

REPORT ON THE MASTER THESIS

IEPS – International Economic and Political Studies, Faculty of Social Sciences, Charles University

Title of the thesis:	Evaluation of China's FOREX Policy: Equilibrium Exchange Rate Perspective
Author of the thesis:	Qiriga
Referee (incl. titles):	Vilém Semerák, Ph.D.

Comments of the referee on the thesis highlights and shortcomings (following the 5 numbered aspects of your assessment indicated below).

1) Theoretical background:

The thesis is based on a traditional and sound theoretical background. The concepts of equilibrium exchange rates based on the idea that the equilibrium rate should be compatible with the simultaneous attainment of internal and external equilibrium have got long tradition in international economics, the main concept applied by the author (the Fundamental Equilibrium Exchange Rate – FEER) has been developed and used by many respected authors (e.g. J. Williamson) and institutions (IMF, PIIIE). The author clearly explains the logic of the concept and the differences between the FEER and some alternatives (NATREX etc.) and demonstrates that he understands the main features of the relevant concepts really well.

Similarly, the separate concepts of internal and external equilibria and the translation of the theoretical concepts of the equilibria into applicable empirical indicators are clearly explained (including possible weaker features and inevitable compromises of the selected strategy).

2) Contribution:

I can identify three types of contributions Mr Qiriga's thesis:

- i) He has gathered quite a few details and data about the less-known history of China's FOREX policies (especially for the period 1949-1994).
- ii) He used an interesting methodology by which he obtained own estimates of equilibrium rates (both in the form of bilateral rates and effective rates) of the countries/regions included in his model (i.e. not only for China). It should be emphasized that he has opted for a more ambitious multi-regional approach instead of the possibly simpler single-country approach. The results can be considered as good enough for policy-relevant discussions of the misalignments of main global currencies.
- iii) His detailed analysis of the methodology developed by Jeong & Mazier has even led to a proposal for an adjustment of some of the mathematical formulas (see p. 35), which the author also implemented immediately.

3) Methods:

Qiriga has implemented the multiregional FEER concept in a rather ingenious way based on Jeong & Mazier (2003). This approach avoids both (i) the need to estimate the necessary elasticity parameters via complex econometric methods and (ii) the need to construct and calibrate complex general equilibrium models. The elasticities are taken from previously published research and the whole model is transformed into a system of linearized equations which thanks to proper specification can be solved with the use of traditional matrix methods. This ingenious approach has not been developed by Qiriga, but he managed to implement it very convincingly and even proposed a small improvement (correction) of some of the underlying mathematical relationship. The resulting estimates seem to be qualitatively comparable with widely cited results traditional published by authors from the PIIIE (Cline and others).

4) Literature:

The author covered relevant concepts of equilibrium exchange rates as well as existing empirical texts in which the equilibrium rates for China were presented. Especially the latter issue was covered very well, with easy to understand tables in which the estimated misalignments were presented. The list of references was quite extensive and includes relevant literature.

5) Manuscript form:

The manuscript is logically structured, the use of charts and tables can be described as appropriate (very lengthy detailed results are presented in the appendix). On the other hand, there are two weaker features too:

- (i) Formatting: at least my copy had some issues with the formatting of page numbering, similarly the formatting of the bibliography differed from other sections of the text. As far as I know, some of the issues might have been caused by the fact that the author was writing the thesis in a different software which might not have been completely compatible with MS Word.
- (ii) Language and grammar issues: additional proof-reading by a native speaker might further improve the text, nevertheless, the text remains easy to read and understand.

Box for the thesis supervisor only. Please characterize the progress in the working out of thesis (e.g. steady and gradual versus discontinuous and abrupt) and the level (intensity) of communication/cooperation with the author:

Qiriga was working on the thesis very steadily and meticulously (at least as far the methodology and theoretical concepts were concerned). I was very impressed by his tenacity – he was working on more complicated aspects of the application of the methodology really hard (this included detailed manual checks of the calculations) until he was sure about the solution.

Suggested questions for the defence are:

Question 1: What would you describe as the main weakness of the concept of the FEERs?

Question 2: Explain the advantages and disadvantages of the attempts to estimate real equilibrium exchange rates from multiregional models (as opposed concepts which attempted to used on data for a single country).

Question 3: So, is China a “currency manipulator” or not?

This thesis is one of the best economic papers written by IEPS students.

Therefore, I definitely recommend the thesis for final defence and I recommend the following grade: “A”.

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

CATEGORY	POINTS
<i>Theoretical background (max. 20 points)</i>	20
<i>Contribution (max. 20 points)</i>	19
<i>Methods (max. 20 points)</i>	19
<i>Literature (max. 20 points)</i>	19
<i>Manuscript form (max. 20 points)</i>	17
TOTAL POINTS (max. 100 points)	94
The proposed grade (A-B-C-D-E-F)	A

DATE OF EVALUATION: June 12th, 2019

Referee Signature

Overall grading scheme at FSV UK:

TOTAL POINTS	GRADE	Quality standard
91 – 100	A	= outstanding (high honour)
81 – 90	B	= superior (honour)
71 – 80	C	= good
61 – 70	D	= satisfactory
51 – 60	E	= low pass at a margin of failure
0 – 50	F	= failing is recommended

The referee should give comments to the following requirements:

1) THEORETICAL BACKGROUND: Can you recognize that the thesis was guided by some **theoretical fundamentals** relevant for this thesis topic? Were some important theoretical concepts **omitted**? Was the theory used in the thesis consistently **incorporated with the topic** and hypotheses tested? Has the author demonstrated a genuine **understanding** of the theories addressed?

Strong	Average	Weak
20	12	< 8

 points

2) CONTRIBUTION: Evaluate if the author presents **original ideas** on the topic and aims at demonstrating **critical thinking** and ability to draw **conclusions** based on the knowledge of relevant theory and relevant empirical material. Is there a distinct **value added** of the thesis (relative to knowledge of a university-educated person interested in given topic)? Did the author explain **why** the observed phenomena occurred? Were the **policy implications** well founded?

Strong	Average	Weak
20	12	< 8

 points

3) METHODS: Are the **hypotheses** for this study clearly stated, allowing their further **verification and testing**? Are the theoretical explanations, empirical material and **analytical tools** used in the thesis relevant to the research question being investigated, and adequate to the aspiration level of the study? Is the thesis **topic comprehensively analyzed** and does the thesis not make trivial or **irrelevant detours** off the main body stated in the thesis proposal? More than 12 points signal an exceptional work, **which requires your explanation "why" it is so**).

Strong	Average	Weak
20	12	< 8

 points

4) LITERATURE REVIEW: The thesis demonstrates author's full understanding and **command of recent literature**. The author **quotes** relevant literature in a **proper way** and disposes with a **representative bibliography**. (Remarks: references to Wikipedia, websites and newspaper articles are a sign of **poor research**. If they dominate you cannot give more than 8 points. References to books published by prestigious publishers and articles in renowned journals give much better impression. Any sort of **plagiarism** disqualifies the thesis from admission to defence.)

Strong	Average	Weak
20	12	< 8

 points

5) MANUSCRIPT FORM: The thesis is **clear and well structured**. The author uses appropriate **language and style**, including the academic **format for quotations**, graphs and tables. The text effectively refers to graphs and tables, is easily readable and **stimulates thinking**. The text is free from typos and easy to comprehend.

Strong	Average	Weak
20	12	< 8

 points

Remarks for the referees:

- 1) Download the thesis from the SIS. If you have no access to SIS please ask the secretary of IPS (jana.krejcikova@fsv.cuni.cz, tel. 251 080 214) for sending you the thesis by e-mail.
- 2) Use the IEPS Thesis Report form only for your comments. **It is a standard at the FSV UK that the Referee's Report is at least 400 words.** In case you will assess the thesis as "non-defendable", please explain the concrete reasons for that in detail.
- 3) Retain your critical stance. You cannot confer more than 80 points upon a thesis that does not satisfy research standards in top European universities.
- 4) Upload the Report as PDF/A file into the SIS. Instructions how to convert .DOCx to PDF/A): „Save as“ – select „PDF“ – check in „Options or Možnosti“ that „PDF options“ tick „ISO 19005-1 compliant /kompatibilní s/ (PDF/A)“ – „Save“. If you have no access to SIS please send the unsigned PDF file to the secretary of IPS (jana.krejcikova@fsv.cuni.cz).
- 5) Please deliver to the IPS Secretariat, U Kříže 8, 15800 Praha 5 Jinonice, **two hand-signed originals**. Unfortunately, a photocopied report with signature does not suffice. Sorry.
- 6) Your Report will be remunerated, so we need also your account information (separate from this form).