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# From Surge to Stability: Trade Growth and Investment Limits in the Visegrád Four

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***Abstract:*** *The Visegrád Group (V4), comprising the Czech Republic, Hungary, Poland, and Slovakia, has evolved from a political alliance into a significant subregional economic actor within the European Union (EU). While much research emphasizes post-2004 dynamics, the pre-accession trajectory and intra-V4 economic relations remain less systematically explored. This paper addresses this gap by comparing trade and foreign direct investment (FDI) across two phases, namely the pre-accession period (1995–2004) and the post-accession period (2005–2022). The study adopts a qualitative research design based on documentary analysis, thematic interpretation, and a strengths, weaknesses, opportunities, and threats (SWOT) framework, with descriptive indicators such as CAGR used only for contextual support. The findings indicate that intra-V4 trade is characterized by rapid pre-accession expansion followed by a more stable post-accession trajectory, while intra-V4 FDI integration remained limited and continued to be dominated by EU-15 economies. Interpreted through regionalism and spillover theory, the results suggest that functional spillover fostered lasting trade integration, whereas investment integration was constrained by structural asymmetries and competitive dynamics, thereby revealing the limits of subregional spillover within the EU framework. The study concludes that the V4's long-term relevance depends on strengthening intra-regional investment, diversifying beyond manufacturing, and enhancing institutional coordination.*

***Keywords:*** *Visegrád Four (V4), European Union, Regionalism, Spillover Effect*

***Abstrak:*** *Kelompok Visegrád (V4), yang terdiri dari Republik Ceko, Hongaria, Polandia, dan Slovakia, telah berevolusi dari aliansi politik menjadi aktor ekonomi subregional yang signifikan di dalam Uni Eropa (UE). Meskipun banyak penelitian menekankan dinamika pasca-2004, lintasan pra-aksesi dan hubungan ekonomi intra-V4 masih kurang dieksplorasi secara sistematis. Artikel ini membahas kesenjangan dengan membandingkan perdagangan dan investasi langsung asing (FDI) dalam dua fase, yaitu periode pra-aksesi (1995–2004) dan periode pasca-aksesi (2005–2022). Studi ini* *mengadopsi desain penelitian kualitatif berdasarkan analisis dokumen, interpretasi tematik, dan kerangka kerja kekuatan, kelemahan, peluang, dan ancaman (SWOT), dengan indikator deskriptif seperti CAGR hanya digunakan untuk dukungan kontekstual. Temuan menunjukkan bahwa perdagangan intra-V4 ditandai dengan ekspansi pra-aksesi yang cepat diikuti oleh lintasan pasca-aksesi yang lebih stabil, sementara integrasi FDI intra-V4 tetap terbatas dan terus didominasi oleh ekonomi UE-15. Diinterpretasikan melalui teori regionalisme dan spillover, hasilnya menunjukkan bahwa spillover fungsional mendorong integrase perdagangan yang berkelanjutan, sedangkan integrasi investasi dibatasi oleh asimetri struktural dan dinamika persaingan, sehingga mengungkapkan batasan limpahan subregional dalam kerangka Uni Eropa. Studi ini menyimpulkan bahwa relevansi jangka panjang V4 bergantung pada penguatan investasi intra-regional, diversifikasi di luar sektor manufaktur, dan peningkatan koordinasi kelembagaan.*

**Kata kunci:** *Visegrád Four (V4), Uni Eropa, Regionalisme, Efek Spillover*

## *INTRODUCTION*

The Visegrád Group, often known as the Visegrád Four (V4), is a political alliance founded on February 15, 1991, through the signing of a declaration of joint cooperation aimed at further European integration. It brings together four Central and Eastern European countries, namely the Czech Republic, Hungary, Poland, and Slovakia, with the shared objectives of accelerating integration into Europe as well as strengthening security and economic cooperation (International Visegrad Fund, 2011). Since its establishment, the V4 has expanded beyond its original political mandate to emerge as a significant subregional economic actor within the European Union (EU). The group's accession to the EU in 2004 marked a major milestone. However, the extent to which membership transformed intra-V4 economic relations remains an open question. While political coordination within the V4 has attracted significant attention, the dynamics of intra-group economic cooperation before and after EU accession are less systematically studied.

Existing research on the relationship between the V4 and the EU has traditionally concentrated on the post-accession period, analyzing how membership reshaped trade, investment, and sectoral structures in Central Europe. Foster-

McGregor et al. (2011) and the Vienna Institute for International Economic Studies (Richter, 2012) document the surge in intra-V4 trade and foreign direct investment (FDI) in the years following 2004, while Walsch (2014) and Horridge & Rokicki (2018) use modelling approaches to estimate the macroeconomic and sectoral gains from EU integration, including changes in trade flows and regional competitiveness. More recent studies, such as Darvas (2024), Pasimeni (2024), and European Commission (2024) anniversary reports, provide updated evidence on how the single market has contributed to convergence. Other contributions have examined the V4's positioning in EU policy arenas, including the Eastern Partnership (Dangerfield, 2009) and the Energy Union (Mišík, 2016).

In contrast, a smaller but important literature has focused on the pre-accession phase and the transitional conditions for economic integration. Inotai & Sass (1994) traced the trade and financial liberalization reforms that laid the groundwork for EU membership, while Medvec (2009) examined the political and institutional dimensions of the accession process. Several works have bridged the pre- and post-accession perspectives through comparative or counterfactual approaches: Foster-McGregor et al. (2011) on intra-V4 trade expansion; Horridge & Rokicki (2018) on modelled trade and welfare impacts; Grabowski (2020) on investment climate shifts; and Darvas (2024) on household-level gains. These studies emphasize that the V4's post-2004 economic outcomes are best understood in relation to the structural and policy developments that preceded accession.

Building on these strands, the present paper addresses three persistent gaps in the literature. First, most studies focus solely on the post-2004 period, neglecting the pre-accession trajectory that shaped later outcomes. Second, empirical comparisons of trade and FDI within the V4 remain limited, with more attention given to relations with the EU-15 (Austria, Belgium, Denmark, Finland, France, Germany, Greece, Ireland, Italy, Luxembourg, Netherlands, Portugal, Spain, Sweden, United Kingdom) than to intra-V4 relations. Third, the explanatory potential of regionalism and spillover theory for understanding these economic shifts has been underexplored.

To address these gaps, this paper undertakes a systematic qualitative comparison of intra-V4 trade and investment in two distinct phases: the pre-accession period (1995–2004) and the post-accession period (2005–2022). The analysis is guided by three interrelated research questions. First, it examines how intra-V4 trade and investment relations evolved following EU accession, focusing on changes in their relative importance, structure, and direction. Second, it investigates the extent to which these developments can be interpreted through the lenses of regionalism theory and spillover theory, distinguishing between functional spillover in trade and the political or institutional factors influencing investment integration. Third, it evaluates the structural strengths, weaknesses, opportunities, and threats (SWOT) currently shaping V4 economic cooperation, drawing on documentary evidence and qualitative interpretation informed by descriptive economic indicators.

Drawing on documentary sources from the IMF, ITC Trade Map, and UNCTAD data, and organized through thematic analysis and the SWOT framework, the study contextualizes observed trade and investment patterns within broader institutional and theoretical debates. Descriptive indicators are used to illustrate long-term tendencies rather than to establish causal relationships, allowing the analysis to situate intra-V4 economic cooperation within a policy-relevant and theoretically grounded qualitative framework.

## *METHODS*

This study employs a qualitative research design to analyze intra-V4 economic cooperation across two distinct periods: pre-accession (1995–2004) and post-accession (2005–2022). The study segments the timeline using 2005 as the cut-off year, representing the first full year after EU accession in May 2004, in order to assess how EU membership influenced intra-V4 economic relations.

The analysis is primarily based on documentary and secondary-source analysis. Data sources include the International Trade Centre (ITC) Trade Map for bilateral trade flows, the United Nations Conference on Trade and Development (UNCTADstat) for inward and outward FDI stocks, and the International Monetary Fund (IMF) for macroeconomic indicators such as gross domestic product (GDP), population, and unemployment rates. While these sources contain quantitative economic information, the study does not employ econometric modelling or hypothesis testing. Instead, numerical indicators are used descriptively to support qualitative interpretation of broader structural and institutional trends.

To illustrate changes in trade dynamics over time, the study makes limited use of compound annual growth rate (CAGR) calculations. CAGR is employed as a summary indicator to describe the direction and relative intensity of trade expansion across periods, rather than as a tool for causal inference. It provides a simplified representation of average annual change that helps contextualize qualitative discussion of integration, consolidation, and structural maturation within the V4. The use of CAGR serves an explanatory and illustrative function within a qualitatively driven analysis.

The qualitative analysis proceeds through thematic interpretation of documentary sources. Recurring patterns are identified concerning institutional development, regional cooperation, long-standing economic relations, and the influence of EU rules and policy frameworks. By comparing themes emerging from the pre- and post-accession periods, the study examines how cooperation evolved, why certain forms of integration, particularly trade, strengthened, and which political, institutional, or structural constraints continued to limit deeper coordination, especially in the area of investment.

To further structure interpretation, the study applies a strengths, weaknesses, opportunities, and threats (SWOT) perspective based on qualitative evidence from academic literature, policy reports, and regional analyses. The SWOT framework is used as an interpretive device that synthesizes contextual insights and links empirical observations to broader theoretical discussions of regionalism and spillover effects.

## *THEORETICAL FRAMEWORK*

The theories of regionalism and spillover effect provide a comprehensive framework for understanding economic cooperation among the V4, both before and after EU accession, particularly in trade and investment. Joseph Nye (1986) conceptualized regionalism as the formation of interstate associations or groupings based on geographical proximity and mutual interdependence and region as a set of geographically linked states with some degree of interdependence (Nye, 1986, p. 7). Keating (2017) expanded this understanding by emphasizing that regionalism also reflects political interests, identity formation, and strategic agendas to achieve economic and social objectives. In the context of V4, this perspective highlights how geography, shared history, and common political economic interests encouraged the four state to cooperate even before EU accession.

The concept of spillover, central to neo-functionalist school of European integration, further explains the dynamics of cooperation (Tóth, 2020). Ernst Haas (1961) argued that cooperation in one functional area tends to extend into other sectors, eventually leading from economic to political integration. Tranholm-Mikkelsen (1991) classified spill-over into three distinct categories: functional spillover, where cooperation in one sector necessitates cooperation in others; political spillover, where elites and institutions deliberately expand integration; and cultivated spillover, where supranational actors actively promote it. These processes are driven by rational actors seeking to maximize benefits, which over time fosters deeper integration and may even transcend the nation-state system. While spillover in the strict neo-functionalist sense refers to integration dynamics within the EU, the term is also used in economics to describe how growth in one region benefits neighboring regions. In the V4 context, both views matter, as policy integration after EU accession generated further cooperation, while one member's economic growth benefited its neighbors through trade and investment.

As explained by the world bank (2022), regional integration helps countries overcome divisions that hinder the flow of goods, services, capital, and people. This is in line with the EU's single market, which entails the "four freedoms" (European Parliament, 2022). In principle, these freedoms provide a basis for both trade and investment integration among participating countries. However, neo-functionalist theory also acknowledges that spillover is not automatic and may be constrained by political will, institutional capacity, or divergent national priorities. Framing the V4 within these theories positions it as a case of subregional integration within the EU, shaped both by the enabling dynamics of functional spillover (trade integration) and the limits (FDI integration) imposed by political and structural factors.

***RESULTS AND DISCUSSIONS***

The original idea of close cooperation among the Visegrád Four (V4) countries has always been tied to the goal of a “return to Europe”, with EU integration as its primary objective (International Visegrad Fund 2011, 21). In the pre-accession period, cooperation was characterized by “open regionalism,” most visibly through the Central European Free Trade Agreement (CEFTA), which functioned as a stepping stone toward EU membership (Baldwin, Francois, & Portes, 1997). Rather than replacing EU mechanisms, V4 cooperation can be seen as a form of subregional integration which enhancing bargaining power and strengthening intra-regional relations (Dangerfield, 2008). As Hosny (2013) notes, such arrangements often reveal asymmetry between trade integration, which benefits relatively quickly through tariff removal and regulatory convergence, while investment integration requires deeper institutional trust and policy harmonization.

Historically, V4 cooperation is often framed through three milestones (Szilágyi, 2014). The first traces back to the 1335 Royal Meeting of Visegrád, where regional monarchs (King Charles Robert of Hungary, the Czech King, John of Luxemburg, and Casimir III of Poland), sought to boost Central European influence though it yielded little concrete outcome. The second milestone came in 1991, when Czechoslovakia, Hungary, and Poland officially established the Visegrád framework to support Western integration. The third was achieved in 2004 with EU membership, which fulfilled the original “return to Europe” mission. Yet this did not mark the end of cooperation, rather, it prompted the V4 to redefine its objectives, broadening its vision of political and economic cooperation.

The legacy of the Cold War loomed large over the political and economic trajectories of Central and Eastern Europe. Under Joseph Stalin, the Soviet Union forced its satellite states into isolation from their Western European counterparts, despite their long-standing historical and cultural ties to Europe. Stalin's command economy, commonly referred to as "Stalinism" or the "planned economy", was imposed from the 1950s onward, suppressing regional initiatives and severely restricting cooperation among Czechoslovakia, Hungary, and Poland. Independent regional groupings were prohibited under Soviet supervision, as Moscow feared they might foster dissent or reform.

It was not until Mikhail Gorbachev became the President of the Soviet Union that there was finally a sign for the establishment of the V4. Change became possible under Gorbachev's reforms of glasnost (openness and transparency) and perestroika (restructuring) in 1985 which eroded Soviet control and culminated in the abolition of the Brezhnev Doctrine in 1989 (Hockstader, 1996). This shift not only enabled events such as Hungary's border opening with Austria, but also gave Central European countries the political space to consider regional cooperation as part of their post-communist transition (Svetlošáková, 2007). By the end of the Cold War in 1989–1990, former Soviet bloc states were facing deep political and economic challenges, as well as uncertainty about their identity and place in the world. In response, Czechoslovakia, Hungary, and Poland quickly began exploring opportunities for collaboration, laying the foundation for what would later become the V4.

EU and NATO accession in 2004 marked a turning point for the V4. Membership secured the group's original objective of integration with Western political and economic structures, yet it also prompted a revision of the cooperation framework to accommodate new goals, particularly in the field of economic coordination (Hamberger, 2006). That same year, Central Europe registered the EU's highest economic growth rates, supported by market and investment reforms that reshaped conditions for trade and capital flows.

While the V4 had successfully served as a vehicle for accession, its future relevance became less certain as member states increasingly pursued national strategies within the EU. Cooperation slowed at times, and Brussels paid limited attention to regional coordination efforts. Nevertheless, collaboration under the CEFTA demonstrated steady growth, ensuring that trade and investment relations were maintained even as the EU emerged as the dominant framework.

## Visegrád Four Countries General Overview

Drawing on the latest IMF data (2025), this section examines the macroeconomic context of the V4 through three indicators: population size, unemployment rates, and GDP. These measures illustrate the region's structural dynamics and highlight its position within Central Europe's economic landscape.

As of 2024, the V4 have a combined population of nearly 62.6 million (Fig. 1), dominated by Poland (36.6 million), followed by the Czech Republic (10.9 million), Hungary (9.6 million), and Slovakia (5.4 million). This demographic base provides a sizable single market, reinforcing the bloc's potential for intra-regional trade and economic cooperation.

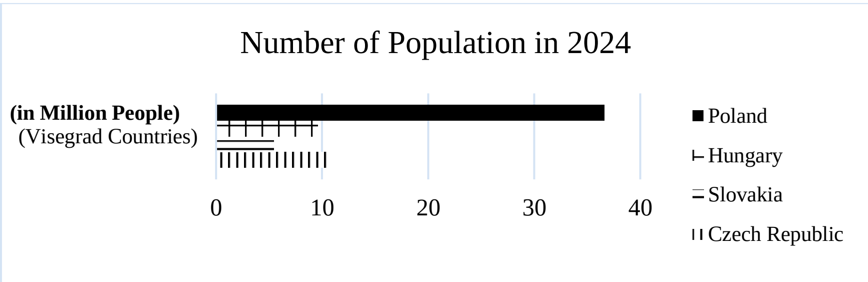


Fig. 1. Number of Population of the Visegrád Four Countries (IMF, 2025)

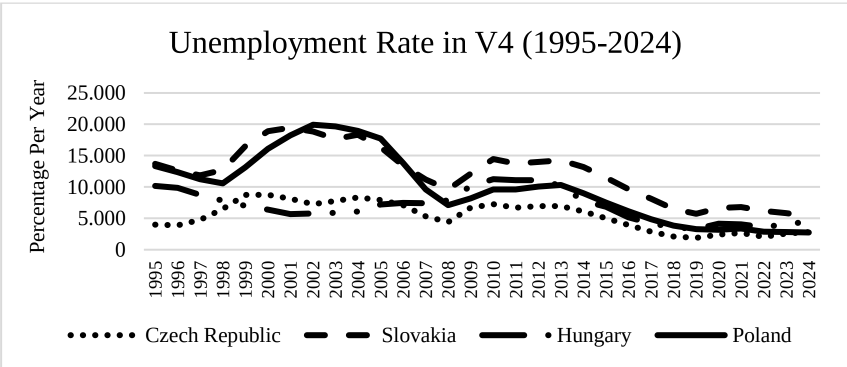


Fig. 2 Unemployment Rate of the Visegrád Four Countries (IMF, 2025)

Unemployment trajectories over the past three decades reveal both convergence and divergence within the bloc. Slovakia and Poland faced persistently high unemployment during the late 1990s and early 2000s, peaking at nearly 20% in 2001–2002. In contrast, the Czech Republic maintained relatively lower unemployment, peaking at 8.8% in 2000, while Hungary peaked later at 11.3% in 2010 (Fig. 2). Since 2015, unemployment has declined significantly across all countries, reflecting structural reforms and deeper integration into EU labor markets. By 2024, Poland records the lowest unemployment rate at 2.8%, followed by the Czech Republic (2.8%), Hungary (4.5%), and Slovakia (5.4%). This convergence underscores increasing labor market stability, though Slovakia remains the most vulnerable to cyclical shocks.

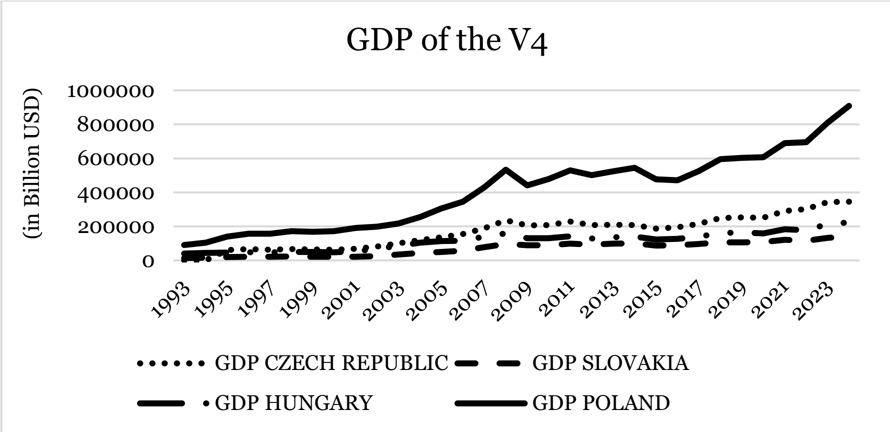


Fig. 3 Total GDP of the Visegrád Four Countries (IMF, 2025)

Economic output across the V4 has expanded considerably since the early 1990s, though trajectories diverged in scale. Poland, by far the largest economy, reached a GDP of USD 909 billion in 2024, maintaining steady growth even through global downturns. The Czech Republic and Hungary recorded GDPs of USD 345 billion and USD 223 billion, respectively, while Slovakia reached USD 141 billion. All four countries experienced strong growth in the 2000s, a contraction during the 2008–2009 financial crisis, and renewed expansion thereafter (Fig. 3).

Between 2015 and 2024, GDP growth accelerated, driven by EU integration, foreign investment inflows, and export-oriented industrial strategies. Notably, the Czech Republic and Hungary surpassed their pre-crisis GDP peaks, while Poland outperformed peers due to its larger domestic market and relatively resilient macroeconomic policies. These indicators highlight the V4's evolution from transition economies, shifting from centrally planned systems to market economies, to becoming competitive EU members. Declining unemployment and rising GDP reflect the benefits of market reforms (Ham et. Al., 1998). However, disparities remain, as Poland dominates in size while Slovakia struggles with higher unemployment volatility.

**Trade**

According to Hunya and Richter (2011), there is an intertwined relationship between intensified bilateral trade, upgrading trade structures, and mutual FDI. The accession of the V4 to the EU significantly accelerated these dynamics, reshaping both trade and FDI patterns. In the post-accession period, intra-V4 trade expanded much faster and more dynamically than the trade turnover of these countries with other EU member states (Hunya and Richter, 2011).

Empirical evidence supports this trend. Between 2003 and 2007, intra-V4 trend more than doubled, growing at nearly twice the rate of their trade with the EU-15 (Hunya and Richter, 2011; Richter, 2012). In 2007, the value of accumulated intra-V4 trade was already two and a half times higher than in 2003. Each V4 country generally recorded higher (and often substantially higher) export growth in trade with individual V4 partners than with the EU-15 (with the exception of Slovak exports to the Czech Republic). These changes, though gradual, were continuous throughout 2000–2007 (Richter, 2012). This recovery was particularly meaningful, considering the collapse of mutual trade in the 1990s following the dissolution of the *Council for Mutual Economic Assistance* (CMEA/COMECON) and the subsequent transition to market economies.

To better understand this transformation, it is important to consider the role of institutional frameworks. All four countries signed the CEFTA on December 21, 1992, which gradually liberalized trade in industrial goods and certain agricultural products. CEFTA integration during the 1990s already accelerated intra-V4 trade growth compared to non-member trade, laying the foundations for deeper EU integration after 2004. This demonstrates how earlier regional cooperation agreements created the preconditions for later EU-driven trade intensification (Kaminski, 2001).


Fig. 4 Poland’s Exports to Hungary (Trade Map, 2025)


Fig. 5 Poland’s Imports from Hungary (Trade Map, 2025)

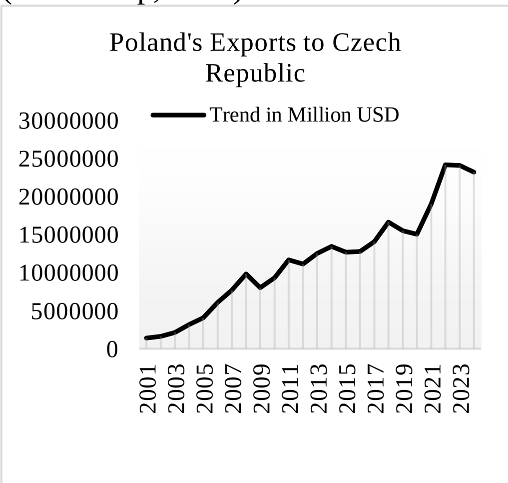


Fig. 6 Poland’s Exports to Czech Republic (Trade Map, 2025)


Fig. 7 Poland’s Imports from Czech Republic (Trade Map, 2025)

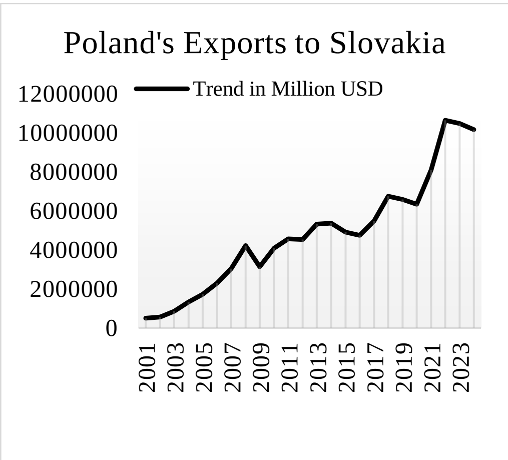


Fig. 8 Poland’s Exports to Slovakia (Trade Map, 2025)


Fig. 9 Poland’s Imports from Slovakia (Trade Map, 2025)


Fig. 10 Czech Republic's Exports to Slovakia (Trade Map, 2025)

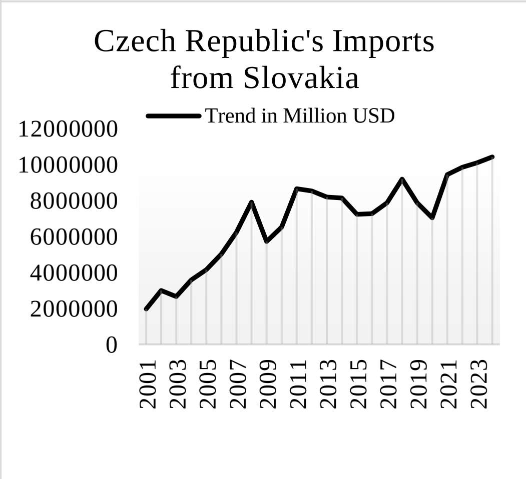


Fig. 11 Czech Republic's Imports from Slovakia (Trade Map, 2025)

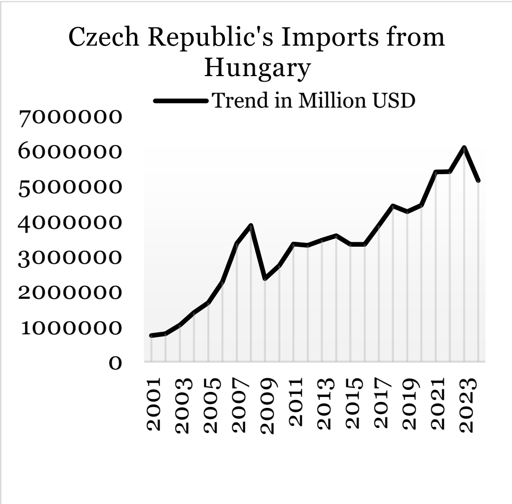


Fig. 12 Czech Republic's Imports from Hungary (Trade Map, 2025)

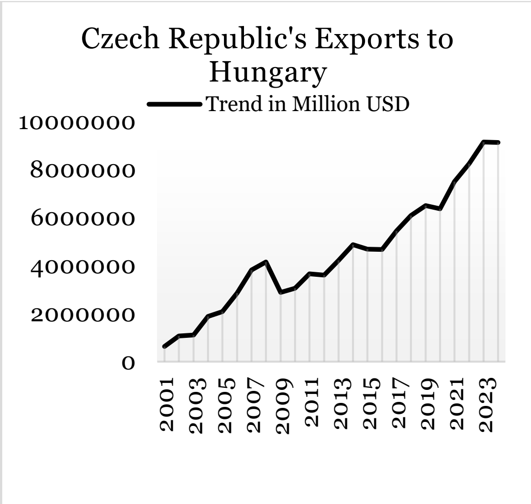


Fig. 13 Czech Republic's Exports to Hungary (Trade Map, 2025)


Fig. 14 Slovakia's Exports to Hungary (Trade Map, 2025)

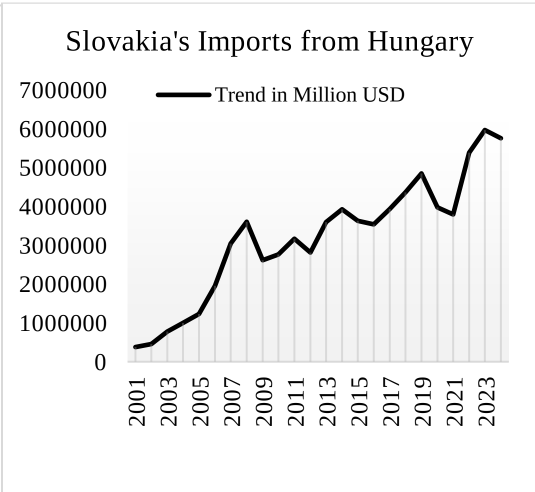


Fig. 15 Slovakia's Imports from Hungary (Trade Map, 2025)

As illustrated in Figures 4–15, intra-V4 trade turnover expanded markedly over the period under review, with particularly rapid growth in the years surrounding EU accession. The most pronounced acceleration occurred between 2001 and 2007, reflecting the combined effects of CEFTA liberalization and the anticipation of EU membership. A comparison of pre- and post-accession phases reveals a clear qualitative shift in trade dynamics. Prior to accession, trade expansion was characterized by rapid catch-up and market opening, whereas the post-2004 period reflects consolidation and maturation within the EU single market. While the pace of growth moderated after accession, trade expansion continued on a sustained and structurally deeper basis, supported by harmonized regulations, integrated supply chains, and increasing sectoral interdependence among the V4 economies.

Table 1. Bilateral Growth Rates

| Bilateral Pair | Pre-accession CAGR (2001-2004) | Post-accession CAGR (2005-2024) |
|---|---|---|
| Poland-Hungary | 32.98% | 7.08% |
| Poland-Czechia | 27.18% | 9.08% |
| Poland-Slovakia | 31.00% | 9.12% |
| Czechia-Slovakia | 51.28% | 6.14% |
| Czechia-Hungary | 33.78% | 7.87% |
| Slovakia-Hungary | 31.99% | 9.60% |

Source: Trademap, 2025, own calculation

A closer look at bilateral growth rates (Table 1) reveals important asymmetries within this overall trend. Pre-accession growth was universally high, ranging from 27.18% annually in Poland-Czechia trade to 51.28% in Czechia-Slovakia flows, reflecting the rapid dismantling of trade barriers and anticipation of EU entry. Post-accession, growth slowed across all bilateral pairs but diverged in intensity. Poland’s trade with Slovakia (9.12%) and the Czech Republic (9.08%) remained among the most dynamic, sustained by expanding supply-chain integration in the automotive and machinery sectors. By contrast, Czechia-Slovakia trade, despite its earlier explosive growth, settled into more moderate expansion (6.14%), reflecting structural maturity and their historically integrated production base. Slovakia-Hungary, meanwhile, stood out as the fastest-growing pair post-accession (9.60%), suggesting a gradual strengthening of bilateral relations in manufacturing and energy-related exchanges.

These trajectories were not linear. Following the global financial crisis in 2009, intra-V4 trade volumes temporarily declined but recovered steadily in the following decade. A second period of disruption appeared around 2020 during the COVID-19 pandemic, again followed by a rapid rebound in 2021–2022. Despite these fluctuations, the long-term trend clearly indicates strong growth, with Poland's exports to Hungary, the Czech Republic, and Slovakia expanding almost tenfold over the period.

At the bilateral level, asymmetries are evident. Poland consistently recorded trade surpluses with Hungary and Slovakia, while its trade with the Czech Republic revealed the opposite trend, with imports surpassing exports and producing trade deficit. Nevertheless, trade with the Czech Republic was the most dynamic overall, reaching the highest turnover among Poland's Visegrád partners. Meanwhile, bilateral trade flows between the Czech Republic and Slovakia remained relatively balanced throughout the period, reflecting their long-standing economic integration since the dissolution of Czechoslovakia. Similarly, trade between Hungary and Slovakia displayed relatively even exchanges, with fluctuations linked to broader economic cycles.

Taken together, these patterns reflect the deepening of regionalism within the V4 and are consistent with the spillover effect described in neofunctionalist integration theory (Tranholm-Mikkelsen, 1991; Hosny, 2013). Initial liberalization and market integration created functional spillovers into industrial production networks, particularly in automotive and machinery, which reinforced intra-regional trade and encouraged further cooperation (Foster-McGregor et al., 2011; Grabowski, 2020). Functional spillover has been most visible in trade, as shared EU rules, integrated supply chains, and harmonized standards drove rapid post-accession growth (European Commission, 2024). As theory suggests, trade integration often precedes investment integration, since trade liberalization provides immediate gains, while investment harmonization faces fiscal competition and structural asymmetries (Hosny, 2013). Overall, the comparison of pre- and post-2005 structures in intra-V4 trade underscores the profound shift from centrally planned COMECON ties to market-oriented regional integration. The interplay of CEFTA, EU accession, and functional spillovers within the EU framework has transformed intra-Visegrád trade into one of the most dynamic dimensions of their economic cooperation.

**Investment**

This section examines the dynamics of FDI in the V4, focusing on both outward and inward flows. The data presented here is drawn from the United Nations Conference on Trade and Development (UNCTAD) and is illustrated through Fig. 16 and 17, which display the long-term trajectories of outward and inward (FDI) from the V4 countries for the years 1995 to 2017.

Fig. 16 highlights a clear upward trend in outward FDI from all four countries, reflecting the increasing internationalization of V4 firms. In the years immediately following the transition from communism (1995–2004), outward FDI remained relatively low, as these economies were primarily concerned with attracting foreign capital rather than investing abroad. However, EU accession in 2004 marked a turning point: greater market access, harmonized regulations, and reduced investment risks provided the institutional environment for outward expansion.

The Czech Republic exhibited steady growth in outward FDI, with notable increases between 1995 and 2004 and more gradual growth thereafter. Slovakia, though starting from much lower levels, recorded significant gains from the mid-2000s onward. Hungary's outward FDI rose particularly strongly from the late 1990s to 2007, while Poland experienced continuous growth until 2013, followed by relative stabilization. Periods of accelerated expansion were visible around the mid-2000s, suggesting that EU accession provided strong incentives for cross-border activity. Interestingly, the 2008–2009 financial crisis had only a limited impact on outward FDI from the V4, indicating the resilience of regional firms' internationalization strategies.

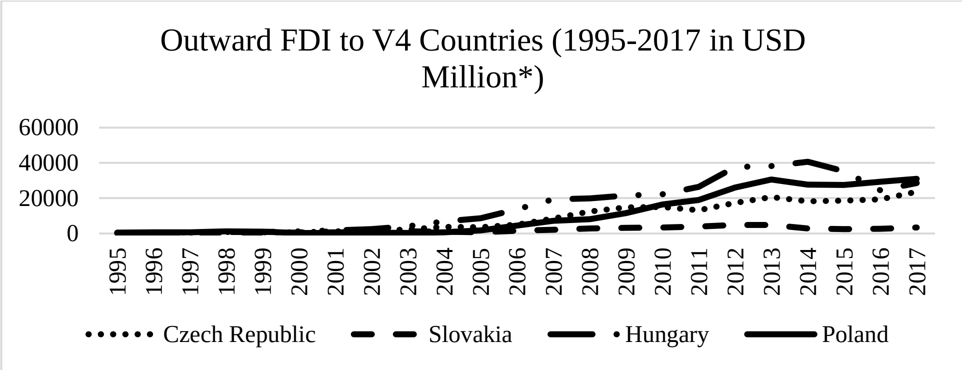


Fig. 16 Outward FDI to Visegrád Four Countries (UNCTADstat, 2020)
* US Dollars at current prices in millionns
**FDI Stock

This outward expansion was sectorally diverse, spanning manufacturing, services, automotive, and finance. Firms often targeted neighboring Central and Eastern European markets due to geographical and cultural proximity, while others expanded into Western Europe in search of advanced technologies, larger consumer bases, and strategic assets (Bartha & Sáfrányné Gubik, 2014; Éltető et al., 2015; Andreff & Andreff, 2017). Outward FDI has been shaped not only by firm strategies but also by government incentives, bilateral investment treaties, and institutional support for internationalization (Radło & Sass, 2012). Both large multinational corporations (MNCs) and internationally oriented smaller and medium-sized enterprises (SMEs) contributed to this trend, which diversified investment portfolios and reduced exposure to domestic risks.

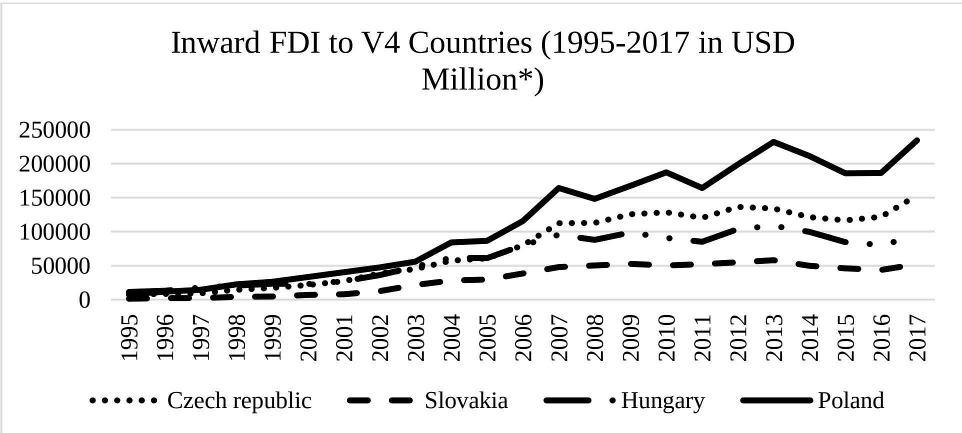


Fig. 17 Inward FDI to Visegrád Four Countries (UNCTADstat, 2020)
* US Dollars at current prices in millions
**FDI Stock

Figure 17 illustrates a general upward trend in inward FDI to all Visegrád countries over the years. This indicates increasing interest from foreign investors in these countries' economies. The inward FDI to the Czech Republic shows steady growth throughout the period, with notable increases in the late 1990s and early 2000s. Slovakia's inward FDI also displays consistent growth, starting from relatively lower levels in the mid-1990s and gradually increasing over time. Hungary experiences a similar trend of continuous growth in inward FDI, with significant increases observed especially from the late 1990s to 2007 and tending to fluctuate in the period thereafter. Poland's inward FDI demonstrates a remarkable upward trajectory, with substantial growth observed over the entire period, particularly from the late 1990s to 2007.

The global financial crisis in 2008–2009 appears to have had a significant impact on inward FDI from the V4. The Visegrád countries experienced a slowdown in FDI inflows in the aftermath of the global financial crisis. In terms of absolute values, Poland consistently receives the highest amount of inward FDI among the Visegrád countries, followed by the Czech Republic, Hungary, and Slovakia. However, the growth rates and trajectories may vary between these countries. Overall, figure 17 suggests a positive trend of increasing inward FDI to the Visegrád countries over the period of 1995 to 2017, reflecting the attractiveness of these economies to foreign investors and their integration into the global economy.

Changes in FDI within the V4 framework are clearly obvious, if not nearly non-existent, when compared to what happened before 1990. Following the dissolution of the Soviet bloc and the transition to a market economy in the Visegrád countries (late 1990s and early 2000s), there was a significant surge in FDI inflows to the Visegrád countries. Investors were attracted to the region due to its relatively low labor costs, skilled workforce, and strategic location within Europe (Hintošová et al., 2018). Additionally, economic changes, market liberalization, and accession to the EU have also had an impact on the increasing trend of FDI inflows into V4. In terms of economic transition, these countries are adopting FDI-assisted economic growth strategies. Hungary implemented this policy in the early 1990s by offering investment incentives and prioritizing foreign companies during the privatization process (Sass, 2004). By 2000, other countries had followed the same path and began to receive large amounts of FDI.

In 2000, the stock of inward FDI per GDP of the Czech Republic and Hungary exceeded 50%, compared to 20% for Poland and Slovakia. Most of the FDI into the V4 comes from the EU-15 countries, especially the Netherlands, Germany, and Austria, which are the main providers of FDI into the V4 countries accounting for around three-quarters of the total FDI inflows into the Visegrád. Four (Balázs et al. 2015). The FDI went into efficiency-seeking manufacturing subsidiaries and local market-oriented trade, telecommunications, and financial services. Trade integration and export structure improvement were the outcomes of a corporate integration process with the more established EU members (Klich, 2014).

**Strengths, Weaknesses, Opportunities, and Threats (SWOT) Analysis**

In this part, we will discuss the strengths, weaknesses, opportunities and threats of the V4 relations before and after the accession to the EU. This analysis will be carefully elaborated based on the previously presented empirical data.

**Strengths**

The V4 countries are strongly connected by their geographical position, shared historical background, and cultural similarities, as well as by inherited challenges of the former socialist system, which have allowed for closer and more intensive relations. Surveys from the early 2000s confirmed that economic cooperation was perceived by most Visegrád citizens as the most significant form of cooperation, often seen as more important than the EU accession itself in countries like the Czech Republic and Hungary (Helšusová, 2003). In Slovakia, EU accession and regional cooperation were viewed as independent but both important, while in Poland, citizens emphasized education and economic development. Mutual trust, particularly between Czechs and Slovaks, remained high and above the European average, reinforcing the perception that these nations could rely on each other (Gyárfášová and Mesežnikov, 2016).

After EU accession, these foundations were strengthened by economic performance and market integration. The bloc of over 62 million people became an attractive economic zone, with intra-V4 trade expanding almost fourfold between 2005 and 2024. Public support for strengthening cooperation in trade, energy security, and EU policymaking continues to be strong. Moreover, foreign direct investment inflows, particularly in automotive and manufacturing, positioned the region as a key EU production hub, while outward FDI of V4 companies has gradually grown, showing a maturing economic integration. Altogether, these conditions highlight the persistent strength of V4 relations, rooted in history but sustained by economic interdependence and positive public support.

**Weaknesses**

Despite these advantages, the V4 also face persistent weaknesses. Historically, the group suffered from weak institutionalization. In the 1990s, it took several years for cooperation to stabilize, and even then the framework remained fragile. During the EU accession negotiations, solidarity often collapsed as each country fought for its own interests, reflecting the difficulty of forming a common strategy. This has continued to some degree after accession, with diverging domestic and foreign policy agendas undermining cohesion.

Another weakness lies in public perception. While support for cooperation exists, many citizens still have low awareness of the group's role or benefits. The "return to Europe" was often considered more important than "return to Central Europe," limiting the V4's symbolic appeal. Additionally, intra-V4 foreign direct investment remains limited; most flows come from EU-15 states rather than within the bloc, as each country continues to prioritize attracting investment to its own territory rather than engaging in regional capital integration. Finally, structural economic weaknesses remain, such as reliance on manufacturing and the automotive industry, which increases exposure to cyclical demand and green transition challenges.

**Opportunities**

The V4 retain significant opportunities to deepen their cooperation. Geographic proximity reduces transport costs and facilitates intra-regional trade, while existing frameworks such as the International Visegrád Fund (IVF), established in 1991, provide institutional tools for supporting cultural, educational, and scientific projects. The need to continue previous programmes and draw lessons from past experience has had a significant impact on the group. According to Tomáš, maintaining a comparative advantage requires integrating new topics into the agenda and remaining responsive to future challenges (International Visegrad Fund 2011, 21). Even more than three decades after its creation, the IVF continues to serve as a platform for expanding cooperation without requiring major institutional reforms.

Global economic shifts also present opportunities. Nearshoring trends following the COVID-19 pandemic have positioned Central Europe as an attractive destination for EU supply chain relocation, reinforcing the V4's role as an industrial and logistics hub. At the same time, the region has potential to diversify into new sectors such as renewable energy, digital technologies, and advanced services, which would reduce its dependence on manufacturing. Outward foreign investment by V4 companies is another area of growth, enabling them to gain experience abroad and strengthen their competitiveness. Finally, by coordinating positions within the EU, the V4 can continue to exercise collective bargaining power on issues such as cohesion funding, energy transition, and strategic autonomy, reinforcing its regional and European influence.

**Threats**

Central Europe has historically been viewed as a troubled region, facing recurring instability in politics, economics, and identity (The Economist, 2007). While the V4 have achieved much through EU accession and economic integration, several threats continue to challenge their cooperation. One of the most pressing is democratic backsliding within some member states, which undermines the credibility of the group and raises tensions with EU institutions (Scheiring, 2021; Holesch and Kyriazi, 2022; Scott, 2022; Rohac, 2023). Such developments not only affect funding and political standing but also hinder the ability of the V4 to present a united front.

Geopolitical risks, particularly Russia's aggression in Ukraine, have further increased security concerns and revealed differing approaches within the group regarding foreign policy alignment (Jozwiak, 2024; Krzysztoszek, 2024; Euronews, 2024). Economically, the V4 remain heavily dependent on EU-15 trade and investment, making them vulnerable to downturns or regulatory changes in Western Europe. Moreover, demographic decline and youth emigration reduce the labor force, creating long-term risks for growth and stability (Atoyan et al., 2016; Kiss et al., 2022; European Commission, 2023). Finally, diverging domestic politics and competing international strategies threaten the group's cohesion, making it harder to sustain a unified identity or long-term regional strategy.

## *CONCLUSIONS*

This study has analyzed intra- V4 trade and investment across the pre-accession (1995–2004) and post-accession (2005–2022) periods. The analysis highlights both the transformative impact of EU membership and the limits of subregional economic integration. The results underscore that trade has been the most dynamic dimension of V4 cooperation, with liberalization under CEFTA producing rapid pre-accession growth and EU accession consolidating this into sustained, large-scale expansion. By contrast, investment integration has been less pronounced. Although inward and outward FDI increased markedly after accession, flows remained dominated by EU-15 partners. This underscores the asymmetry between trade and capital integration.

The analysis confirms the explanatory value of regionalism and spillover theory. Functional spillover is evident in trade integration, where regulatory harmonization and supply-chain integration fostered sustained growth. However, the limited depth of intra-V4 investment reflects structural and political constraints, demonstrating the boundaries of spillover effects in the absence of stronger institutionalization. The SWOT framework highlights this duality. Shared geography, cultural proximity, and economic interdependence constitute enduring strengths, while weak institutional capacity, policy divergence, and structural dependence on manufacturing remain persistent weaknesses. Opportunities lie in nearshoring, digitalization, and coordinated EU bargaining, yet threats from democratic backsliding, demographic decline, and geopolitical volatility risk undermining cohesion.

Three broad policy implications follow. First, fostering intra-regional investment should become a priority, supported by targeted incentives and cross-border financing mechanisms. Second, economic diversification beyond traditional manufacturing is essential to mitigate vulnerability to cyclical and green transition pressures. Third, greater institutionalization of economic cooperation, whether by expanding existing frameworks or creating new coordination mechanisms, would enhance the V4's ability to act collectively within the EU. Addressing governance challenges and demographic pressures is equally vital to sustaining competitiveness and credibility. In sum, while the V4 has successfully embedded itself in Europe's economic core, its long-term relevance depends on translating functional spillovers into institutional depth and strategic coherence. Only by moving beyond its accession-era foundations can the group consolidate its role as a resilient and influential subregional actor within the European Union.

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