

[DOI: 10.20472/IAC.2015.020.034](https://doi.org/10.20472/IAC.2015.020.034)

ANDREA ÉLTETŐ

Institute of World Economics, Centre for Economic and Regional Studies, Hungarian Academy of Sciences,
Hungary

ÁGNES SZUNOMÁR

Institute of World Economics, Centre for Economic and Regional Studies, Hungarian Academy of Sciences,
Hungary

CHINESE INVESTMENT AND TRADE - STRENGTHENING TIES WITH CENTRAL AND EASTERN EUROPE

Abstract:

The economic expansion of China is one of the most spectacular cases of today's global economy, where this East Asian country is increasingly integrated through foreign direct investments (FDI) and rising trade flows. Chinese firms have been building strong economic ties with Asia, Latin America and Africa where they search for markets and natural resources. Developed economies of Europe and the United States also became their important targets recently, offering markets for Chinese products and assets Chinese firms lack. We can observe rising Chinese economic presence in Central and Eastern Europe (CEE) too. Investment inflows are currently expected to increase further due to recent political developments, while the intensity of trade has been growing too, especially with certain countries.

The aim of the paper is to analyse the characteristics of Chinese economic presence in CEE countries focusing on investment and trade flows. After the introductory section and the discussion of theory and literature, the paper presents the changing patterns and motivations of Chinese foreign economic relations. The main part of the paper describes the China-CEE economic relations highlighting the similarities and differences of Chinese practices in CEE and other developed economies. According to our first hypothesis, Chinese motivations and practices in the CEE region differ somewhat (a) from the developed countries' presence in the CEE region as well as (b) from the motivations and practices of Chinese companies in developing countries. As a second hypothesis we set that the crisis accelerated the Chinese companies' interest toward this region due to new opportunities for Chinese companies and increasing receptiveness from CEE side.

The first part of this paper examines Chinese investment in the six main CEE destination countries (Bulgaria, Czech Republic, Hungary, Poland, Romania, Slovakia), analyzing the most important sectors, motivations, trends and differences of FDI inflow. We apply the eclectic paradigm of Dunning for explaining Chinese investments, analyzing to what extent they are valid. The second part describes trade flows between China and the main CEE partners. We find that the bulk of foreign trade between CEE countries and China can be bound to certain products and certain multinational companies. Mutual trade flows thus are largely dependent on the activities of global value chains. Finally we draw some policy implications concerning mutual economic relationship.

Keywords:

China, Central and Eastern Europe, FDI, Global value chains, foreign trade

JEL Classification: F23, F10