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:	Jinli Yao
Dissertation title:	Inward FDI and Industrial Structure Optimization and Upgrading: Empirical Evidence from Central and East European EU Countries

	70+	69-65	64-60	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.*			60			
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.*					51	
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.*				56		
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.*				55		
Methodology *Understanding of techniques applicable to the chosen field of research, showing an ability to engage in sustained independent research.*					51	

ECTS Mark:	55	**Charles Mark:**	E	**Marker:**	Vilém Semerák, Ph.D.
Deducted for late submission:		No		**Signed:**	Vilém Semerák
Deducted for inadequate referencing:				**Date:**	September 15th, 2022

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_):

Jinli Yao has submitted a rather lengthy text which surely took many hours of the author's work. Still, the text is still relatively far from a perfect thesis:

- One key aspect of the main focus of the paper is troublesome and in fact not too well interconnected with current economic literature: the (implied) idea that there is some sufficiently general ideal economic structure. The author indeed repeatedly mentions upgrading and optimization of industrial structure. But is there an optimal structure or at least a direction of structural changes that one could meaningfully refer to as upgrading, especially at the high level of aggregation of the data used in the analysis? And if yes, can we find it without taking into account details on the countries' endowment with natural resources, location, and economic history? While the author is right that countries, in general, develop away from a high share of the primary sector and towards services, interpreting all such changes as optimal is tricky. Apparently, the author has not taken ideas such as "premature deindustrialization" (D. Rodrik) into account.

- The literature review (chapter 1) is quite long but at the same time does not meet the expectations typically imposed on literature reviews in theses and dissertations:

  o As far as the effects of FDI are concerned, the effects on efficiency are considered as rather important by many economists. There have been quite a few relevant papers and even meta-analytical papers that the author might have added to the discussion but which are not included in the literature review. Examples: Iršová & Havránek (2013), Hanousek, Kočenda, Maurel (2011), Iwasaki & Tokunaga (2017), Gorodnichenko, Svejnar, Terrell (2020)…

  o The literature review is not too well organized:

    ▪ Large sections of the text do not include any references. The author describes many theories and models, but it is not apparent whether the ideas (and sometimes criticism) is the author's own idea or whether it is based on another source. In some sections, the author simply claims "some scholars believe" (p. 37) or "mainstream economists believe" (p. 22) again without providing any support for the claim.

    ▪ The whole section 1.2.3 is written in a rather soft style (with only one rather general reference with dubious relevance: p. 24, K. Marx!, no links to any actual empirical evidence provided). It might have been better to omit this section rather than to present it in its current form.

    ▪ The author occasionally refers to other concepts and models and uses the name of the author, but does not provide a direct reference. For example: a contribution by Todaro is discussed on p. 28, but no work by Todaro is included in the bibliography. Similarly, a work by William Petty is mentioned on p. 19, but the book mentioned in the text does not appear in the bibliography (no indirect source is provided either). William Petty is also described as a "classical Chinese and British" economist. I am no expert on Petty, but I still think that he would have been rather surprised by this description.

    ▪ Some formulations in the text strongly suggest that the author relied on a translated text without mentioning that. Examples: Petty's text is titled "Politics Counts" in the thesis, this probably was supposed to be Petty's treatise "Political Arithmetics". On p. 23 the author mentions something called "coordinated ratio" between industries.

    ▪ Some issues with the consistency of the sequencing can be found in the text (e.g. Vernon discussed after Dunning, p. 16-17).

- The descriptive analysis (chapter 2) remains at a very general level, the author only describes the development of FDI stocks (and structure by sectors) and then changes in the relative role of primary, secondary and tertiary sector. It would have been quite easy for the author to use more detailed level of analysis and provide a more convincing analysis of the changes in the structure of output and employment of the analyzed countries. Also the logic of the industrial deviation index and of the presented results is not too convincing: please see the question focused on this issue (question 2).

- The relevance of econometric results is significantly weakened by three problems:

  o The author's choice of explained variables which are based on rather ad hoc defined indices. The author also does not discuss the features of the indices (e.g. whether their rather limited range can be

relevant for the specification).

- o The specification of the model seems rather ad hoc. It is clear that students' papers cannot always have the luxury of relying on micro-founded models, but the author is in fact trying to describe a relationship between ad hoc defined indices (explained variable) and a ad hoc selected list of explanatory variables. It is not surprising that she is obtaining a bit surprising (and possibly spurious results). To her credit, she attempted specification tests (p. 69) and she does not hide the fact that their implications were not too good. Also, her decision to rely on fixed effects was pragmatic and correct.
- o Some claims reveal that the author struggled with econometric methodology: for example the discussion of random walks and stationarity (p. 60), or the description of panel methods (p. 50-51).
- The author focuses on CEE countries but at the same time does not pay much attention to their economic history. If this were attempted, it would become clear that these countries are not typical developing economies, but they had rather specific economic structures prior to 1989 (with a rather high and structurally unsound role of industry and too low role of services). This might be quite relevant both for the discussion of structural development as well as for the final policy recommendations.
- Interestingly, the author also does not discuss any instruments that the countries have been using to attract FDIs, i.e. investment incentives. The author would probably be surprised that some of the recommendations in the final section used to be typical for the design of e.g. Czech investment incentives in the past.

Additional issues:
- Language quality is mostly adequate. Given the length of the text, I would describe the number of errors and typos that remained in the text as quite acceptable.
- There seems to be minor confusion concerning the reference to Chenery and Strout – was it published in 1966 (p. 28) or 1968 (bibliography)?
- Figure 5 (p. 41): formatting of the vertical axis, missing units.
- The design of figures 15 (p. 54) and 16 (p. 55) significantly reduces their usefulness.
- The comparison of FDI stocks in selected CEE countries (p. 38) might be more relevant if the author attempted to provide e.g. FDI stock per capita.

Using the Charles University scale, I would evaluate the thesis with a grade E (about 55 points on the CU 0-100 scale).

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

1. Please return to the discussion of stationarity (p. 60) and explain the usability of visual inspection and your claims on the stationarity of random walks.

2. Please explain the logic of the industrial deviation index and of the results provided in table 1 (p. 47). Specifically:

    i. Which papers inspired you to use this index?

    ii. If the index compares the share of value-added (or output) and the share of employment, and if there are no other sectors than the primary, secondary, and tertiary – should not there also be positive numbers in the first three columns of Table 1?

    iii. As defined, does not the index mix several other issues into one number, e.g. the relative dependence of the sectors on capital (or other inputs)?

3. Please explain the meaning of "round-tripping" issue with respect to FDI. What can this mean for the relationship between outflow and inflow of FDI and for possible different effects of inward FDIs? Would you be able to provide an example of a country for which the "round-tripping" effects appear to be quite important?