

Report on Master Thesis

Institute of Economic Studies, Faculty of Social Sciences, Charles University in Prague

Student:	Bc. Matěj Ehrlich
Advisor:	Mgr. Petr Janský, M.Sc., Ph.D.
Title of the thesis:	Foreign direct investment spillovers and tax havens

OVERALL ASSESSMENT (provided in English, Czech, or Slovak):

Contribution

This thesis is contributing to the literature on spillovers from foreign direct investment (FDI). The value added is using an information on whether the FDI comes from an off-shore center (like Bahamas or Cyprus) or not, researched within the meta-analysis framework. Such an analysis has not been done in this context before. The results are in line with expectations – FDI coming from offshore centers, usually representing tax evasion or round tripping, are associated with lower (backward vertical) spillovers, i.e. lower indirect effects on sub-suppliers.

Methods

The thesis is using the meta-analysis framework following Havranek and Irsova (2011). This is becoming a popular method to find how effects estimated in various studies depend on factors like what data were used, what methods, time spans, adjustments of data etc. It is a very appropriate method here, as there have been dozens of studies on FDI spillovers. The author is using the same data as Havranek and Irsova (2011), but is re-running the regressions using his newly created variables on the origin of the FDI inflow.

Literature

The thesis includes a good discussion of key concepts such as FDI definitions and measurement, spillovers, offshore centers, tax optimization techniques involving cross-border capital flows/FDI etc. It also properly discusses the literature on FDI and FDI spillovers.

Manuscript form

The thesis is well structured and properly formatted. The language style is at a few places somewhat repetitive and would benefit from a more streamlined style (leaving out phrases such as „as we have already mentioned“ or „now, I want to introduce the concept“ etc.), but in general the readability is very good.

Summary and suggested questions for the discussion during the defense

The thesis is on a very interesting topic, is well written, and has a clear value added. The results are in line with intuition. I strongly recommend the thesis for defense and propose the grade **A**.

Perhaps it would be nice if the thesis included a bit more empirical analysis – showing some trends in FDI (especially as related to offshore/onshore origin), compositions by countries etc. Some of the described tax evasion strategies could be illustrated using charts and schemes. Also, some robustness checks would be useful – for example on the definition of offshore centers or perhaps recalculating the various shares using also flows rather than only stocks. However, these additions could be considered if the author plans to turn his thesis into a publication.

During the defense, here are 2 questions that could be discussed (although they are partly mentioned in the thesis, a thorough discussion would be useful):

1. Under which conditions would FDIs from offshore centers be supporting positive backward vertical spillovers?
2. What are the factors behind a country receiving a large part of its FDI inflow from offshore centers?

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SUMMARY OF POINTS AWARDED (for details, see below):

CATEGORY	POINTS
Contribution (max. 30 points)	26
Methods (max. 30 points)	27
Literature (max. 20 points)	20
Manuscript Form (max. 20 points)	18
TOTAL POINTS (max. 100 points)	91
GRADE (A – B – C – D – E – F)	A

NAME OF THE REFEREE: *Doc. Adam Gersl*

DATE OF EVALUATION: *Aug 23, 2018*



Referee Signature

EXPLANATION OF CATEGORIES AND SCALE:

CONTRIBUTION: *The author presents original ideas on the topic demonstrating critical thinking and ability to draw conclusions based on the knowledge of relevant theory and empirics. There is a distinct value added of the thesis.*

<i>Strong</i>	<i>Average</i>	<i>Weak</i>
30	15	0

METHODS: *The tools used are relevant to the research question being investigated, and adequate to the author's level of studies. The thesis topic is comprehensively analyzed.*

<i>Strong</i>	<i>Average</i>	<i>Weak</i>
30	15	0

LITERATURE REVIEW: *The thesis demonstrates author's full understanding and command of recent literature. The author quotes relevant literature in a proper way.*

<i>Strong</i>	<i>Average</i>	<i>Weak</i>
20	10	0

MANUSCRIPT FORM: *The thesis is well structured. The student uses appropriate language and style, including academic format for graphs and tables. The text effectively refers to graphs and tables and disposes with a complete bibliography.*

<i>Strong</i>	<i>Average</i>	<i>Weak</i>
20	10	0

Overall grading:

TOTAL	GRADE
91 – 100	A
81 - 90	B
71 - 80	C
61 – 70	D
51 – 60	E
0 – 50	F