Report on **Master Thesis**

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

Student:	**Bc. Martin Hnath**
Advisor:	**Doc. PhDr. Adam Geršl, Ph.D.**
Title of the thesis:	**Linkage between Exchange Rate and Foreign Direct Investments: Empirical Evidence from Developing Countries**

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

The thesis focuses on the impact of three selected exchange rate (ER)-related variables (ER strength, volatility, and ER regime) on FDI. Using the sample of 40 developing countries (as recepients of FDI) and five developed countries as source countries, the study concludes that there is no clear impact of the ER on FDI inflows apart of the positive effect of de facto fixing of the ER.

The thesis fullfils all necessary conditions for a good master thesis and can be recommended for a defense. The author analyzed a relatively difficult topic, but the way he tackles the problem is excellent, and also the conclusions seem to me very intuitive and in line with findings of other studies. I appreciate especially the author's explanations and discussions of the (often statistically insignificant – which may be often quite depressing ☺) results. There is a strong value added in this thesis being a new contribution (using better data and a large sample of countries) to this relatively underresearched area. The author also demonstrates his good econometric skills and a knowledgeable work with data, the model results are clearly presented and include also many robustness checks. In my view, the thesis – both with its unique topic, value added in using and combining various rich sources of data, and by its excellent econometric analysis – goes strongly beyond what is required from standard master thesis at the IES FSV UK.

During the defense, the author could shortly elaborate on the issue of a mutual relationship between the exchange rate and FDI (including both FDI inflows and outflows) e.g. on the example of some case country (such as the Czech Republic or Slovakia). Could there be some sort of a life cycle model, in which the country receives FDI, which may influence its ER (such as towards real appreciation), which may over time contribute to less FDI inflows (as the relative wage cost advantage could fade out with stronger ER) and eventualy even to FDI outflows? Would such a reasoning have an impact on perhaps differently specifying the tested model?

I fully recommend this thesis for a defence and suggest the Grade 1 (excellent). I also recommend this thesis for the Dean's Award (Pochvala děkana).

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

CATEGORY		POINTS
Literature	*(max. 20 points)*	20
Methods	*(max. 30 points)*	30
Contribution	*(max. 30 points)*	30
Manuscript Form	*(max. 20 points)*	20
TOTAL POINTS	*(max. 100 points)*	**100**
GRADE	**(1 – 2 – 3 – 4)**	**1**

NAME OF THE REFEREE: Doc. PhDr. Adam Geršl, Ph.D.
DATE OF EVALUATION: **15.6.2014**

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Referee Signature

EXPLANATION OF CATEGORIES AND SCALE:

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

Strong	Average	Weak
20	10	0

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.*

Strong	Average	Weak
30	15	0

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.*

Strong	Average	Weak
30	15	0

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.*

Strong	Average	Weak
20	10	0

Overall grading:

TOTAL POINTS	GRADE		
81 – 100	1	= excellent	= výborně
61 – 80	2	= good	= velmi dobře
41 – 60	3	= satisfactory	= dobře
0 – 40	4	= fail	= nedoporučuji k obhajobě