

Factors and Potential of Bilateral Trade between China and CEE Countries

Yang Liqiao

Supervisor: Vigvári Gábor

Abstract

International trade is the process by which countries exchange products and services. The development of foreign trade has not only expanded the supply radius of producers, but also enriched the demand categories of consumers. As the world's largest developing country, China's economic and trade ties with Central and Eastern European countries have made great progress in recent years. From the "Belt and Road" initiative to the deepening of the 17+1 cooperation framework, the depth and breadth of cooperation between the two countries has continued to increase. But from the current point of view, the trade volume between China and Central and Eastern European countries is still small. This paper attempts to explore the potential of bilateral trade growth between China and Central and Eastern European countries by analyzing the current trade characteristics between China and Central and Eastern European countries, constructing an expanded gravitational model, and analyzing the factors that affect the development of bilateral trade.

The research results show that at present, in the bilateral trade relations between China and CEE countries, China has been in a trade surplus position for a long time, and the product categories of bilateral trade are mainly competitive. The stochastic frontier gravity model shows that the GDP of the two countries, the cumulative annual number of Confucius Institutes, trade freedom and investment freedom index significantly promote the development of trade. Trade between the two countries, such as demographic factors, weighted geographic distance, and EU membership, have an inhibitory effect. There is still a great potential for trade between China and CEE countries. This degree believes that in order to deepen trade exchanges, we should promote the better development of bilateral trade from three aspects: adjustment of industrial structure, enhancement of cultural exchanges and improvement of infrastructure.

Key Words: bilateral trade, CEE, factors, trade potential, stochastic frontier analysis, CEE.