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Strategic Trade Diversification: Engagement of the Visegrad Group with the Western Balkans

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Abstract
The Visegrad Group countries (Czech Republic, Poland, Hungary, and Slovakia) and the Western Balkan countries share strong historical trade and cultural ties, and their trade relations are becoming increasingly significant in the context of geopolitical changes and economic transformations in the region. Recent trends indicate growing mutual trade, and analysis of the Trade Complementarity Index reveals high trade compatibility, confirming the potential for effective cooperation. The Trade Intensity Index also shows high values, particularly for Hungary. This paper evaluates trade exchanges and examines the intensity and compatibility of economic relations, with a focus on the Visegrad Group countries' trade with Serbia, their key trade partner. The results suggest that enhanced cooperation between the regions could bring substantial economic benefits and strengthen regional stability and competitiveness.

Keywords
Visegrad Group; Western Balkans; Trade Relations; Regional Stability; International Affairs; Regional Cooperation

INTRODUCTION

Trade relations between the Visegrad Group (V4), comprising the Czech Republic, Hungary, Poland, and Slovakia, and the Western Balkans region, which includes Albania, Bosnia and Herzegovina, Montenegro, Kosovo, North Macedonia, and Serbia, are becoming increasingly significant from both European and global perspectives. Interest in these trade connections is growing rapidly, particularly due to geopolitical shifts and ongoing economic transformations across the region.

The Visegrad Group was established in the early 1990s to enhance cooperation and coordination among its members in domestic and international affairs, aiming to strengthen their collective influence. Closer economic collaboration between the V4 and the Western Balkan countries could bring mutual economic benefits, strengthen regional stability, and contribute to Europe's overall competitiveness. The growing interest in trade and investment relations in the region is driven not only by economic factors but also by political considerations, highlighting the importance of long-term sustainability and prosperity.

As EU Member States, the V4 countries engage with the Western Balkans through Stabilization and Association Agreements (SAAs), which aim to facilitate access to the EU market, support development, and pave the way for potential EU membership (European Commission 2023).

Diversifying trading partners, particularly beyond the EU, which dominates their foreign trade, is crucial for the V4 countries. Given its geographical proximity, cultural ties, and promising trade complementarities, the Western Balkans region could become a priority in future V4 export strategies.

The main aim of this paper is to evaluate trade exchanges between the V4 countries and the Western Balkan countries, as well as to analyze the development of the Trade Complementarity Index and Trade Intensity Index between the V4 countries and Serbia, considered the leading trading partner of the Western Balkans, to assess the potential for further trade growth.

This paper is part of broader research on the Visegrad Group countries, focusing on their economic relations and trade cooperation with third countries, as well as the possibilities for territorial diversification of their exports. The Western Balkan countries are considered a key region where the V4 could deepen mutual relations and intensify political dialogue, thereby enhancing overall cooperation. For the Western Balkan countries, such cooperation also represents a form of support in the EU accession process.

LITERATURE REVIEW

Trade relations between the Visegrad Group (V4) countries and the Western Balkans region are attracting growing interest in academic and political circles. Shaped by economic transformation, the European integration process, and historical ties, the V4 countries have the potential to expand their trade partnerships, investments, and knowledge-based cooperation. Meanwhile, the Western Balkans region is undergoing structural economic changes aimed at achieving EU membership, a key factor influencing trade dynamics between these regions. The Visegrad Group supports the EU accession of the Western Balkans, and, as Karadjoski and Ilik (2019) note, the Balkan countries constitute an important part of the European mosaic. However, in relation to these countries' EU accession efforts, Cvetanović et al. (2015) point out that, in addition to significant challenges, progress is slowed by a low level of innovation. Political instability, inefficiencies in the legal system, and underdeveloped fundamental institutions further hinder a complete transition to a market economy.

One of the key challenges affecting trade relations is the region's competitiveness and business environment. According to Milović et al. (2020), macroeconomic stability has a substantial impact on the global competitiveness of Western Balkan countries. Their analysis indicates that, although the competitiveness of individual Western Balkan countries improved during the period under review (2009–2017), some countries, particularly Bosnia and Herzegovina, continue to face significant challenges. Deteriorating macroeconomic indicators, political tensions in the region, and unresolved territorial disputes between Kosovo and Serbia further exacerbate the situation. It is also noted that inefficient public administration in the Balkan countries imposes an additional burden on the public budget. A comparative analysis by Savićević et al. (2023) concluded that Western Balkan countries lag behind Central and Eastern European (CEE) countries in both competitiveness and their level of integration into the globalization process.

Zeneli (2014) highlights the region's limited integration into global trade and investment flows, which negatively affects the economic performance of the Western Balkan countries. These factors, combined with historical and cultural differences (Kovacevic et al. 2014), can pose barriers to trade relations. The Open Balkan initiative, which connects Albania, North Macedonia, and Serbia, appears to be a promising solution, fostering economic integration in the region and potentially helping to eliminate trade barriers, thereby enhancing cooperation between the Western Balkans and the V4 countries (Rikalović, Molnar, and Josipović 2022). Although it currently involves only three countries, the initiative can also serve as a bridging mechanism in the EU accession process, helping these countries overcome obstacles stemming from their trade agreements with the EU (Filipović and Ignjatović 2023). Jusufi and Bellaqa (2019) emphasize that political instability and ongoing tensions between individual states in the region pose serious risks to the long-term stability of trade cooperation, which is further hindered by tariff and non-tariff barriers within Western Balkan countries. However, a predictable regulatory environment and improved business conditions are necessary to ensure stable growth.

Trade relations between the Visegrad Group (V4) countries and the Western Balkans hold significant growth potential. However, further development will depend on removing market barriers, enhancing the business environment, and deepening economic integration. Key areas for growth include the agri-food sector, industrial production, energy, and digitalization, where the V4 countries can leverage their experience and expertise (Drieniková, Zubaľová, and Gordanová 2023). The agricultural sector, particularly in Serbia, demonstrates strong competitiveness (Matkovski et al. 2021) and offers significant potential for trade expansion with the V4 countries.

Thanks to economic, historical, and geographical ties, Serbia is the largest trading partner of the V4 countries in the Western Balkans region. However, it is not among their top global trading partners. Investment activities by the V4 countries in Serbia are relatively low compared to those of Western European countries; however, Hungary's investments are particularly significant, especially in the oil and financial sectors, as well as in the production and extraction of raw materials (Božić Miljković 2021).

While the geographical proximity of the Western Balkans to the EU offers trade advantages, persistent regulatory and political barriers continue to hinder more effective cooperation (Leka, Daku, and Jusufi 2022). Stabilizing the business environment, expanding regional trade initiatives, and increasing investments can significantly enhance trade exchanges between the V4 countries and the Western Balkans, fostering long-term and sustainable economic partnerships (Kittová and Steinhauser 2018).

Cooperation between the Visegrad Group and the Western Balkan countries is important not only from a trade perspective but also from a political standpoint. As Ilik (2022) argues, the Balkan countries aim to follow the example of the Visegrad group countries in fostering regional cooperation and learning from both the opportunities and challenges encountered in this process.

Few studies have examined the significance of trade exchange between the Western Balkans and the Visegrad Group. Therefore, as part of a broader study on trade and economic cooperation between the V4 countries and non-EU partners, this research seeks to contribute to the existing literature by providing a focused analysis of trade relations within this context.

METHODS

The methodological approach of this paper combines both quantitative and qualitative methods to conduct an in-depth analysis of trade relations between the Visegrad Group (V4) countries and the Western Balkans region. This approach is designed to systematically analyze and quantify bilateral trade flows, examine the structural and institutional factors influencing these flows, identify existing and potential trade barriers, and suggest strategic areas for enhanced cooperation.

The analysis is primarily based on secondary data sourced from internationally recognized statistical databases, including Eurostat, the World Bank, the Organisation for Economic Cooperation and Development (OECD), and the United Nations Conference on Trade and Development (UNCTAD). In addition, a qualitative review of academic publications, economic research studies, policy briefs, and official government reports related to trade relations between the V4 countries and the Western Balkans was conducted.

In analyzing the collected statistical data, descriptive statistical methods were employed to identify key trends and patterns in trade flows, such as export and import volumes, trade balances, and the sectoral distribution of goods. Additionally, index methods were applied to quantitatively assess trade integration between the regions, primarily using the Trade Intensity Index (TII) and the Trade Complementarity Index (TCI).

The Trade Intensity Index (TII) is a key indicator for evaluating whether trade between two countries exceeds or falls below the level expected given their respective roles in global trade. Essentially, the TII measures the relative significance of a bilateral trade relationship in the context of global trade patterns. The index is mathematically expressed as follows:

$$\mathrm{TII}_{ij} = \frac{x_{ij}/X_{it}}{x_{iw}/X_{wt}} \tag{1}$$

Where:

x_{ij} – the value of exports from the first country to the second country
x_{wj} – the total value of exports from the first country to the entire world
X_{it} – the total value of world exports to the second country
X_{wt} – the total value of world exports

A TII value greater than 1 indicates that trade between the two countries is more intense than would be expected based on their overall global trade shares, reflecting a relatively strong bilateral trade link. Conversely, a value below 1 suggests weaker-than-expected trade ties, which may indicate untapped trade potential or the presence of trade barriers (Kašťáková 2017).In this study, the TII was used to evaluate trade relations between the V4 countries and Serbia, the primary trading partner in the Western Balkans. The index was also calculated in reverse, measuring Serbia's trade intensity with each V4 country, providing a reciprocal view of trade dynamics.

The Trade Complementarity Index (TCI) assesses the compatibility between a country's export structure and another country's import structure. It provides insights into whether the

types of goods that one country exports align with the types of goods that the other country typically imports. This makes the TCI a valuable tool for identifying mutual trade potential and assessing the feasibility of expanding trade. The index is mathematically expressed as follows:

$$\mathrm{TC}_{ij} = 100 \times \left(1 - \frac{\sum |m_{ik} - x_{jk}|}{2}\right) \quad (2)$$

Where:

$\mathrm{x}jk$ - the share of product k in the total exports of country j
$\mathrm{m}ik$ - the share of product k in the total imports of country i

A higher TCI value indicates greater complementarity and a higher potential for mutually beneficial trade. Conversely, lower values suggest overlapping or competing export profiles, which can limit trade potential without structural adjustments (Kašťáková 2021). While a high TCI indicates promising potential for trade expansion, it should be interpreted with caution, particularly when geographical distance, infrastructural gaps, or high transaction costs may restrict the realization of trade.

In this study, the TCI was calculated for bilateral trade flows between each of the V4 countries and Serbia, the dominant trade partner of the V4 countries in the Western Balkans.

The qualitative part of the methodology was essential for contextualizing the empirical results within broader economic, political, and institutional frameworks. It included a review of the literature, encompassing both academic sources and policy-related documents, to explore non-quantifiable factors influencing mutual trade (e.g., regulatory differences, customs procedures, political stability, trade policy orientation, infrastructural connectivity, and regional integration initiatives).

The qualitative analysis enabled the identification of structural and procedural barriers to trade, highlighted areas of strategic cooperation, and considered recent political developments and economic reforms in both regions, thereby enhancing the relevance of our findings.

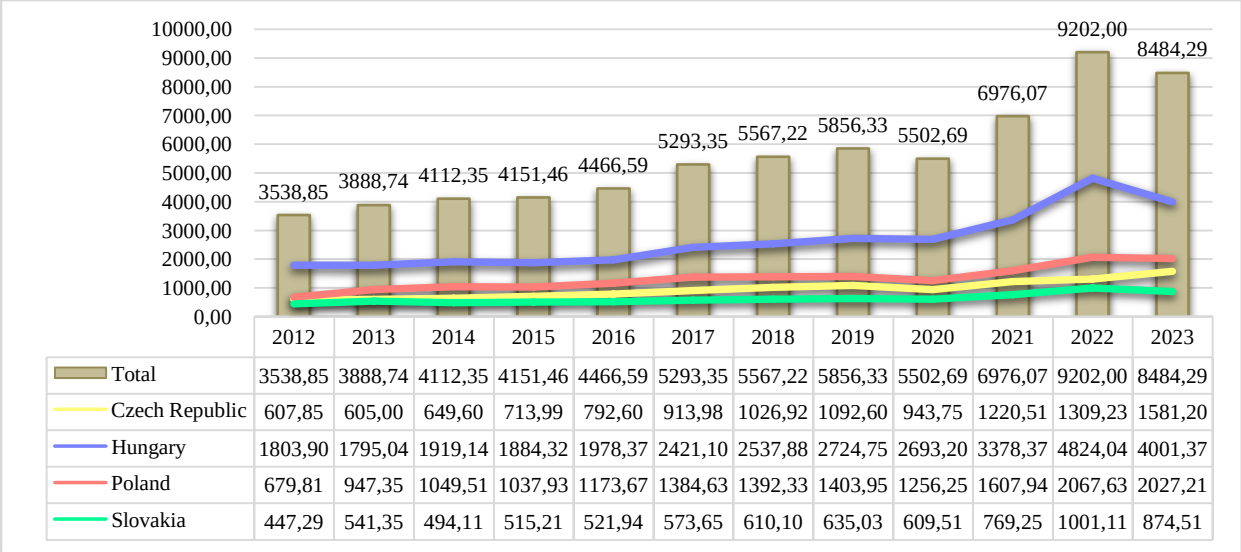
The results obtained from both the quantitative and qualitative analyses were interpreted in the context of current economic trends, providing a comprehensive view of the current state and future possibilities of trade cooperation between the V4 countries and the Western Balkans region.

RESULTS

Trade relations between the V4 countries and the Western Balkans region represent a significant and strategic element of European integration and regional cooperation. These relations contribute not only to the economic growth, modernization, and stabilization of the Balkan countries but also play a crucial role in strengthening mutual trade ties and supporting broader European economic integration. The V4 countries benefit from their advantageous geographical location in Central Europe, as well as historically rooted diplomatic and economic contacts with the Balkan states, which together create highly favorable conditions for the further development of trade, cross-border investment, and long-term regional partnerships.

The Western Balkan countries, in turn, can draw on the V4's experience in the EU accession process, including implemented reforms and the application of trade agreements.

Trade relations between the V4 countries and the Western Balkans have shown steady growth and increasing dynamism over the past decade, with export volumes consistently rising and peaking in 2022.



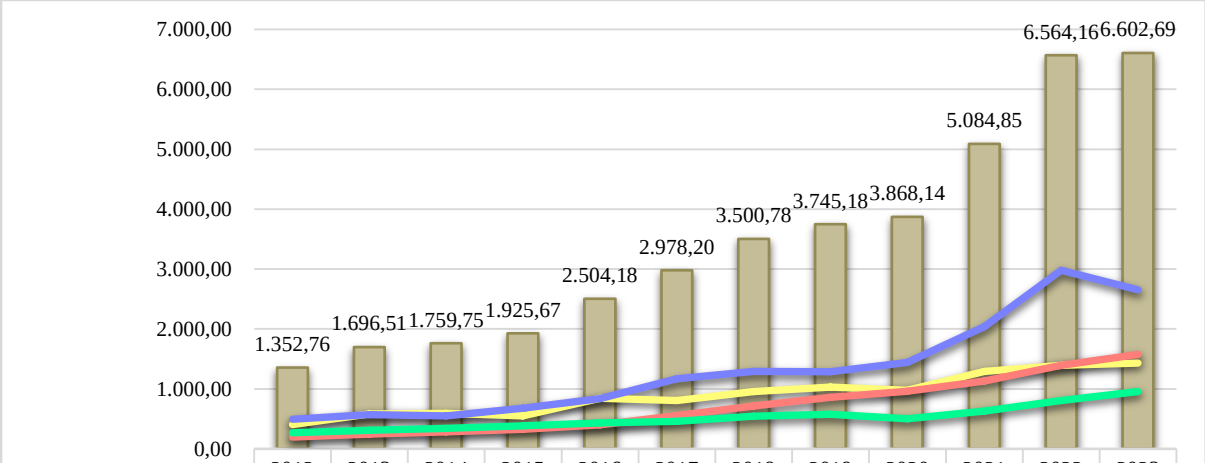
	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Total	3538,85	3888,74	4112,35	4151,46	4466,59	5293,35	5567,22	5856,33	5502,69	6976,07	9202,00	8484,29
Czech Republic	607,85	605,00	649,60	713,99	792,60	913,98	1026,92	1092,60	943,75	1220,51	1309,23	1581,20
Hungary	1803,90	1795,04	1919,14	1884,32	1978,37	2421,10	2537,88	2724,75	2693,20	3378,37	4824,04	4001,37
Poland	679,81	947,35	1049,51	1037,93	1173,67	1384,63	1392,33	1403,95	1256,25	1607,94	2067,63	2027,21
Slovakia	447,29	541,35	494,11	515,21	521,94	573,65	610,10	635,03	609,51	769,25	1001,11	874,51

Figure 1: V4 Countries Export to Western Balkans in 2012-2023 (in million EUR) (Source: Own depiction, based on Trademap 2024 for Bosnia and Herzegovina, Montenegro, Albania, and North Macedonia, and ASK 2024 for Kosovo)

As documented in Figure 1, Hungary has consistently been the leading exporter from the V4 to the Western Balkans. Its export flows showed steady growth over the period under review, with a notable year-on-year increase in 2021, when exports exceeded €3.3 billion. This upward trend culminated in 2022, reaching a historic high of €4.8 billion. In 2023, total V4 exports declined, driven by decreases in all countries except the Czech Republic, which continued to strengthen its trade performance.

Despite minor year-to-year fluctuations, the Czech Republic maintained a consistent increase in exports to the Western Balkans throughout the analyzed period. The most significant growth occurred between 2020 and 2021, with exports rising from approximately €943 million to €1.2 billion, reaching over €1.58 billion in 2023. Poland also demonstrated steady growth, with the most dynamic increase recorded between 2012 and 2013. This upward trend continued in subsequent years, with Polish exports surpassing €2 billion in 2023.

Slovakia, while recording the lowest export values among the V4 countries, showed gradual progress, with the most significant year-on-year increase occurring in 2022, when Slovak exports to the region exceeded €1 billion for the first time.



	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Total	1.352,7	1.696,5	1.759,7	1.925,6	2.504,1	2.978,2	3.500,7	3.745,1	3.868,1	5.084,8	6.564,1	6.602,6
Czech Republic	402,15	580,78	589,79	547,86	841,75	801,99	955,11	1.026,6	972,64	1.287,8	1.393,1	1.426,7
Hungary	491,19	568,50	549,36	673,56	837,04	1166,67	1291,70	1284,55	1438,32	2035,48	2978,82	2651,10
Poland	193,65	240,56	282,40	322,88	397,18	551,77	711,53	857,45	957,37	1132,09	1388,45	1572,02
Slovakia	265,77	306,68	338,20	381,36	428,21	457,77	542,44	576,54	499,81	629,43	803,76	952,84

Figure 2: V4 Countries Import from Western Balkans in 2012-2023 (in million EUR) (Source: Own depiction, based on Trademap 2024 for Bosnia and Herzegovina, Montenegro, Albania, and North Macedonia, and ASK 2024 for Kosovo)

As illustrated in Figure 2, imports by the V4 countries from the Western Balkans increased substantially between 2012 and 2022, rising from €1.35 billion to over €6.56 billion, and reaching €6.6 billion in 2023, despite reduced import volumes from Hungary and Slovakia. Hungary has consistently held the leading position in imports from the Western Balkans, reaching €2.65 billion in 2023, a sixfold increase compared to 2012. These trade dynamics underscore the robust economic ties between Hungary and the Balkan countries, positioning Hungary as a pivotal gateway for imports from the region into Central Europe.

The Czech Republic experienced consistent growth in imports, rising from €402 million in 2012 to €1.4 billion in 2023, with the highest growth rate occurring after 2020. Poland, initially the V4 country with the lowest import volume, steadily increased its imports, reaching €1.57 billion in 2023—an amount comparable to that of the Czech Republic. In contrast, Slovakia has consistently recorded the lowest import volume within the V4 group since 2017. Although its imports grew from €266 million in 2012 to €953 million in 2023, the pace of growth remained slower than that of the other V4 countries.

The following figure provides a detailed breakdown of each V4 country's share in total foreign trade with the Western Balkans in 2023.

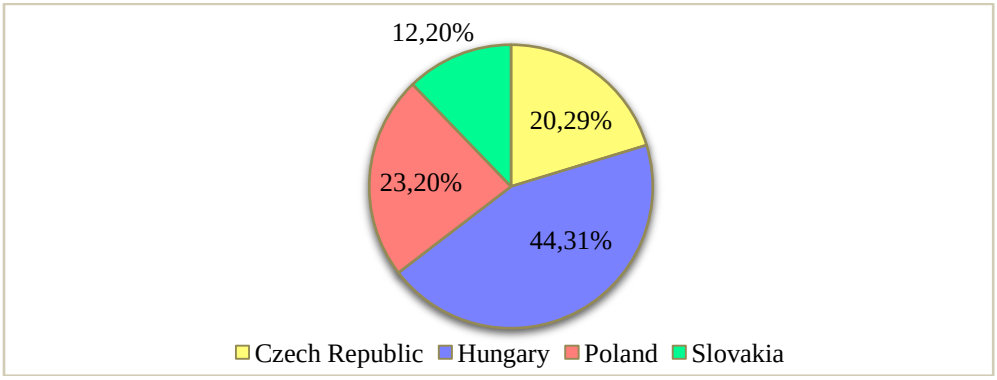


Figure 3: Share of V4 Countries in Foreign Trade with the Western Balkans in 2023 (in %)
(Source: Own depiction, based on Trademap 2024 for Bosnia and Herzegovina, Montenegro, Albania, and North Macedonia, and ASK 2024 for Kosovo)

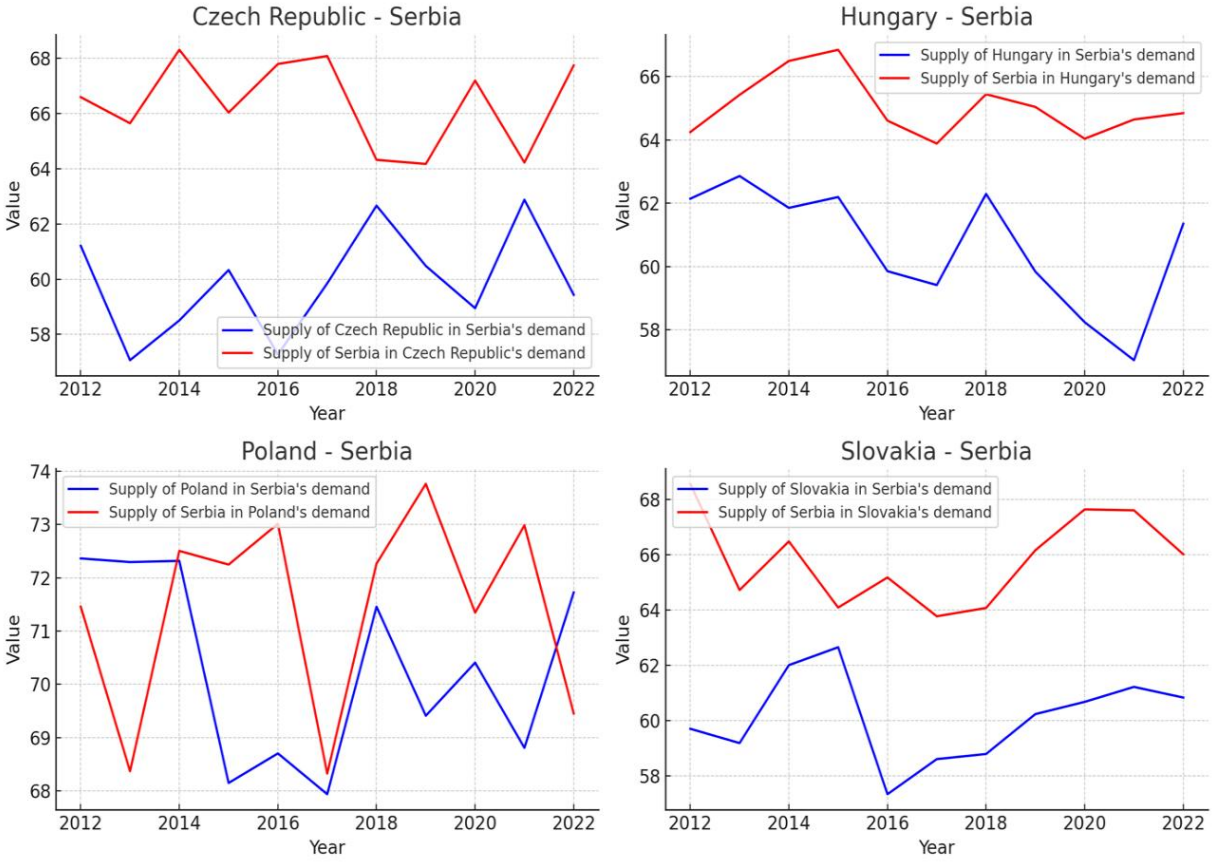


Figure 4: Development of Trade Complementarity (TCI) between V4 Countries and Serbia (2012-2022)
(Source: Own depiction, based on Trademap 2023)

As indicated in Figure 3, Hungary is the most significant trading partner within the V4 group for the Western Balkans, accounting for 44.31% of total trade. This share reflects the strong economic interconnectedness between Hungary and the Western Balkans, underscoring its leading role in economic exchange between the regions. Poland follows with a 23.20% share, and the Czech Republic ranks third with a 20.29% share. Slovakia, although holding the lowest share at 12.20%, is gradually strengthening its participation in trade with the region, creating opportunities for further intensification of economic cooperation.

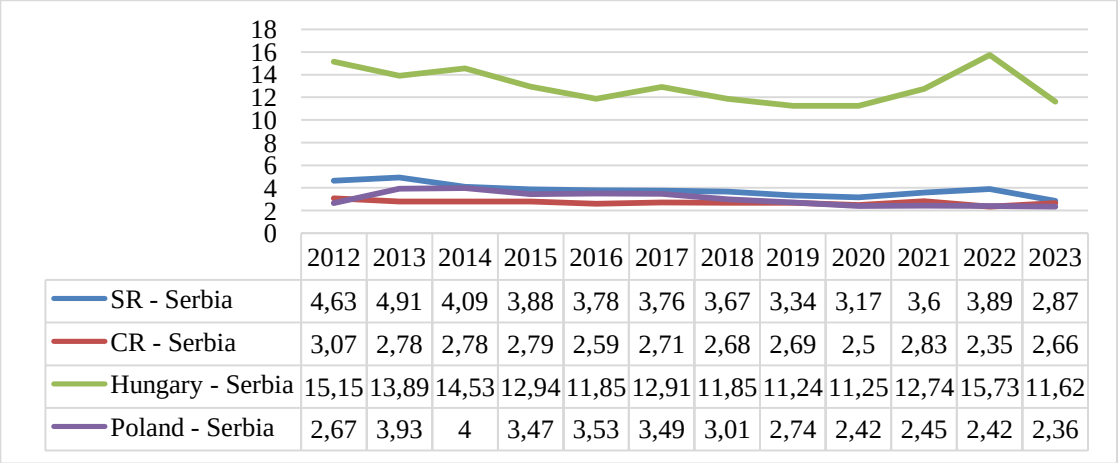
The Trade Complementarity Index (TCI), as shown in Figure 4, suggests that trade compatibility between Serbia and individual V4 countries remains relatively high, with TCI values in most cases exceeding 50. This indicates that the examined countries can be considered relatively strong and compatible trade partners.

The trade complementarity between the Czech Republic and Serbia has remained strong, with Serbia's supply exceeding Czech demand and vice versa. TCI values from Serbia's perspective ranged between 63 and 69. In contrast, from the Czech side, the figures ranged between 57 and 62.5, confirming the long-term compatibility between the export and import structures of these two countries. However, in 2014 and 2016, there was a slight decrease in TCI from the Czech perspective, indicating a temporary weakening of trade alignment during those years (TEPSA 2022). Nevertheless, trade cooperation between the two countries remains at a high level, offering further potential for growth.

Serbia's supply met Hungary's demand for most of the period, with TCI values ranging from 59 to nearly 67 and peaking in 2017. In contrast, Hungary's export compatibility with Serbia showed greater fluctuations (55–63), particularly in 2016 and 2017, when complementarity declined (OECD 2021). Despite these fluctuations, Hungary remains one of Serbia's key trading partners, with growing cooperation in the infrastructure and energy sectors (Interreg VI-A IPA Hungary–Serbia 2023).

Trade complementarity between Poland and Serbia underwent significant changes between 2016 and 2019. During this period, the TCI from Poland's perspective reached its lowest values, while the TCI from Serbia's perspective was at its highest. By 2019, TCI values from both perspectives converged, reflecting improved balance in trade compatibility (Serwis Rzeczypospolitej Polskiej 2023). Poland's TCI ranged from 64 to 71, while Serbia's varied from 66 to nearly 74. Poland views Serbia as a promising trade partner, particularly in the e-mobility, infrastructure, and IT sectors. Notable examples include the delivery of eco-friendly Polish buses to Novi Sad and a joint aviation project in Belgrade (ITA 2022).

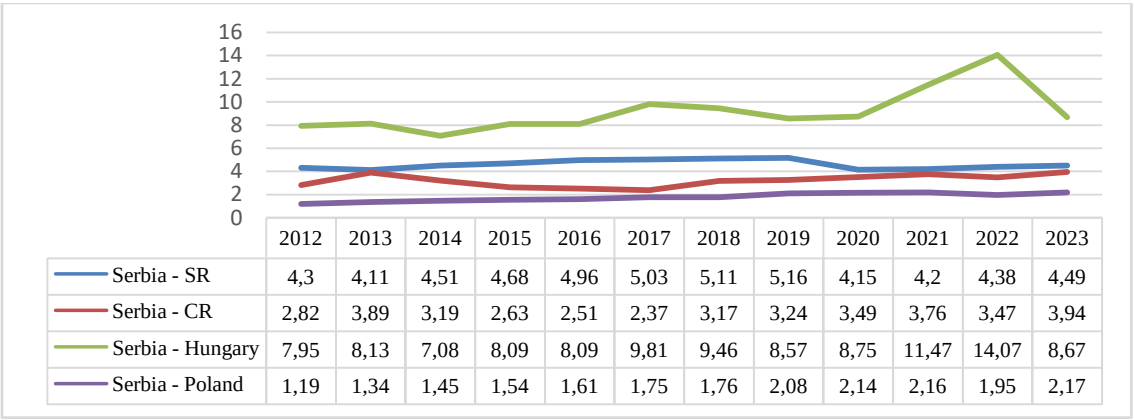
In the case of Slovakia, Serbia played a more significant trade role for Slovakia than Slovakia did for Serbia. Serbia's TCI values remained stable between 65 and nearly 69, while Slovakia's TCI ranged from 52 to 32, with notable declines in 2014 and 2016, indicating a temporary weakening of trade compatibility (MZV SR 2022). Despite these fluctuations, values remained above 50, confirming high potential for further trade cooperation. Slovak companies have already undertaken successful investments in Serbia, particularly in the renewable energy, IT, and infrastructure sectors. Significant projects include the construction of a geothermal water park near Bački Petrovac and the expansion of Webglobe, a Slovak IT company that acquired three Serbian web hosting firms (Forbes 2022).



	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
SR - Serbia	4,63	4,91	4,09	3,88	3,78	3,76	3,67	3,34	3,17	3,6	3,89	2,87
CR - Serbia	3,07	2,78	2,78	2,79	2,59	2,71	2,68	2,69	2,5	2,83	2,35	2,66
Hungary - Serbia	15,15	13,89	14,53	12,94	11,85	12,91	11,85	11,24	11,25	12,74	15,73	11,62
Poland - Serbia	2,67	3,93	4	3,47	3,53	3,49	3,01	2,74	2,42	2,45	2,42	2,36

Figure 5: Development of TII between V4 Countries and Serbia (2012-2023)
(Source: Own depiction, based on Trademap 2024)

A comparison of trade intensity between the V4 countries and Serbia, as shown in Figure 5, highlights Hungary's dominant trade ties with Serbia, with its TII markedly surpassing that of the other V4 countries, despite a decline to 11.62 in 2023. A modest decline in trade intensity is also observed for the other V4 countries during the period under review; however, their TII values remain relatively high, oscillating between 2.36 for Poland, 2.66 for the Czech Republic, and 2.87 for Slovakia in 2023.



	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Serbia - SR	4,3	4,11	4,51	4,68	4,96	5,03	5,11	5,16	4,15	4,2	4,38	4,49
Serbia - CR	2,82	3,89	3,19	2,63	2,51	2,37	3,17	3,24	3,49	3,76	3,47	3,94
Serbia - Hungary	7,95	8,13	7,08	8,09	8,09	9,81	9,46	8,57	8,75	11,47	14,07	8,67
Serbia - Poland	1,19	1,34	1,45	1,54	1,61	1,75	1,76	2,08	2,14	2,16	1,95	2,17

Figure 6: Development of TII between Serbia and V4 countries (2012-2023)
(Source: Own depiction, based on Trademap 2024)

As indicated in Figure 6, the TII between Serbia and the V4 countries demonstrates strong trade ties, particularly with Hungary, which reached record levels in 2021 (14.07) and 2022 (8.67). Serbia's trade with Slovakia remained consistently high and stable throughout the period. Trade intensity with Poland and the Czech Republic gradually increased over the entire period under review, although Serbia's trade with Poland remained the lowest among the V4 countries, at 2.17 in 2023. Movchan, Giucci, and Roncada (2023) identified several non-tariff barriers that importers to the Western Balkans may encounter. These include, among others:

1. Procedural obstacles at customs, including delays in the release and clearance of goods and a lack of trade information. While Serbia and North Macedonia have joined the EU common transit system with standardized customs documents, other Western Balkan countries continue to use their own systems.
2. Sanitary and phytosanitary requirements for agricultural imports: Recognition of standards between the EU countries and the Western Balkans has not yet been fully established, and countries face high costs for obtaining the certifications and documentation required to comply with EU standards and regulations.
3. Payment system limitations. Not all Western Balkan countries have joined the Single Euro Payments Area (SEPA), which increases the costs of financial transactions (Jovanović 2024; Grieveson 2025).

The EU has launched the Growth Plan for the Western Balkans, which, if effectively implemented, could simplify trade between the V4 countries and the region. The plan is structured around four main pillars: the first pillar supports integration into a Common Regional Market, a regional single market with free movement of goods, services, people, and capital, serving as a preparatory step toward EU membership. The second pillar focuses on improving access to the EU internal market, the third provides financial assistance to support the Western Balkans, and the fourth targets reforms needed to align with EU standards (Jovanović 2024).

While tariff barriers have been eliminated through the Stabilization and Association Agreements (SAAs), challenges persist in the form of political instability, legislative barriers, and infrastructure deficiencies, all of which negatively affect the business environment and trade in the region. One key issue is the slow implementation of economic reforms necessary for sustainable growth and integration into European structures. Inefficient management of reforms, combined with high administrative burdens, hampers public administration efficiency and delays the EU accession process. Weak political support and limited administrative capacity hinder the implementation of essential reforms, resulting in longer approval processes, increased uncertainty for businesses, and a less favorable overall business environment (TEPSA 2022).

Another major challenge is excessive bureaucracy, which complicates business processes in the region. High administrative burdens, permitting procedures, and various regulatory obstacles prolong business operations and increase trade costs. These factors slow the movement of goods across borders and reduce the competitiveness of local companies (OECD 2021).

Underdeveloped transport infrastructure also represents a significant barrier to trade and economic growth in the region. Road and rail networks in countries such as Bosnia and Herzegovina, Albania, and Kosovo are often outdated and insufficient in terms of capacity (European Parliament 2022).

Political instability and regional conflicts further affect trade exchange and economic development in the Western Balkans. Tensions between Serbia and Kosovo create trade barriers, while political uncertainty discourages foreign direct investment. Ethnic divisions and administrative fragmentation in Bosnia and Herzegovina further complicate the coordination process. Additionally, low trade exchange between the Balkan countries limits the region's overall economic potential (Visegrad Insight 2022).

Another challenge is China's growing influence in the region, primarily through the Belt and Road Initiative, which focuses on infrastructure development. China views the Western Balkans as a strategic gateway to Europe and uses bilateral agreements to finance and construct large infrastructure projects. However, these projects are often accompanied by accusations of non-transparency, corruption, and environmental risk (Balkan Insight 2021). Chinese investments have also been criticized for creating debt burdens that threaten the economic stability of some countries. For example, in Montenegro, a Chinese loan to finance a highway increased government debt from 63% to 80% of GDP, causing significant financial strain. China's strategy aims to strengthen economic dependence and potential political influence in the region. The Western Balkans also serve as a key transit route for goods from the Greek port of Piraeus to the European Union, raising concerns about potential Chinese interference in future EU policies (The Diplomat 2024).

In addition to Chinese influence, Russia continues to play a significant role in the region, particularly in Serbia. Serbia is the only country in the Western Balkans that refused to impose sanctions on Russia following its invasion of Ukraine in 2022, reflecting deep-rooted political and economic ties between the two countries (European Parliament 2022).

DISCUSSION

The analysis revealed a growing trade exchange between the V4 countries and the Western Balkans. Within the V4 group, Hungary has the strongest trade presence in the region, accounting for 44.3% of total V4 trade with the Western Balkans, followed by Poland (23.2%), the Czech Republic (20.3%), and Slovakia (12.2%). Serbia was identified as the most significant trade partner, leading to a focus on its trade relations in the analysis of the complementarity index and trade intensity.

Hungary maintains a strong trade position, with its Trade Intensity Index (TII) reaching 11.62 in 2023, significantly outperforming the other V4 countries, whose TII values remained below 2.9. Nevertheless, TII values for all countries are lower compared to the baseline year of 2012, indicating a decline in trade intensity over time. Conversely, Serbia's TII with individual V4 countries showed an upward trend, with the highest values observed with Hungary and the lowest with Poland.

The results of the Trade Complementarity Index (TCI) analysis revealed that Serbia generally holds higher TCI values (over 60) in its trade relations with the V4 countries than vice versa, with the highest TCI reported in trade with Poland (70.43). This indicates that Serbia has greater potential to increase exports to the V4 countries than the other way around. In 2022, Poland's TCI with Serbia surpassed 71, while the values for the other V4 countries remained above 50, reflecting strong trade complementarity and significant potential for further growth.

The strong trade connection, particularly between Hungary and Serbia, is evident through their extensive trade and economic cooperation. However, further expansion of trade relations between the V4 countries and the Western Balkans faces several challenges. While tariff barriers have been eliminated through the EU's Stabilization and Association Agreements (SAA), other obstacles persist. We agree with Filipović and Ignjatović (2023), Jusufi and Bellaqa (2019), and Leka, Daku, and Jusufi (2022) that non-tariff barriers and additional challenges—including political instability and regional conflicts, legislative obstacles such as slow

implementation of economic reforms, bureaucracy, and infrastructure deficiencies—may negatively impact the business environment and trade dynamics in the region. These factors can influence the volume and stability of trade exchanges between partners.

As noted by Rikalović, Molnar, and Josipović (2022) and Kittová and Steinhauser (2018), regional initiatives have the potential to enhance trade cooperation, particularly through the elimination of trade barriers. While Milović, Jocović, and Martinović (2021) identified the Western Balkans' lower ranking in the Global Competitiveness Index as a barrier to trade, our analysis uncovers substantial potential for expanding trade with the V4 region, especially among those Western Balkan countries that exhibit positive trade complementarity indices with the V4.

CONCLUSION

The V4 countries' strategic efforts to diversify their trade activities beyond the European Union could be supported by focusing on the Western Balkan countries, with which they share historical ties. Our analysis confirms both the growth of trade exchanges and the existing potential for further trade development on both sides. Hungary maintains the strongest trade links with the region due to its strategic geographic location, historical connections, and established diplomatic and economic partnerships. In contrast, the other V4 countries remain less engaged in trade with the Western Balkans, despite the significant untapped potential the region offers. Among the Western Balkan countries, Serbia shows the most significant potential for deeper trade cooperation with the V4, as reflected in the level and growth of trade intensity.

However, the deepening of trade cooperation faces several challenges. Beyond internal obstacles, the region is increasingly influenced by external geopolitical dynamics. China has intensified its engagement in the Western Balkans through the Belt and Road Initiative, financing large-scale infrastructure projects, including highways, bridges, and railroads, that promise immediate economic benefits. However, these projects often raise concerns about debt dependency and potential political influence, which may threaten the sovereignty and economic stability of the recipient countries.

From the perspective of the V4 countries, given the need for territorial diversification, it would be valuable to define a clear pro-export strategy toward the Western Balkans, including support for foreign trade exchanges at both the ministerial and national agency levels. While we did not analyze the individual pro-export strategies of the V4 countries in detail, Slovakia, in particular, appears to lack a more specific strategic focus.

As this study complements existing research on the foreign trade of the V4 countries, it may serve as a basis for defining pro-export strategies at the national level or, regionally, through a V4 platform. Our findings highlight increasing trade exchanges, as well as high levels of trade intensity and trade complementarity, particularly with Serbia.

Although the index calculations indicate potential trade growth, the V4 countries still face regional competition, particularly from China, which has expanded its influence through Belt and Road Initiative investments and positioned itself in price-sensitive markets, as well as with traditional trade partners such as Germany, Italy, Russia, and neighboring countries. Future research will conduct a sectoral analysis to identify industries with the highest export growth potential, utilizing quantitative methods, including econometric modeling of tariff and non-tariff

barriers, as well as regulatory impact assessments, to determine which trade-related constraints most significantly limit export volumes.

In conclusion, the Western Balkans represent a strategically important and economically promising region for all V4 countries. As the V4 seek to diversify their territorial trade structure, deeper engagement with the Western Balkans could create new opportunities for trade, investment, and broader regional cooperation. Gradual integration of the Western Balkans into the European Union, accompanied by continued reforms, may stimulate trade activity and foster a more stable business environment. Strengthened cooperation could also promote regional stability and mutual economic growth.

CRediT AUTHOR STATEMENT

Ľubica Zubaľová: conceptualization, investigation, supervision, writing – review & editing. **Kristína Drieniková:** investigation, writing – review & editing, project administration. **Nastasia Matúšová:** investigation, writing – original draft preparation.

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