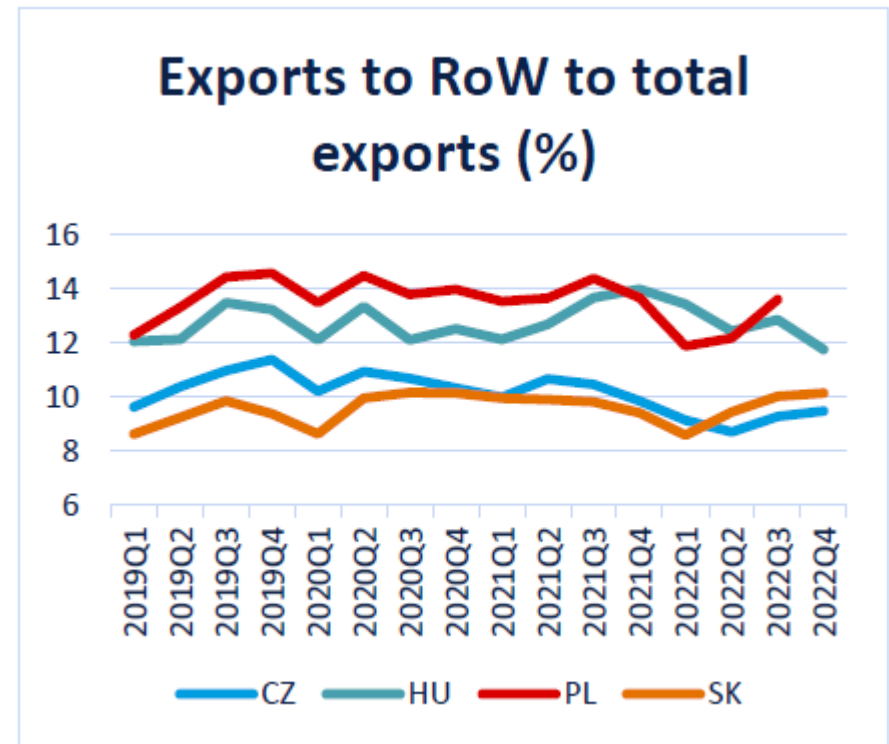


Figure 6. The ratio of exports to RoW countries to total exports in the Visegrád Four countries. Own edition, based on the data of the IMF (2023a).

Imports from RoW

- Higher than exports to RoW and higher than imports from RoW in 2019. Thus, no signs of decoupling. Other than that, patterns diverge by country.
- CZ and HU: sharp rises in 2020Q2 and from 2021Q4 on
- SK: all-time low in 2020Q3, slow rebound
- PL: no major rise in imports after the start of the Russian aggression

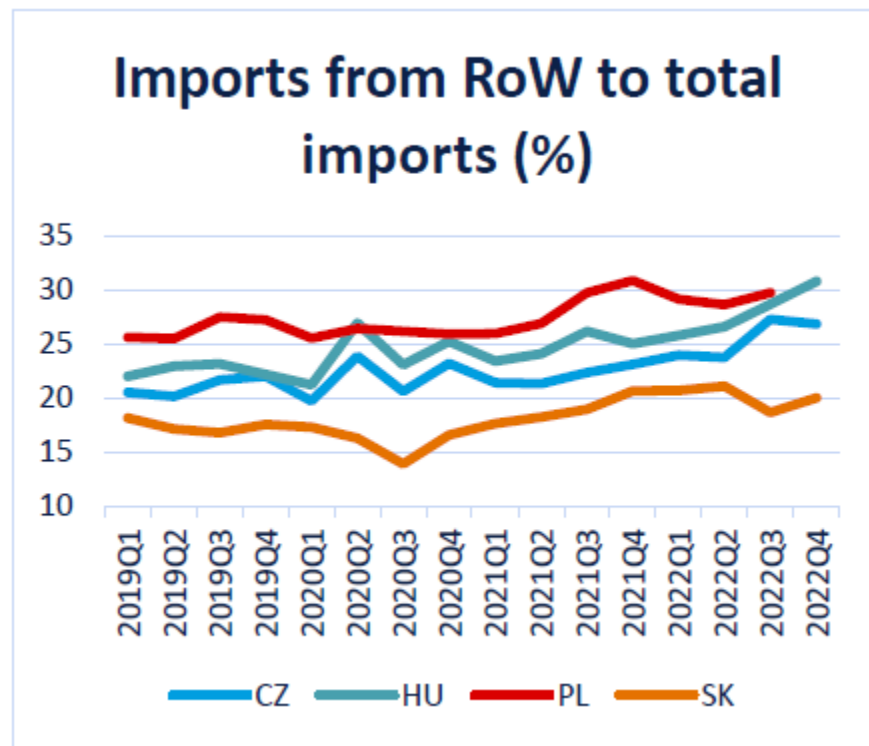


Figure 7. The ratio of imports from RoW countries to total imports in the Visegrád Four countries. Own edition, based on the data of the IMF (2023a).



DISCUSSION



Findings:

1. Contrary to deglobalisation expectations, in the V4 countries international trade (and thus the degree of **globalisation**) is **higher than ever**. Exogenous shocks responsible for short-term fallbacks, followed by a quick recovery.
2. Trade between V4 and RoW overall low, but grew between 2019Q1 and 2022Q4. Thus, **no clear signs of decoupling** are visible. Exports to RoW saw drops during the Covid-19 pandemic and the supply chain crisis, rebounds followed (except Hungary) despite the war in Ukraine. Imports from RoW highly diverge by country.

Contribution:

- **Support** of the claims that the **region lacks deglobalisation and decoupling** tendencies (see Kaarevirta, 2023; Kalotay and Sass, 2021) and contradiction of Bykova et al's (2021) assumptions on the presence of deglobalisation.



Implications: why is the region unaffected by deglobalisation and decoupling tendencies?

- High level of embeddedness into GVCs incentivises policymakers to maintain / elevate the degree of globalisation of the respective countries
- Specific position in GVCs: V4 an alternative for near/friendshoring from distant and/or politically unaligned countries
- Regarding imports from RoW, energy market developments may distort data

Suggestions for future research:

- Geographic and temporal extension of the sample
- Adding other indicators of globalisation to the analysis
- Analysis of the change of international trade by real volumes

- Bykova, A., Grieveson, R., Grübler, J., Sass, M., & Szemplér, T. (2021). Monthly Report No. 2/2021 (No. 2021-02). The Vienna Institute for International Economic Studies, wiiw. Retrieved from <https://wiiw.ac.at/monthly-report-no-2-2021-dlp-5601.pdf> on 31 August 2023.
- Goldberg, P. K., & Reed, T. (2023). Is the Global Economy Deglobalizing? And if so, why? And what is next? National Bureau of Economic Research, Working Paper 31115. Retrieved from https://www.nber.org/system/files/working_papers/w31115/w31115.pdf on 31 August 2023.
- Huntington, S. P. (1996). The clash of civilizations and the remaking of world order. New York: Simon & Schuster.
- International Monetary Fund (2023). Direction of Trade Statistics (DOTS). Retrieved from <https://data.imf.org/?sk=9d6028d4-f14a-464c-a2f2-59b2cd424b85> on 16 August 2023.
- Irwin, D. A. (2020). The pandemic adds momentum to the deglobalization trend. Peterson Institute for International Economics. Retrieved from: <https://www.piie.com/blogs/realtime-economics/pandemic-adds-momentum-deglobalisation-trend> on 30 August 2023.
- Jones, G. (2005), *Multinationals and Global Capitalism: From the Nineteenth to the Twenty First Century*, Oxford University Press, New York.
- Kaarevirta, J., Kerola, E., & Nuutilainen, R. (2023). Do international investment and trade flows show any signs of fragmentation? BOFIT Policy Brief 2023 No. 12. Retrieved from <https://publications.bof.fi/bitstream/handle/10024/53083/bpb1223.pdf?sequence=1> on 31 August 2023.
- Kalotay, K., & Sass, M. (2021). Foreign direct investment in the storm of the COVID-19 pandemic and the example of Visegrad countries. *Acta Oeconomica*, 71(S1), 73-92.
- Kandil, N., Battaïa, O., & Hammami, R. (2020). Globalisation vs. Slowbalisation: a literature review of analytical models for sourcing decisions in supply chain management. *Annual Reviews in Control*, 49, 277-287.
- Kim, H.-M., Li, P., & Lee, Y. R. (2020). Observations of deglobalization against globalization and impacts on global business. *International Trade, Politics and Development*, 4(2).
- Maihold, G. (2022). A new geopolitics of supply chains: the rise of friend-shoring. (SWP Comment, 45/2022). Berlin: Stiftung Wissenschaft und Politik -SWP- Deutsches Institut für Internationale Politik und Sicherheit. https://doi.org/10.18449/2022C45_15/17
- OECD (2023). OECD Quarterly International Trade Statistics, Volume 2022 Issue 4. OECD Publishing, Paris, <https://doi.org/10.1787/5a1ef126-en>.
- Rashid, M.T. (2022). Russo-Ukrainian Conflict: A New Cold War. *Orient Research Journal of Social Sciences*, 7(2), pp. 47-56. Retrieved from <https://www.gcwus.edu.pk/wp-content/uploads/2023/01/6.-Russo-Ukrainian-Conflict.pdf> on 31 August 2023.
- Spielvogel, J. J. (2015). *Western Civilization*. Cengage Learning.
- Tradeshift. (2021). The Tradeshift Index of Global Trade Health, Q3 2021. Retrieved from <https://hub.tradeshift.com/wp-content/uploads/sites/2/2021/10/TS-Index-of-Global-Trade-Health-Q3-2021.pdf> on 17 August 2023.
- Vujakovic, P. (2009). How to Measure Globalisation? A New Globalisation Index (NGI). WIFO Working Papers, No. 343, Austrian Institute of Economic Research (WIFO), Vienna
- Witt, M. A. (2019). De-globalization: Theories, predictions, and opportunities for international business research. *Journal of International Business Studies*.



THANK YOU FOR YOUR ATTENTION!

A decorative graphic consisting of several interlocking, curved lines in a light blue color, positioned below the main text and extending across the width of the slide.