

# IMESS DISSERTATION



Note: Please email the completed mark sheet to Year 2 coordinator (jiri.vykoukal@post.cz)

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>	Ziyi Wang
<b>Dissertation title:</b>	The Political and Economic Influence of the 16+1 Initiative on CEE Countries: Focus on the Visegrad Group

	70+	69-65	60-61	59-55	54-50	<50
	A	B	C	D	E	F
<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>					51	
<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>					51	
<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 argument's limitation or alternative views; Ability to use other evidence to support arguments and structure appropriately.</i>					54	
<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>				59		
<b>Methodology</b> <i>Understanding of techniques applicable to the chosen field of research, showing an ability to engage in sustained independent research.</i>						20

<b>ECTS Mark:</b>	47 (F)	<b>Charles Mark:</b>	F	<b>Marker:</b>	Vilém Semerák, Ph.D.
<i>Deducted for late submission:</i>			No	<b>Signed:</b>	
<i>Deducted for inadequate referencing:</i>				<b>Date:</b>	August 29 <sup>th</sup> , 2023

## MARKING GUIDELINES

**A (UCL mark 70+) = A (Charles mark 91-100 - excellent):** 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 (UCL mark 69-65) = B (Charles mark 81-90 – very good)**

**C (UCL mark 64-60) = C (Charles mark 71-80 – good):** 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 (UCL mark 59-55) = D (Charles mark 61-70 – satisfactory)**

**E (UCL mark 54-50) = E (Charles mark 51-60 – sufficient):**

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) = F (Charles mark 0-50 - insufficient):**

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.

## Please provide substantive and detailed feedback!

### Comments, explaining strengths and weaknesses (*at least 300 words*):

Numerous discussions on the 16+1 initiative (and its more famous “cousin”, the Belt and Road Initiative) have taken place during the last 10 years; countless debates, conferences, discussion contributions have appeared. However, the average quality of the contributions was significantly lagging behind the quality, therefore an attempt at a more rigorous reevaluation of the achievements of the initiative can still make sense in 2023, even if many former members consider the project dead. Therefore, I would describe the topic as still relevant. Moreover, the benefit of hindsight (which implies availability of better data) and the improvements in the availability of data and econometric methodology provided Wang Ziyi with a very interesting opportunity to write a highly relevant paper. Unfortunately, this opportunity was not fully grabbed by the author.

The submitted text provides a very general overview of the initiative, an overview of some theoretical concepts (some of them only very loosely related to the actual text of the thesis), a summary of previous research and finally, an attempt at own empirical analysis. Unfortunately, quite a few omissions, methodological problems and opportunities for improvement can be identified in the paper:

- Omissions in the description of the background and implementation of the initiative
- Insufficient analysis of actual data on trade and investment
- The empirical methodology (gravity models) would be correct and relevant if applied correctly. Troublesome implementation of econometric methods, however, renders the estimated results unreliable.
- Last but not least, there also seem to be some issues with the use of references and literature.

The overall contribution is, therefore, dubious:

- description of political background and possible interests is relatively shallow and uncritical (and it often relies on less rigorous sources - although it must be admitted that this field has been flooded by soft contributions of many official-opinion-leaning authors and therefore it can be difficult for a less experienced person to deal with the literature.
- implementation of empirical methods is very basic, the econometrics is, in fact, flawed - the estimated parameters on the dummy variables for 16+1 membership do not provide us with reliable and unbiased estimate of the effects of 16+1.

Finally, I feel that a few comments on Wang Ziyi’s approach to the thesis should be added:

- The student was working very independently, indeed, we had not met for quite a long time. Only in mid-July we had a brief meeting during which we discussed a short outline sent to me by Ziyi. I was therefore really quite surprised when I found out that the whole thesis was submitted suddenly. On the one hand, I was positively surprised that Ziyi managed to finish the thesis and even add some empirical estimates. Most students whom I met and who finished and submitted a paper in a similar way produced even worse text. I also appreciate that the student was willing to share the data (and Stata do-file) with me at least after the submission and did not try to obscure the problems with econometrics even more.
- On the other hand, quite a few of the issues criticised in my report might have been achieved easily with some additional communication and better time management.

### General issues – the depth and quality of discussion of the 16+1 initiative

While the description provided by the author is lengthy, quite a few key issues are not discussed in detail or they have been distorted/omitted:

- There is no discussion of the history of the 16+1. 16+1 was built on the foundations of plans suggested by previous Chinese administration, specifically the Wen Jiabao 12 point plan. This issue is not mentioned in the text at all - although for the Chinese side this might have been one of the reasons why 16+1 was in fact created. This can also be important for the issue of timing of the expected effects (and the design of the relevant dummy variables).
- Similarly, how about providing examples of some projects or activities which actually took place within the of-

ficial 16+1 framework? Or about providing some insight into the logic of negotiations within the 16+1 meetings? The author mentions some debts linked to infrastructure projects (p. 61) Can the author name such projects in the Visegrad countries and explain the effect on the debt burden – and prove that this issue is indeed also relevant for V4 countries (rather than for e.g. Montenegro)?

- When the author compares the attitudes of different countries - while I agree that Hungary was amongst the most active countries (and it would be nice if the author attempted to explain the motives for that), Poland was not always so timid. In fact, in the beginning of this form of relations it was Poland that had quite a few ambitious plans (concerning energy, and even infrastructure). It might have been relevant to mention them and attempt to explain why Polish attitude changed.
- The author claims that the 16+1 initiation was implemented to foster connectivity between China and Europe through investment in infrastructure (p. 25). What would be then the role of the countries' participation in the BRI? And can the author provide some list of projects of actual investment into infrastructure in the Visegrad countries? Interestingly enough, the BRI/Belt and Road is not really discussed in the paper, even though the BRI and 16+1 overlap.

### **Econometric issues:**

The econometric analysis is probably the weakest part of the text. Firstly, even though both models (for FDI and for trade data) are inspired by gravity models, the author does not provide a deep enough introduction into the gravity methodology. Gravity models have made a significant progress since 1990s, even undergraduate students are expected to estimate specifications which deal with issues highlighted by authors such as Anderson & van Wincoop (2006), or Baldwin & Taglioni (2006). In plain terms, unless one attempts to deal with implications of the so-called multilateral trade resistance, traditional simple gravity models can lead to biased estimates of key parameters. Unfortunately, Ziyi's approach is even weaker than these traditional methods – indeed, what the author did with the data does not even correspond with what is promised in the thesis. Here are the main issues:

- The specifications on p. 36 are not based on modern version of gravity models. They ignore mainstream recommendations (e.g. Baldwin & Taglioni (2006)). Even if the data and sample were correct, the results still would be unreliable.
- What is even worse: The estimated results presented in the text cannot come from the specifications described on p. 36. The actually estimated specifications do not include any time dummies and GDPs for countries in each pair. The author also would not be able to estimate the coefficients on distance and the 16+1 dummy with the use of the particular dataset and fixed effect structure. Unfortunately, the differences between officially declare and actually estimated specifications are not really emphasised or explained in the paper.
- Data are a big problem of the estimates (for both the FDI and trade models). There are only 5 countries in the sample, the sample covers period 2014-2021. Not only makes this the sample tiny (40 observations compare to hundreds of thousands typical for modern gravity sets) which precludes the use of up-to-date gravity methods. This decision not to use a wider sample was quite a disappointment, it is a pity that the author did not try to consult this. In fact, most undergraduate theses defended at the IES in recent years are based on significantly broader (170+) and longer samples, such samples are relatively easy to obtain and work with even for students in undergraduate programs. Unfortunately, there are also two other serious issues, the understanding of which does not require deeper knowledge of econometrics or gravity models:
  - o If only years 2014-2021 are covered, how does the author want to analyse the differences between the period before the initiative was promulgated (2012 and earlier) and after? It would make better sense to start with data going back at least until 2000.
  - o Similarly, if I want to analyse the effects of 16+1 policies, I should have in my sample both countries affected by the policy and countries that were not participating in the program. The author's description in the text suggests that the gravity model was based only on data for Visegrad countries. This would be wrong but is not true either. It seems that five countries were included. Now, if the fifth country would be e.g. Austria, i.e. a similar country but not directly participating in 16+1, this would make at least some sense. However, it seems that the fifth country was in fact China (PRC). The form of inclusion of China does not make much sense. The dummy on 16+1 policies seems to test not the effects of 16+1 but whether exports from Visegrad countries to China grew faster than Chinese exports to Visegrad...
- Last but not least, how about the Belt and Road Initiative (BRI, also know as One Belt, One Road)? This initiative was introduced at about the same time as 16+1. The sample analysed by the author focused on V4 during 2014-2021, the time when they might have been influenced by both 16+1 and BRI. Even if we forget about all

the previous objections, how can we claim that the dummy variable would isolate the effects of 16+1?

#### **Data-related issues:**

When the author describes effects on trade and FDI, actual data are shown only very superficially (chapter 4). In general, it is a rather bad idea to illustrate deepening of trade flows by looking only at overall values of trade or investment. These are indicators which typically grow in time even when relations are not necessarily getting better (in fact, the relative role of China in Czech trade was growing faster before the improvement in mutual relations and before the launch of the 16+1 initiative).

What the author should have done instead was to look at the relative position of China in the countries' trade flows and investment stocks. Had the author tried to check the data (and provide a few charts on the share of China in exports/imports of the countries and in the outward/inward investment), he probably would have formulated some of the claims about effects on trade and FDI much more cautiously. He would be even more surprised had he tried to analyse the dynamics of the changes in the pattern of trade and FDI.

The description of data is insufficient also from another aspects - how about providing the reader with at least basic information on possible issues with statistical methodology relevant for trade and investment flows between Central Europe and China? Especially in the case of the FDI, there are quite a few issues that might have been mentioned (actual source country versus the country recording in the statistics), but also trade data include quite a few interesting issues (the so-called Rotterdam effect and discrepancies in mirror statistics).

#### **Work with literature and references**

In the theoretical part there are many unnecessary statements seemingly supported by numerous references. However, many of such claims are oversimplified or banal (e.g. the author's description of which underlying models were found relevant and why - for instance the introduction to new trade theory on p. 21) or even wrong (claim that Ricardian model assumes free mobility of factors of production between countries). In some cases softer sources (e.g. from journals focused on marketing) are used to support claims on theoretical foundations, even though much stronger resources exist.

Similarly, the brief discussion of the Heckscher-Ohlin model and empirical evidence on its validity misses the controversies concerning the empirical tests, although these were among the best-known debates in 20th century economics. On the other hand, the gravity model (which is quite relevant given the methodology of the paper) is described in an oversimplified way in chapter 2, most of the newer and highly relevant contributions are not included. Other important issues (e.g. related to the functioning of global value chains) are not discussed in the section at all. At this level of treatment, it would have been really better to omit the sections on Ricardo, Heckscher-Ohlin, and New trade theory and use the extra space for actual deeper analysis of e.g. gravity models or global value chains.

Also, the formulations and structure of the citations and claims make the reader wonder, whether the author really tried to access all the resources cited in the text. These doubts are also supported by another interesting error - Chinese researcher Liu Zuokui is repeatedly referred to as Zuokui. Because we can assume that the author is familiar with the structure of Chinese names, this can again suggest the reliance on indirect references.

The part of chapter 2 dedicated to international relations theories appears to be even more irrelevant than the economic part. It does not really bring much more than relatively general speculations based on general (and rather well-known) features of realism- or liberalism-based approaches to international relations. Unfortunately, the possibly most relevant part is missing - the IPE perspective, wherein it would be very interesting to analyse how different actors might have pushed governments into participation (or continuation of participation) in 16+1. Had he done so and explored the motives a bit deeper, perhaps the author might have been able to provide a bit more nuanced and modified version of his statement that "...policymakers in the Visegrad group countries have adopted an approach that ensures that the Chinese investments align with their national interests" (p. 56)

#### **Additional omissions and factual errors:**

The author did not attempt to analyse the of China and Visegrad countries in global value chains. Visegrad countries used a significant proportion of imports from China in the export activities too. Presumably, deeper cooperation and inflow of FDI should be visible in data such TIVA statistics.

It seems that the author suggests that the Visegrad countries became part of the EU in 2014 (p.39). Similarly, the origins of 16+1 can be traced to 2012, so why the author claims it was 2014?

The author seems to suggest that FDI data were obtained from the Comtrade database (p. 35), but this database only covers trade.

When FDI are mentioned, at least a brief mention of the strange case of the CEFC (originally supposed to be one of the main conduits for Chinese investment in the region) would have been nice too.

**Formal issues:**

A bit less usual style, quite a few claims and facts appear repeatedly throughout the text. Some additional streamlining and editing would have been advisable.

Formatting and visual appearance: the author did not try to type equations using some proper instrument for that (e.g. p. 36). One table with trade data is presented in the appendix - it is not quite clear why it was included.

Concerning more or less useful part of the text, the author for some strange reason decided to include a section on "ethical considerations" (section 3.7, p. 38), something not really relevant for simple macroeconomic text. The time spent on this section might have been used on actual empirical research instead.

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

- Compare Czech data on imports from China with Chinese data on exports to the Czech Republic. Do the data differ? Please explain the findings. It seems that you are only looking on data on merchandise trade. What do we know about trade in services?
- What was the share of China in the V4 countries' exports and imports in 2012 and how much has the share changed until 2022? Does it indicate a substantial increase in the role of China?
- Similarly, explain the methodology used in your FDI data. Does it show the actual source country or is it more complicated? Is there a chance that the data over/underestimate the actual position of China in inward FDI to V4 countries? What is the share of China in the FDI stocks in the analysed countries?
- Explain how to modify your model (and/or dataset) if you want to separate the possible effects of participation in BRI and in the 16+1 initiative.
- Explain the problems with multilateral resistance terms in gravity models. How do we try to deal with it? Is the issue relevant to your specification?