IMESS DISSERTATION

Note: Please email the completed mark sheet to Year 2 coordinator
(cc Chiara Amini chiara.amini@ucl.ac.uk **and** fiona.rushworth@ucl.ac.uk)

Please note that IMESS students are <u>not</u> required to use a particular set of methods (e.g. qualitative, quantitative, or comparative) in their dissertation.

Student:	Qihao Su
Dissertation title:	FDI, Economic Growth and Institutional Quality: Evidence from Countries with Different Income Levels

	70+	69-65	60-61	59-55	54-50	<50
	A	B	C	D	E	F
Knowledge *Knowledge of problems involved, e.g. historical and social context, specialist literature on the topic. Evidence of capacity to gather information through a wide and appropriate range of reading, and to digest and process knowledge.*		67				
Analysis & Interpretation *Demonstrates a clear grasp of concepts. Application of appropriate methodology and understanding; willingness to apply an independent approach or interpretation recognition of alternative interpretations; Use of precise terminology and avoidance of ambiguity; avoidance of excessive generalisations or gross oversimplifications.*	70					
Structure & Argument *Demonstrates ability to structure work with clarity, relevance and coherence. Ability to argue a case; clear evidence of analysis and logical thought; recognition of an argument´s limitation or alternative views; Ability to use other evidence to support arguments and structure appropriately.*			63			
Presentation & Documentation *Accurate and consistently presented footnotes and bibliographic references; accuracy of grammar and spelling; correct and clear presentation of charts/graphs/tables or other data. Appropriate and correct referencing throughout. Correct and contextually correct handling of quotations.*						45
Methodology *Understanding of techniques applicable to the chosen field of research, showing an ability to engage in sustained independent research.*	70					

ECTS Mark:	63 (C)	**Charles Mark:**	D	**Marker:**	Vilém Semerák, Ph.D.
Deducted for late submission:	No			**Signed:**	
Deducted for inadequate referencing:				**Date:**	September 20th, 2021

MARKING GUIDELINES

A (UCL mark 70+) = A (Charles mark 91-100 - excellent): *Note: marks of over 80 are given rarely and only for truly exceptional pieces of work.*
Distinctively sophisticated and focused analysis, critical use of sources and insightful interpretation. Comprehensive understanding of techniques applicable to the chosen field of research, showing an ability to engage in sustained independent research.

B (UCL mark 69-65) = B (Charles mark 81-90– very good)
C (UCL mark 64-60) = C (Charles mark 71-80 – good): A high level of analysis, critical use of sources and insightful interpretation. Good understanding of techniques applicable to the chosen field of research, showing an ability to engage in sustained independent research. 65 or over equates to a B grade.

D (UCL mark 59-55) = D (Charles mark 61-70 – satisfactory)
E (UCL mark 54-50) = E (Charles mark 51-60 – sufficient):
Demonstration of a critical use of sources and ability to engage in systematic inquiry. An ability to engage in sustained research work, demonstrating methodological awareness. 55 or over equates to a D grade.

F (UCL mark less than 50) = F (Charles mark 0-50 - insufficient):
Demonstrates failure to use sources and an inadequate ability to engage in systematic inquiry. Inadequate evidence of ability to engage in sustained research work and poor understanding of appropriate research techniques.

Please provide substantive and detailed feedback!

Comments, explaining strengths and weaknesses (_at least 300 words_):

Su Qihao has selected a topic with a relatively long tradition in macroeconomics – analysis of growth (and convergence) and focused on the contribution of FDI to growth. Qihao decided to tackle the topic econometrically, the core of the paper is a series of econometric estimates based on a growth equation (complemented with institutional variables) estimated on a panel of 102 countries during 1999-2018. Due to the selected specification the author opted for a system GMM estimator, this choice can be described as logical and correct, the methodology is sufficiently ambitious for a relatively advanced master thesis. Besides FDI the regressions include a battery of institutional variables, the author also attempts to include interaction variables (based on FDI and selected institutional variables). Interestingly, even though threshold effects are mentioned repeatedly, actual threshold models have not been tested, the author instead estimated the same specification on sub-samples defined by the level of development of analyzed countries.

The impression from the econometric analysis is a bit mixed. On the one hand the author uses a method which had been described as advanced until relatively recently, indeed, papers on similar topic and estimated with a similar methodology are still being produced by Ph.D. candidates. The author appears to be aware of possible issues such as problems related to having too many instruments and attempts to deal with them. On the other hand, in other cases Qihao opts for a rather vague description of some econometric methods and results - e.g. "OLS regression has been tested less reliably…" when in fact the test rejected OLS in favour of fixed effects (and the results of the original OLS are thus very likely to be biased) (p. 34). And in some cases, Su Qihao omits additional details altogether – and the reader is left to wonder - were e.g. the tests of stationarity (promised on p. 25) used or not? All in all, the results are not too different from what many other students and Ph.D. candidates got in the past, while institutional variables are clearly relevant and influence the form of effect of FDI on growth, it is often difficult to find a clear interpretation. Therefore, I consider the results adequate for the level of study of the author.

As far as the literature review is concerned, the author has opted for a quite broad treatment of the topic and tried to cover all possibly relevant streams of research. The literature review thus covers most papers that one would expect to be mentioned in a discussion on FDIs. Unfortunately, the literature on FDI, FDI determination, and FDI and growth is really extensive - therefore the literature review is very broad but there is often not enough space to focus on possibly interesting details or (in some cases) to present the arguments more precisely. Perhaps it might have been useful to choose a narrower focus. However, it must be admitted that finding a reasonable compromise might not be easy in this case.

As far as the design of the methodology and the interpretation of the results and the literature review are concerned, there seem to be two issues that Qihao might added to the analysis. The first is the role natural resources – the resource curse is a phenomenon which links together the topics discussed in the thesis (corruption, institutions, growth) and accounting for the role of natural resources might have helped clarify some of the results. The second one is a less frequent topic in general macroeconomic debates, but it might be known to somebody analyzing growth in Asia. There is a recent interesting contribution by Yuen Yuen Ang which focuses on more detailed analysis of the role of corruption; it helps understand why countries with seemingly similar corruption issues (India and China) might be achieving very different rates of economic growth.

Additional language check and especially a thorough check of the references (both the correctness as well as their inclusion in the list of references) would have been very useful. Indeed, there are numerous typos in the names, including quite famous authors such as "Rocardo" (1817), Arrellano & "Boverand" (1995) (p. 33). And it is really surprising, that quite a few of the cited texts are also not included in the list of references. Examples (the list is probably not complete): Ahuja (2013), Arellano & Bover 1995, Ricardo (1817), De Mello (1997), Durham (2004), Tiwari & Mutascu (2011), Nakije (2014) are mentioned in the text, but not appear on the list of references. These "orphaned" references can be found both in the literature review (section 2) as well as in the description of the econometric methodology (section 3). Does this mean that the author was finishing the text in a hurry? Or that some sections of the text are used on indirect citations? In other cases the forms of some references differs when we compare the text and the list of references (e.g. Hayat (2017) or Hayat & Cahlik?). On the other hand, there is one paper which is listed twice, Farole & Winkler (2012). Indeed, the numerous problems with the references are for me the main reason why I opted for a lower grade. It might have been useful to use of reference management system that would have helped solve this issue easily.

Specific questions you would like addressing at the oral defence (_at least 2 questions_):

1. What is your opinion (and possibly explanation) on your results concerning the insignificant role of the rule-of-law and regulatory environment on "FDI induced economic growth"? And how about the negative effects of the rule of law in high income economies? (p 70). Are these results in line with existing literature?

2. You are suggesting that some of your insignificant results can be related to the presence of collinearity (p. 48). Have you tried to test this?

3. What is so-called resource curse? How can this issue be relevant for your topic?

4. On p. 25 you mention Im-Pesaran-Shin unit root tests. Have you run them? Are the results mentioned in the thesis?