

# 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>	Xiaoyi Xiong
<b>Dissertation title:</b>	China's Outward Foreign Direct Investment in CEE Countries --Based on Gravity Analysis

	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>		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 argument's 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>Methodology</b> <i>Understanding of techniques applicable to the chosen field of research, showing an ability to engage in sustained independent research.</i>		X				

<b>ECTS Mark:</b>	B/68	<b>Charles Mark:</b>	B	<b>Marker:</b>	Michal Paulus
<i>Deducted for late submission:</i>			<i>No</i>	<b>Signed:</b>	
<i>Deducted for inadequate referencing:</i>				<b>Date:</b>	September 3, 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):

### General Assessment

The thesis analyses outward FDI of China towards Central and Eastern European (CEE) countries utilizing gravity model for FDI. The thesis is clearly structured but suffers from several weakness. However, I do not regard them as substantial or critical. Therefore, I mark the thesis with mark B/68.

### My comments in detail

#### 1) Literature review

The literature review is itself clearly written. However, I miss in the chapter 2 at least some coherent summary of discussion about security concerns related to Chinese OBOR and 16+1 initiatives which has been ongoing in the EU for several years. It is another important dimension for the broader context of the thesis's topic.

#### 2) Methodology – gravity model (GM)

The methodological part focused on a gravity model (chapter 3.5) ignores discussion about proper specification of a gravity model for FDI and various approaches to derive such models from theory. Even though there is no general conclusion on how to properly derive FDI GM from theory, there are many attempts to do so. Some of them (e.g. Kox & Rojas-Romagosa, 2020) are inspired by theoretical derivations of GM of trade. When talking about GM of trade I would recommend to also mention theoretical issues related to so called "multilateral resistance terms" (Baldwin & Taglioni, 2006 or Head & Mayer, 2014) because that "problem" has also some echoes in literature on FDI GM.

#### 3) Methodology – fixed effects

On page 66 the author uses Hausman test to decide whether to implement fixed effects estimation. I would remind the author that such decision is not only about the results of the Hausman test, however also other tests shall be considered (F test or Wald test and Breusch-Pagan LM test). Look e.g. at short guide by Park (2010): [https://www.iuj.ac.jp/faculty/kucc625/writing/panel\\_guidelines.pdf](https://www.iuj.ac.jp/faculty/kucc625/writing/panel_guidelines.pdf).

#### 4) Contribution

I would recommend the author to clearly formulate academic contribution of the thesis and which research gaps are filled with the research (or which existing results are being replicated and checked).

#### 5) Data sample

The thesis focuses on outward Chinese FDI towards 16 CEE countries therefore the data panel is quite small. I understand such strategy however I would recommend the author, at least as a robustness check, to enlarge the dataset by more OFDI destinations and capture the impacts on CEE via dummies and interaction terms.

### Other minor comments

- When presenting the descriptive statistics about trade relations between China and CEE countries I would strongly recommend to present also relative importances (mutual exports and FDI as a % of total exports or FDI). Nominal figures may be misleading because trade volumes or FDI flows may have increased in time also for other Chinese partners.
- Include data sources in your figures and tables (e.g. page 16, table 2.1.1.1, and most importantly table of used variables on pages 59-60).
- Sometimes references to the cited reports are missing – e.g. page 30 (report by Rhodium Group and MERICS) or 36 (report by EY).

### Cited literature

Baldwin, R., & Taglioni, D. (2006). Gravity for dummies and dummies for gravity equations.

Head, K., & Mayer, T. (2014). Gravity equations: Workhorse, toolkit, and cookbook. In Handbook of international economics (Vol. 4, pp. 131-195). Elsevier.

Kox, H. L., & Rojas-Romagosa, H. (2020). How trade and investment agreements affect bilateral foreign direct investment: Results from a structural gravity model. *The World Economy*, 43(12).

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

- Which existing gravity model for FDI (research paper) have you used for the inspiration for your specification? How is the paper's specification derived from the theory?
- Have you checked also the relative importance of China for CEE countries in terms of trade and FDI? Can you present such figures and also their time development and compare them with the nominal figures you presented in the paper (mainly figures 2.1.3.1, 2.1.3.2, 2.1.3.3 and 2.1.3.4)?
- Why does the trade imbalance or trade surplus between China and CEE countries pose such threat or challenge for the future (see your discussion in the chapter 2.1.3.ii)? It may seem logical that there will be trade surplus "in favour of Chinese exports" given the position of China in global value chain and manufacturing. Can you explain your concerns in more details?