



# University of Economics, Prague

Faculty of Finance and Accounting  
Study programme "Finance and Accounting"

## Master Thesis Evaluation

### Reviewer form

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**Student name:** *Miao Zhang*

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**Title of the thesis:** *Exchange Rate Policy in China*

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**Year of the defence:** *2019*

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**Supervisor name and affiliation:** *doc. Ing. Karel Brůna, Ph.D. (Department of Monetary Theory and Policy; Department Chair - Associate Professor)*

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**Reviewer name and affiliation:** *Ing. Ondřej Šíma (Department of Monetary Theory and Policy; Assistant Instructor)*

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#### **THESIS CONTENT SUMMARY:**

The author divided the thesis into five chapters. The first chapter introduces the whole text. The second chapter presents literature review on the topic of the thesis (ie exchange rate regimes from the general point of view and from the perspective of China). The third chapter is devoted to a detailed description of the development of exchange rate regimes in China from the mid-20th century to the present. The fourth chapter presents the convertibility of the Chinese currency and the opening of the financial account of the balance of payments. The fifth chapter partially applies the acquired knowledge to foreign exchange management of the Chinese company Haier Group.

#### **OBJECTIONS AND REMARKS:**

The author created a well-written diploma thesis. I very much appreciate the timeliness of this thesis (see, for example, subchapter 3.2, p. 31) and the chapter on renminbi convertibility and financial account openness, p. 35. On the other hand, the author could pay more attention to FX management of the analyzed company and offer a more in-depth analysis (see Chapter 5). Also, some charts throughout the whole text are not as informative as they might be.

**QUESTIONS FOR THE DEFENCE:**

- 1) In your diploma thesis on p. 13 you briefly mention the issue of "impossible trinity" (trilemma or Mundell-Fleming model). Can you draw this familiar triangle and show the development of exchange rate policy, monetary policy and financial openness in China for your analysed period? (Generally, not in detail.)
- 2) In the fourth chapter, you mention the financial account opening of the balance of payments. Why is this "opening" good for the economy and its development? Indeed, during the so-called Asian crisis in the 1990s, many economists pointed out that the openness of the financial account for the affected economies was one of the possible causes of the crisis.
- 3) It is said about China that its economic growth is being driven by export and is currently referring to its transformation into a "consumer economy". How is this change reflected in the demand structure of GDP (i.e.  $GDP = C + I + G + NX$ )?
- 4) In your opinion, what would be the exchange rate of the renminbi to the US dollar (i.e. stronger, weaker ...) if the exchange rate policy in China were more flexible? Try to apply fundamental analysis approaches to the exchange rate. (Generally, not in detail. Do not calculate anything.)

**ASSESSMENT:**

| Criterion  | Excellent | Very good | Good | Insufficient |
|--|-----------|-----------|------|--------------|
| Aim formulation and fulfilment                                       | x         | x         |      |              |
| Work with literature   | x         |           |      |              |
| Methods and data used  |           | x         |      |              |
| Results and their discussion   |           | x         |      |              |
| Formal aspects   | x         |           |      |              |
| <b>Suggested overall grading:</b> <i>1 – Excellent/2 – Very good</i> |           |           |      |              |

Prague, 23<sup>rd</sup> May 2019

Ing. Ondřej Šíma

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**Signature**