

# 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>	Wenjie Li
<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>	x		
<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>	x		
<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>	x		
<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>	x		

<b>ECTS Mark:</b>	C	<b>UCL Mark:</b>	63	<b>Marker:</b>	Julia Korosteleva
<i>Deducted for late submission:</i>				<b>Signed:</b>	JK
<i>Deducted for inadequate referencing:</i>				<b>Date:</b>	12/06/2016

## MARKING GUIDELINES

**A (UCL mark 70+):** 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):**

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):**

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):**

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*):

The dissertation addresses an interesting empirical research question of the determinants of Chinese outward FDI. While the dissertation shows good awareness of main theories of international production, extending the discussion to the theories of FDI from emerging economies, it still misses some key references in the field, in particular Mathews's (2006) Linkages, Leverage and Learning Model explaining FDI from emerging economies. The model is set in the context of the Asian-Pacific region MNEs which were described as "Dragon Multinationals", emerged as industry leaders in a very short space of time, which is not predicted by the OLI model (see some references below). In the discussion of the key motives behind Chinese outward FDI, drawing the results of different surveys, this work misses one of the latest surveys done by Simon Fraser University (2013) 'China goes global survey'. According to this survey, the majority of surveyed Chinese MNEs investing overseas name 'Upgrade its own brand in international markets' as a primary motive expanding overseas. The acquisition of resources and capabilities overseas comes right in the middle among various motivation options, pointing towards that a resource-seeking motive is also important that is what does not seem to be the case following the listed surveys in Table 1 (p.17).

The dissertation should be credited for presenting a good overview of the patterns of outward FDI from China to EU countries, including CEE.

On a critical side, the hypotheses formulated based on the overview of empirical studies of the determinants of outward FDI lack sharpness or some of them should be re-thought. For example, H1a: 'China's outward FDI are positively associated with absolute market size' [should add 'of a host economy']. It is not clear why in H1 the author distinguishes between H1a, H1b and H1c if s/he does not test H1b/c. In fact, the market growth could have been proxied by the population growth variable. And it is better to test the purchasing power of a host economy using GDP pc rather than just GDP. It is strange to see H6 given the focus of the study on CEE. To test the effect of the institutional environment, I'd rather use the difference in the quality of institutional environment in China as opposed to host economy. It may shed a better clarity on what is going on in CEE. I wouldn't agree with the interpretation of the result on the negative sign of the rule of law in CEE as suggested by the author. In general, it makes also sense to use an aggregate institutional quality measure rather than just rule of law (e.g. World Governance Indicators, or International Country Risk Index measure of institutional quality, or even WB Ease of Doing Business).

The correlation matrix (p. 39) suggests a problem of multicollinearity between GDP and Exports; CNP and Exports; Patents and Exports; Rule of Law and Wage rate etc. – this is not addressed as part of the robustness checks. The results could also be subject to endogeneity bias due to a reverse causality between some of the variables (e.g. OFDI and exports; OFDI and GDP of a host country).

Some of the policy recommendations sound a bit naive (e.g. simplification of visa and work permit regulations for Chinese expatriates), and a priori assuming that they will be beneficial to CEE.

Some other points of criticism are listed below:

- (1) To better illustrate of whether the development of FDI in China follows the Investment Development Path (IDP), Graph 3 (p.4) should plot a link between Net Outward Investment position and GDP pc.
- (2) The dissertation would benefit from improving a writing style and clarity of expression. Some expressions sound really controversial. For example, 'Good institution can constraint behaviours of economic agent and reduce transaction cost' (p. 34).
- (3) GDP variable to capture the size of the market is measured in US dollars – it is not specified though whether these are constant or current US dollars.
- (4) VIF test is mentioned but not reported anywhere in the text of Appendix.
- (5) For comparability reasons, US dollars at constant prices should be used instead of current prices (e.g. average monthly wage, p.37).
- (6) I wouldn't call the percentage of Chinese residents living in a host economy as a proxy for cultural proximity. What you are testing here is rather the effect of networks/Chinese ethnic enclave.

## References:

- Mathews, J. A. (2002). "Competitive advantages of the latecomer firm: A resource-based account of industrial catch-up strategies." *Asia Pacific Journal of Management* **19**(4), pp 467-488.
- Mathews, J. A. (2006a). "Catch-up strategies and the latecomer effect in industrial development." *New Political Economy* **11**(3), pp 313-335.
- Mathews, J. A. (2006b). "Dragon multinationals: New players in 21st century globalization." *Asia Pacific Journal of Management* **23**(1), pp 5-27.

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

- (1) Would you please clarify some variable proxies and in which prices they are expressed (e.g. GDP; average monthly wage)?**
- (2) How would you summarise the key contribution of this study to the literature on FDI?**
- (3) How would you reconcile your findings with the key theories of outward FDI in the context of emerging economies?**