

Abstract

To assess the effect of human capital endowment on intra-industry trade between CEE countries and the EU, this paper used trading data from 2000-2019 in the machinery sector between the Visegrad and Germany as the representative. Meanwhile, this paper used secondary and tertiary educational attainments separately as the proxy for human capital endowment and included other factors influencing intra-industry trade. Before the econometric regression, a descriptive statistical analysis was carried out, and we recognized that the intra-industry trade between the CEE countries and the EU is of vertical nature. According to regression results, we found that the domestic market size and the difference in economic mass had a positive relationship with the intra-industry trade of CEE countries. Similarly, the GDP per capita was positively correlated to intra-industry trade in this area. In addition, geographical distance and contiguity levied significant impacts on intra-industry trade of CEE countries. However, the effect of EU membership was nonsignificant in our sample. More importantly, secondary and tertiary educational attainments had opposite influences on intra-industry trade between CEE countries and the EU, which implies that although they have high educational attainments, the CEE countries occupied the lowest quality market segments in Europe.