

# IMESS DISSERTATION



Note: Please email the completed mark sheet to Year 2 coordinator

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

<b>Student:</b>	Li Wenjie
<b>Dissertation title:</b>	China's Outward FDI in Central and Eastern Europe

	Excellent	Satisfactory	Poor
<b>Knowledge</b> <i>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.</i>	5		
<b>Analysis &amp; Interpretation</b> <i>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.</i>		3	
<b>Structure &amp; Argument</b> <i>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 arguments limitation or alternative views; Ability to use other evidence to support arguments and structure appropriately.</i>	5		
<b>Presentation &amp; Documentation</b> <i>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.</i>		3	

<b>ECTS Mark:</b>	C	<b>UCL Mark:</b>		<b>Marker:</b>	Jana Sehnálková
<i>Deducted for late submission:</i>				<b>Signed:</b>	
<i>Deducted for inadequate referencing:</i>				<b>Date:</b>	13/06/2016

## MARKING GUIDELINES

**A (UCL mark 70+; Charles University mark = 1):** 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/C (UCL mark 60-69; Charles University mark =2):**

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/E (UCL mark 50-59; Charles University mark = 3):**

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; Charles University mark = neprospěšlá):**

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.

CONTINUES OVERLEAF  
**PLEASE PROVIDE SUBSTANTIVE AND  
DETAILED FEEDBACK!**

**Constructive comments, explaining strengths and weaknesses (*at least 300 words*):**

Li Wenjie selected an important contemporary topic that has received quite a lot of attention recently, particularly in Central and Eastern Europe, including the Czech Republic. With the announcement of "One Belt, One Road" Initiative and with the new impulse for China-CEE cooperation coming with Wen Jiabao's "12 Measures" announced in Warsaw in 2012, there seems to be an increasing interest in establishing firmer economic linkages between China and CEE region. The author aims to analyze the drivers and determinants of China's interest in investing in Central and Eastern Europe.

The first chapter provides a brief overview of China's engagement into global economic exchanges - developing from a reluctant power to one of the major economic players.

In the second chapter, Li Wenjie provides a general overview of the current state of research of investment theories, which enables establishment of basic criteria on which China's investments to the CEE will be evaluated.

In the third chapter, the author firstly provides a general overview of China's outward FDI to the EU. Here, surprisingly, Luxembourg is listed as the number one recipient of China's FDI - the author points out that it is Luxembourg's favorable tax regime and business-friendly environment that attracts Chinese investments (p. 23). Subchapter 3.2 specifically looks at China's FDI in CEE-11. Here, it is not entirely clear what the author means when she says on p. 28 that "Chinese investment caters to the actual needs of CEE countries" and that the Chinese investment in the CEE region now "reflects China's strategic plan". What is the strategic plan? How does it reflect the needs of the CEE countries?

In the fourth chapter, the author uses econometric model to estimate the significance of possible influential factors for China's decision for FDI. The author specifically looks at the role of country's market size, natural resources, strategic assets, production costs, culture proximity, institutional environment, inflation rate, existing Chinese export, and openness to FDI and ties these to China's decision to provide investment. In my opinion, the implementation of the model could have been explained more clearly, as the reader gets lost in the formula and interpretation of the results. Also, I am not persuaded that using the EU market as a frame of reference is suitable. China does not decide to go into EU market as such, instead, it most likely chooses one EU-member country, which would be suitable recipient of the FDI. Also, it is important to note (and the author admits it in Chapter 5) that there is a political bias in China's decision-making. The decision to provide FDI is not based solely on the evaluation of the market, there are often political factors involved, which - in case of SOEs - are not necessarily transparent (and the author points out on p. 55, that 2/3 of overseas investments are made by SOEs). Similarly, the Export-Import Bank, which is owned by the Chinese state, may provide loans for investment based on political demand rather than on market evaluation.

In subchapter 4.4, the author provides a comparison between determinants of China's FDI in EU-15 and CEE-11. She finds that there are differences - for example, "strategic assets abundance is a significant determinant of China's FDI in EU-15, but not in CEE-11" (p. 46) and that "Chinese companies in CEE countries are using more expatriate (sic) from China than local workers" (p. 47) - I am not sure that this claim is correct, at least it does not apply for the Czech Republic. Also, the author concludes that "good institution environment in EU-15 significantly attracts Chinese FDI while in CEE-11 it significantly deters Chinese FDI" (p. 47). Here, the author is most likely trying to say that CEE-11 region has less stable and less mature institutions than old EU members and therefore is viewed as less attractive for Chinese FDI, which she illustrates by using the example of Polish highway construction project which was commissioned to Chinese Overseas Engineering Group (COVEC). The author blames the failure of the project on bad institutional environment in Poland, which is not entirely precise. The project failed, to large extent, because COVEC did not have the right mix of management expertise, it lacked financial skills, and most importantly had no understanding of the importance of regulations in public works projects

In the fifth chapter, the author explores determinants beyond economy - here, she observes that "bilateral political relation and intense interactions of bilateral governments can be a driving force for China's outward FDI" (p. 54). This is a very important assertion, which confirms concerns by many scholars even in the Czech Republic. In other words, the FDI may have strings attached, e.g. with respect to discussing issues as Taiwan or the Dalailama.

In the last, sixth chapter the author concludes with recommendations for CEE region on how to increase its attractiveness for Chinese FDI and for Chinese investors and government how to avoid making mistakes and creating controversies with its FDI.

The thesis is well-written, well-organized, there are a few grammar mistakes and mistakes in English terminology (e.g. on p. 4, the author writes about "Culture Revolution", while the correct term should be "Cultural Revolution"). However, in many parts, I am completely missing references to sources. While the author uses embedded in-text citations in some parts of her text, there are no references to works cited/used in the first and last chapters. There is no list of references at the end of the thesis, the author only provides bibliography, which should be divided according to the types of sources (primary, secondary etc.)

The author has selected a very interesting topic and provides an interesting analysis of the determinants of China's FDI in CEE region. Her arguments are well supported and I very much like the fact that she tries to confront her findings with other research. We can only agree with the author's conclusions that "China's FDI is more focused on diversification of investment", that China is using CEE's location advantage, solid industry foundation, and high-quality labor force as "springboard to penetrate to West European market" (p. 28). On p. 22, the author also makes an important statement that while the paper "tries to find the determinants of Chinese FDI in choosing host countries and propose some possible determinants from the analysis of motivations [...to] solely analyse the host country factors is not sufficient... [as] economic and political interactions between home and host contry also affect firms' investment decision and their performance in host countries (...) the impact of political relationship cannot be ignored."

Generally, I believe that the author could have done a better job explaining the implementantion of the methodology (the econometric formula), as a plain reader has difficulty to figure out how she arrived from the formula to her conclusions. Also, I very much miss footnotes in order to cross-check author's sources.

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

Can you explain the reasons why Hungary and Poland are so popular for China's FDI?

Wha do you think about the recent change in Czech foreign policy which aims to attract more Chinese investments? Do you think that the expectations match what China can realistically deliver, considering all of the factors Beijing wages when making FDI?