

REPORT ON THE MASTER THESIS

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

Title of the thesis:	The FDI of China in Central Europe under the One Belt One Road Policy
Author of the thesis:	Han ZHANG
Referee (incl. titles):	Doc. Ing. Vladimír Benáček, CSc.

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

1) Theoretical background:

Miss Zhang's thesis is composed of two parts: a) An extensive descriptive and/or comparative overview where raw data are generously quoted, plus referencing to various sources of literature and theoretical foundations. b) An econometric model based on panel data, which was quite original and provided a wide range of interesting findings.

The latter is the most valuable part of the thesis and it deserves more attention in the exam.

2) Contribution:

There was one important reason for the Chinese outgoing FDI, which was omitted in the thesis: the macroeconomic imbalance built in the current account surplus and thus the need to achieve financial account deficit by exporting the excess capital (or by hoarding of central bank's foreign exchange reserves). China is pressed by its macroeconomic setup to export FDI.

The introduction to the topic, world literature and the motives of China in outward investment were effectively reviewed on pp. 1- 11. I appreciate your own views there.

Own ideas of the author in the extensive chapter 2.3.2 on impact of OBOR in Europe deserve recognition.

Could the author explain the figures in Table 5? On p. 37 she claims that the total stock of Chinese outgoing FDI in 2017 was USD 1491 billion. Where that FDI is hidden then if not in the EU-28, USA and ASEAN, which form mere 16% share on the total. Are these figures correct?

Instead of speaking about "monopoly advantages" (see p. 2) it would be appropriate to speak about "comparative advantages" or "market position advantages".

Data in Figure 5 are in conflict with your claim on p. 21 that Chinese FDI in US is greater than in the EU.

The analysis of FDI on pp, 28-37 (chapter 4) is full of data and tables. It is a pity that the author did not process such data by revealing its trends and relative positions directly in tables.

Unfortunately, the figures for GERD in Table 8 are not correct. E.g. Czech GERD in 2016 was in reality USD 3634 million, instead of quoted 6,16 million (nearly 600 times less). A similar huge discrepancy is also for other countries.

3) Methods:

I must praise this research where the series of hypotheses are set out and explained first and the build-up of the model is derived from them afterwards. Three techniques of estimation are selected and their results are duly interpreted. The main shortcoming is that the model is not linked to the theoretical part of the thesis.

Remark on the use of notation and indices on pp. 37-38: Y_{it} represents $N \times T$ observations (not $N \times 1$) and in the expression $N \times k$ the k is not defined.

The economic interpretation of the exogenous variables proposed for the model is explained very clearly. What I missed was the description of some theory, which prompted you in the selection of variables. Or, at least, you could base it on some advanced research paper using similar specification of the model.

4) Literature:

The literature is very extensive and includes many titles (e.g. from China) that are not so known in Europe.

5) Manuscript form:

The English in the thesis is very clear. However, there are present numerous typos.

On p. 2-3 the words for "investor country" and "host country" are quite probably erroneously reversed in their meaning.

The author mentioned on p. 7 is not Alice but Radzyner A.

Contrary to the statement on p. 53, since June 2018 the RMB has been nominally depreciating against USD.

There is a non-standard citation and referencing style. Acronyms such as s.l.:s.n. are not preferred in academic papers.

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:

Suggested questions for the defence are:

*** Miss Zhang could explain how and why the win-win concepts of OBOR are not (according to her) in conflict with the geopolitical hegemony of China in countries where it achieved market, economic or political power.

*** Please explain how you interpret the most interesting finding of your 3 models: why the Chinese FDI is negatively related to the high-tech development in CE countries. Actually, why China prefers to invest into the low-tech countries? See p. 51.

I recommend the thesis for final defence.

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

CATEGORY	POINTS
<i>Theoretical background (max. 20 points)</i>	16
<i>Contribution (max. 20 points)</i>	17
<i>Methods (max. 20 points)</i>	16
<i>Literature (max. 20 points)</i>	19
<i>Manuscript form (max. 20 points)</i>	13
TOTAL POINTS (max. 100 points)	81
The proposed grade (A-B-C-D-E-F)	B

DATE OF EVALUATION: 8 Sept 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. The thesis is not recommended for defence.