

# Report on Bachelor / Master Thesis

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

Student:	Dominik Herman
Advisor:	Doc. Tomáš Havránek
Title of the thesis:	A meta-analysis of FDI Spillovers in China

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

Please provide your assessment of each of the following four categories. The minimum length of the report is 300 words.

### **Contribution**

The common wisdom urges developing countries to attract FDI, especially because these investment projects are thought to generate externalities for the local economy: other firms in the same industry can copy foreign technology (horizontal spillovers), foreign companies can help their local suppliers, for example by sending teams that instruct suppliers in quality management (backward spillovers), and by producing higher-quality or cheaper intermediate inputs for local firms (forward spillovers). Dominik Herman examines all three types of spillovers in the case of China. To take stock of the voluminous and heterogeneous literature on the topic, he uses meta-regression techniques, which also enable him to test hypotheses that are difficult to examine in primary studies (such as publication bias and the impact of estimation context on study results). While policy interest in FDI spillovers has ebbed somehow in recent years (perhaps due to the surplus of liquidity around the world, which makes additional FDI less important), studies on spillovers still belong among the most cited papers in the field of international economics. Interest in FDI spillovers in China, in particular, has remained high, and I believe that Dominik's thesis provides a welcome contribution to the literature that, if published, will attract a healthy number of citations. He finds that, overall, spillovers in China are quite small (or indistinguishable from zero) and that they are affected systematically by method choices. Impressively robust is especially the finding that studies using aggregated data tend to exaggerate all three types of reported spillovers (see figures 4.11, 4.12, and 4.13).

### **Methods**

The author uses established meta-regression techniques. I especially appreciate the use of BMA, which allows the author to tackle model uncertainty inherent in meta-analysis. The BMA technique is clearly described in the thesis, though more information could be provided on how different choices of priors influence the results. I am not fully persuaded by the tests of publication bias, however. From the funnel plots I see very little evidence of bias (perhaps a bias towards negative values for horizontal spillovers). But the statistical tests of funnel asymmetry actually point to a bias against *positive* estimates of horizontal spillovers. Isn't the result driven by outliers? Or, in contrast, the readers' impression of Figure 4.10 might be distorted

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because important leverage points are omitted from the figure for the author's presentation convenience.

## Literature

This is not the first meta-analysis on FDI spillovers in China, but the only one that uses modern methods (for tests of publication bias and for addressing model uncertainty). The author is also very careful to select only comparable studies. Perhaps a little bit more could be said about why older meta-analyses use more primary studies. I appreciate that the author also uses studies written in Chinese, which is of course very rare in meta-analysis.

## Manuscript form

The thesis is written in LaTeX and is easy to read; the level of English is also very good.

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

<b>CATEGORY</b>	<b>POINTS</b>
<i>Contribution</i> (max. 30 points)	25
<i>Methods</i> (max. 30 points)	24
<i>Literature</i> (max. 20 points)	17
<i>Manuscript Form</i> (max. 20 points)	19
<b>TOTAL POINTS</b> (max. 100 points)	<b>85</b>
<b>GRADE</b> (1 – 2 – 3 – 4)	<b>1</b>

**NAME OF THE REFEREE:** Doc. Tomáš Havránek

**DATE OF EVALUATION:** August 4, 2017



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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	<b>1</b>	= excellent	= výborně
61 – 80	<b>2</b>	= good	= velmi dobře
41 – 60	<b>3</b>	= satisfactory	= dobře
0 – 40	<b>4</b>	= fail	= nedoporučuji k obhajobě