Report on Bachelor / Master Thesis

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

Student:	**Karolína Maderová**
Advisor:	Ing. Semerák,V. M.A., Ph.D.
Title of the thesis:	Production shifting from China to Vietnam: Implications for Global Value Chains

OVERALL ASSESSMENT (provided in English, Czech, or Slovak):

Please provide a short summary of the thesis, your assessment of each of the four key categories, and an overall evaluation and suggested questions for the discussion. The minimum length of the report is 300 words.

Short summary

Karolína Maderová analyses the importance of China in the global economy and a potential of Vietnam to replace China as an alternative production location.

She tries to identify the most influential chinese sectors and finds that there is an increasing trend of reliance of the Western countries on China's supply and demand. She also explores the participation of Vietnam and China in global value chains and concludes that although Vietnam is increasing its participation and other countries are increasing their demand for vietnamese inputs, it is not possible to determine whether these changes could mean that Vietnam can replace China in the future.

Contribution

Generally, it is certainly important to understand the role of China in the global economy and the economic linkages between countries. It can help us understand which sectors of chinese economy, both from the supply side and demand side, are the most important for western economies. This knowledge may help policy makes design policies to mitigate the potential risk of severe economic turmoil resulting from excessive dependencies on China.

However, I am missing explanation of the author, how her master thesis contributes to the existing literature and what her value added is. The author just says what she does in the thesis but there is no comparison what has been done in the field and how exactly this thesis improves on the existing research. Each thesis should always spell out in the abstract, introduction and conclusion what its contribution is. In case the author is the first to assess whether Vietnam has the capacity to serve as a potential „replacement" of China, the author needs to say it explicitly.

Methods

The author works with aggregate macro data – input-output matrices from the 2022 edition of the OECD Inter-Country Input-Output Tables (ICIO). This comprehensive database covers 45 industries in 76 countries for the years 1995 to 2020. To shed light on questions posed, the author uses so called network analysis method, the hypothetical extraction method and the trade decomposition method. These methods seem appropriate for the proposed task. The author uses the STATA command „icio" designed specifically for a trade decomposition.

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Sometimes, I was lacking enough details to be able to understand what the author did or what problems she faced in her thesis. For example, the author wanted to use the Ghosh pricing model first. But the author was not able to use for some reason, see below (page 47):

Originally, the backward linkages were to be estimated by the Ghosh pricing model. Unfortunately, at the last minute, some issues with the code were encountered and the results produced would not be credible. Therefore, the method of trade decomposition is employed instead. Although it is not ideal, this thesis does not focus on the concrete numbers but more on the overall trends which can still be obtained by the trade decomposition method.

Literature

The author often does not have correct citations and references. Already in the master's thesis proposal (page xii), the author states for example:

Core Bibliography:

Borin, A., & Mancini, M. (2017). Follow the value added: Tracking bilateral relations in global value chains.

But this is not a complete reference. Where was the article published? Is it a working paper? At which institution? What number of the working paper does it have?

There are several incomplete references and citations in the thesis. For example, I was interested in the article by Smarzynska Javorcik et al. (2022) mentioned on page 6. I was quite disappointed to find the following incomplete reference:

Smarzynska Javorcik, B., Kitzmueller, L., Schweiger, H., & Yıldırım, A. (2022).

Economic costs of friend-shoring.

Is it a working paper? What number? At which institution? Was it published? Where?

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Sometimes, the author forgets that not everybody knows an open-source network analysis and visualization software package written in Java called Gephi – when she writes, see below:

Lastly, the PageRank centrality of sector i in country r:

$$PR(i,r) = (1-d) + d\left(\sum_{j=1}\sum_{s=1} \frac{z_{ji}^{sr} PR(j,s)}{C(j,s)}\right) \qquad (5.6)$$

where d is the damping factor which is often set to 0.85 (as seen in Wang et al., 2021; Zhang et al., 2022) and it is also the default value suggested by Gephi.

On page 19, the author argues that the traditional linkage method is still used in the literature and gives and example of Ali et al. (2019), see below:

Although more sophisticated frameworks have been developed, this traditional linkage method is still used in literature. For example, Ali et al. (2019) study the performance of the construction industry in developing economies and use the backward and forward linkages to examine the demand push a supply pull effects. They also use HEM, which is described in the next section, in their analysis.

I have doubts whether the article published in the Construction Management and Economics can be taken as a suitable reference, and moreover, to motivate the use of the HEM technique by the fact that specifically Ali et al. (2019) used that technique too does not seem to be persuasive to me.

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Manuscript form

Despite mistakes in Acknowledgements („I am is deeply grateful …") and missing words in the Czech abstract, see below, the thesis reads well.

Acknowledgments

I am is deeply grateful to my supervisor, Ing. Vilém Semerák, M.A., Ph.D., for all his help and support, I would never finish this work without him. I would also like

Abstrakt

Tato práce analyzuje význam Číny v rámci světové ekonomiky a vyhodnocuje, zda je Vietnam potenciálně schopný ji nahradit, alespoň v určitých Pomocí síťové analýzy a metody hypotetické extrakce (HEM) byly identifikovány nejvlivnější sektory čínské ekonomiky a byl zjištěn rostoucí trend závislosti západních zemí na čínské nabídce a poptávce. Dále bylo pomocí metody rozkladu obchodu vypočteno

Overall evaluation and suggested questions for the discussion during the defense

I appreciate several things about this thesis. The author tries to analyze an important topic. She is able to manipulate complicated data, work with complex databases and implement sofisticated techniques used in the literature. However, from the shortcomings raised in my report, it seems to me that the final version might be finished before a deadline under time stress (?). Did an advisor have time to read the final version of the thesis and did the author have time to incorporate possible comments?

The author should explain why the Ghosh pricing model was not implemented and what shortcomings the employed trade decomposition model has.

The author should compare her work with the existing literature and clarify what exactly her value added is.

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In my view, the thesis fulfills the requirements for a master thesis at IES, Faculty of Social Sciences, Charles University, I recommend it for the defense and suggest a grade B.

The results of the Turnitin analysis indicate overal similarity of 23 per cent. They do not indicate significant text similarity with other available sources.

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

CATEGORY		POINTS
Contribution	*(max. 30 points)*	22
Methods	*(max. 30 points)*	26
Literature	*(max. 20 points)*	16
Manuscript Form	*(max. 20 points)*	17
TOTAL POINTS	*(max. 100 points)*	**81**
GRADE	**(A – B – C – D – E – F)**	**B**

NAME OF THE REFEREE: PhDr. Pavel Vacek, Ph.D.

DATE OF EVALUATION: September 10, 2023

Digitally signed (10. 9. 2023):
Pavel Vacek

_____

Referee Signature

EXPLANATION OF CATEGORIES AND SCALE:

CONTRIBUTION: *The author presents original ideas on the topic demonstrating critical thinking and ability to draw conclusions based on the knowledge of relevant theory and empirics. There is a distinct value added of the thesis.*

METHODS: *The tools used are relevant to the research question being investigated, and adequate to the author's level of studies. The thesis topic is comprehensively analyzed.*

LITERATURE REVIEW: *The thesis demonstrates author's full understanding and command of recent literature. The author quotes relevant literature in a proper way.*

MANUSCRIPT FORM: *The thesis is well structured. The student uses appropriate language and style, including academic format for graphs and tables. The text effectively refers to graphs and tables and disposes with a complete bibliography.*

Overall grading:

TOTAL	GRADE
91 – 100	A
81 - 90	B
71 - 80	C
61 – 70	D
51 – 60	E
0 – 50	F