

Report on Master Thesis

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

Student:	MA. Peng Liu
Advisor:	Ing. Vilém Semerák, Ph.D.
Title of the thesis:	Gravity analysis of outward Chinese FDI – test of the Silk Road effect

OVERALL ASSESSMENT

Contribution

The topic of this master's thesis is interesting and relevant to the current and further economic cooperation between China and Europe, which will have visible influence on the world economy as a whole.

The thesis is divided into six main chapters. After the introduction the author concentrates on the literature review on the factors influencing FDI from both theoretical and empirical aspects. The second chapter describes the OBOR (One Belt, One Road) strategy followed by the theory of investment motivation, the concept of the so-called gravity model, an interesting index of investment potential, as well as a global competitiveness index. The third chapter concentrates on the status of China's investment in "OBOR" countries, summarizing the characteristics of FDI from China to these countries. The fourth chapter develops an expanded gravity model. The next chapter engages in the calculation and interpretation of the main results mainly by means of this expanded gravity model of investment attraction, including the calculation of investment attraction. The final chapter summarizes the motivation, current development, and potential of China's direct investment in these "OBOR" countries, together with some policy suggestions for further promoting China's FDI in these countries.

To my knowledge, the project covers two parts. The first is the "Silk Road Economic Belt," primarily land-based and expected to connect China with Central Asia, Eastern Europe, and Western Europe. The second is called the "21st Century Maritime Silk Road," which is sea-based and is expected to link China's southern coast to the Mediterranean, Africa, South-East Asia, and Central Asia. It is pity that this was not mentioned in the introduction.

To some extent a discussion was lacking related to the life time of FDI. The decisions of foreign direct investors are profit-seeking, and to know the anticipated profile of FDI life cycle is very interesting (usually this profile is non-linear with a length of around 15 years).

Methods

The choice of the gravity model is intuitive and the referee finds this method appropriate for the aim of the thesis. The author applied the gravity model using Poisson Pseudo-Maximum Likelihood (PPML) with Fixed Effects. This method is deeply discussed and commented on. The referee also finds interesting chapter 5, dedicated to the so-called investment index.

Literature

The literature review is on a standard level, i.e. it includes both original sources of literature and current applied studies oriented to analysed countries.

Manuscript form

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The manuscript form is also on a standard level, but, as mentioned above, the imprecise definition of the analysed region hinders the clear arrangement and conclusions of this master thesis.

Summary and suggested questions for discussion during the defence

This master thesis is generally quite well-balanced; it consists of both theoretical and empirical parts, with interesting results (which were not so easy for the referee to follow), an interesting literature survey, and appropriate techniques for empirical analysis. In my view, the thesis fulfils the requirements for a master thesis at IES, Faculty of Social Sciences, Charles University. I recommend it for defence and suggest a grade A. The results of the Urkund analysis do not indicate significant text similarity with other available sources.

Suggested questions:

- 1) *What is the link between investment potential and life cycle of FDI? Please, briefly comment.*
- 2) *To my knowledge, there exist six economic corridors related to this project (The New Eurasian Land Bridge, The China-Mongolia-Russia Corridor, The China-Central Asia-West Asia Corridor, The China-Indochina Peninsula Corridor, The China-Pakistan Corridor and The Bangladesh-China-India-Myanmar Corridor). Which one (and why) will be the most influential for China?*

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

CATEGORY	POINTS
<i>Contribution (max. 30 points)</i>	27
<i>Methods (max. 30 points)</i>	28
<i>Literature (max. 20 points)</i>	18
<i>Manuscript Form (max. 20 points)</i>	18
TOTAL POINTS (max. 100 points)	91
GRADE (A – B – C – D – E – F)	A

NAME OF THE REFEREE:

DATE OF EVALUATION: 26.1.2021

Digitálně podepsáno (26.1.2021):
Luboš Komárek

Referee Signature

