INSIGHT REPORT

# V4 IN EMERGING MARKETS - A WEALTH OF OPPORTUNITY


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### State of play of global trade and economy

Trade uncertainty, rising protectionism, and the geopolitical weaponisation of key commodities increasingly shape today's global trading environment. These dynamics raise costs, disrupt supply chains, and deter investment—especially for smaller firms and smaller vulnerable economies. It also unsettles markets, weaken investor confidence, and erode trust between partners, fuelling retaliation and a broader cycle of unpredictability (UNCTAD, 2025). Although recent agreements have eased some tariff pressures, conditions remain volatile and the early-2025 growth momentum is dissipating (IMF, 2025).
ion to electric mobility will not be as smooth or straightforward as originally expected. [2]

### Emerging markets

Global growth is expected to slow from 3.2% in 2025 to 3.1% in 2026 (IMF, 2025). Growth in emerging market and developing economies is expected to ease from 4.3% in 2024 to 4.2% in 2025 and 4.0% in 2026 (IMF, 2025).

In emerging and developing Asia, growth is projected to slow from slightly from 5.2% in 2025 to 4.7% in 2026. For the ASEAN-5 economies (Indonesia, Malaysia, the Philippines, Singapore, and Thailand), growth is estimated at 4.2% in 2025 and 4.1% in 2026, compared with 5.2% and 4.7% for emerging Asia as a whole. Latin America and the Caribbean are projected to grow by 2.4% in 2025 and 2.3% in 2026 (IMF, 2025).

These trends present opportunities for Europe and reinforce the V4's push to diversify trade. The V4 can act both as a gateway for emerging markets entering the EU and as a bridge connecting the EU more effectively with fast-growing regions.

### V4 Trade realities

Central and Eastern European countries—particularly the V4 and the Baltic states—remain among the most open economies in the world. Slovakia stands out with a trade-to-GDP ratio of 170% in 2024, followed by Hungary at 144%, Czechia at 132%, and Poland at 101%. They all are significantly tied to Germany and its export-oriented economy, which creates high exposure to global uncertainty.

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In 2024, about 87–88% of V4 exports went to Europe, with Germany as the leading partner—absorbing 32% of Czech, 27% of Polish, 25% of Hungarian, and 21% of Slovak exports, driven largely by the automotive sector. Beyond Europe, Asia accounted for roughly 6–7% of V4 exports, the Americas 5–6%, and Africa less than 1%.

Despite Slovak exporters increasingly looking beyond Europe, the V4 economies remain centered on three key industrial pillars: vehicles, electrical and electronic equipment, and machinery.

As with every investor, diversification is essential. However, the key question is whether meaningful diversification is even possible when such a large share of exports is handled by major big companies, particularly in the automotive sector.

## CASE STUDIES

There are many regions within the broader category of emerging markets, but this analysis focuses on two that are currently at the centre of major power attention due to their geography, natural resources, dynamic economic growth, and long-term potential. Specifically, it examines ASEAN in Southeast Asia and Latin America, with particular emphasis on the South America.

Both ASEAN and Latin America are navigating a complex balancing act among the major global trade powers, the United States, China, and the European Union, creating a strategic window of opportunity for each of them.

In Southeast Asia, ASEAN's proximity to China, the ongoing relocation of industrial capacities, and the region's expanding role in global re-export networks amplify its economic importance. Moreover, ASEAN expanded to 11 members with Timor-Leste's accession, further boosting its strategic weight. At the same time, Indonesia's entry into the BRICS signals the increasing determination of emerging powers to influence global governance outside of Western-led frameworks.

Demographic momentum and sustained economic growth further reinforce this trajectory. For example, Singapore's expansion of Changi Airport—expected to boost capacity from roughly 90 million to about 140 million passengers annually with the addition of Terminal 5—illustrates the region's long-term growth outlook and its emergence as a global business and tourism hub.

For V4 countries, this environment presents opportunities to deepen economic engagement, diversify trade relationships, and integrate more actively into Asia's expanding value chains.

The significance of ASEAN was highlighted by U.S. President Donald Trump's visit, with parallel agreements signed in Kuala Lumpur in October 2025 reflecting intensifying U.S.–China competition for influence and supply-chain access in Southeast Asia. Trump's deals with Malaysia and Cambodia aim to secure critical minerals and rebalance trade, while China's upgraded ACFTA 3.0 pact reinforces its dominant regional role through deeper integration in digital, green, and infrastructure sectors.

Growing global attention has been also evident as leaders like France's President Macron promoted a "third way" during his May 2025 tour, and Turkey's President Erdoğan advanced new economic and defence partnerships in Malaysia. Yet regional stability remains fragile, with escalating China–Philippines tensions in the South China Sea.

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In South America, the trade landscape is equally dynamic. Mercosur's long-stalled negotiations with the EU have been successfully concluded. However, U.S. tariffs continue to squeeze regional exporters, while China rapidly expands its investments in infrastructure, energy, and agriculture. At the same time, South America´s rich reserves of critical raw materials—such as lithium, copper, and rare minerals—have shifting the region more to the centre of great-power competition, underscoring its growing role in global supply-chain security and geopolitical influence.

### V4 Exports to South America

V4 maintained relatively small trade ties with South America. In 2023, among V4, Poland recorded the highest export value to South America at 1.85 billion USD, followed by the Czech Republic with 1.35 billion USD, Hungary with 1.19 billion USD, and Slovakia with 810 million USD.

Across all four countries, Brazil emerged as the primary export destination in South America. Poland directed 49% of its South American exports to Brazil (911 million USD). Slovakia sent an even larger share - 57% - to the Brazilian market, while Czechia shipped 52% of its regional exports there. Hungary also relied heavily on Brazil, which accounted for 47% of its exports to South America, followed by Argentina with 24%.

### V4 Embassies in South America and ASEAN

### ASEAN

In Southeast Asia, the distribution of V4 embassies highlights diverging levels of foreign policy ambition.

Czechia maintains eight embassies in ASEAN countries, with the most recent opening in Singapore. Hungary also has eight embassies, and has expanded quickly in recent years. New missions in Cambodia, Malaysia, the Philippines, and even Laos show a clear push to strengthen Hungary's engagement with emerging Asian economies. Poland operates six embassies across region, including a new one in the Philippines. Slovakia has the smallest network, with five embassies. However, recent openings in the Philippines and Malaysia indicate a gradual shift toward greater presence in the region for both purposes - workers attraction to Slovakia and economic diplomacy promotion.

### South America

Among the V4, Poland maintains the largest diplomatic footprint in South America, with nine embassies across the continent. Czechia follows with seven embassies. Hungary operates eight embassies, yet its engagement has intensified only recently with its newest missions—opened in Peru and Colombia. In contrast, Slovakia has only four embassies in South America, marking the smallest regional presence among the V4.

### Conclusion

Although the geographical distance between V4 and South America is considerable, it does not have to be a barrier to trade. What matters more is economic development and purchasing power. For example, Tokyo is roughly as far from Bratislava as Brasília, yet Slovakia imports 8.5 times more from Japan than from Brazil, and Slovak exports to Japan are twice as large as those to Brazil.
While export growth matters, securing imports of strategic raw materials—especially the critical minerals needed for the green transition—is equally crucial. These resources are found in significant quantities in these regions.

However, the agreement with the MERCOSUR countries still requires ratification by all member states, several of which have expressed opposition. Even with an agreement in place, easier EU access to critical minerals from the region may remain challenging due to China's rapid acquisition of mining rights across Latin America. As a result, an EU–MERCOSUR free trade agreement would not automatically guarantee swift diversification of Europe's supply chains for critical raw materials.

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