REPORT ON THE MASTER THESIS

IEPS – International Economic and Political Studies, Faculty of Social Sciences, Charles University

Title of the thesis:	Potential of Agricultural Trade between China and Central and Eastern Europe within the 16+1 Framework
Author of the thesis:	Elena RASENKO
Referee *(incl. titles)*:	Doc. Ing. Vladimír Benáček, CSc.

Comments of the referee on the thesis highlights and shortcomings (following the five numbered aspects of your assessment indicated below).

0) First of all, I must stress that it was a pleasure to read the thesis of Miss Rasenko. It was written in a highly cultivated style, with an evident objective for the quest for new knowledge and methodological purity. At the same time, the extent of her interest was quite difficult to manage, in which she succeeded.

1) Theoretical background:
The thesis is based on clearly stated hypotheses, which the author systematically tests by using various theoretical-methodological instruments: the theory of revealed comparative advantage, trade complementarity and the gravity models of trade. All models are diligently and pertinently described, so that the text is easy to read. One must appreciate the systematic quest of the author for unveiling the regularities or causalities in the trade with agro-products between the 16 CEE countries and China. After implementing some revisions, the thesis could be publishable in the IES Working Papers or even in specialized journals (e.g. Cambridge J. of Eurasian Countries).

2) Contribution:
The thesis is crammed with analytical statements, rational reasoning, references to important contributions of other researchers which are also tested (or challenged) in a countervailing way. The thesis has important policy-implications, even though some of the conclusions imply that the agro-trade between CEECs and China is challenged by many constraints and one cannot expect that revealed comparative advantages or potentials for trade could lead to a dramatic increase in trade with agricultural products. To some extent, this thesis contributed to the world literature.

3) Methods:
First 26 pages of the thesis describe the research question, the policy issues and results of the previous research. Next 27 pages focus on the analysis that is underpinned by three different quantitative techniques: RCA estimation, trade complementarity and the regression estimation of gravity equations by FE and PPML *(*Poisson pseudo-maximum likelihood) estimators. Miss Rasenko has shown high skills in adopting these techniques. Nevertheless, I had several questions regarding the specification of models and the interpretation of results. Some of them are quoted below under „personal comments". My smaller comments, indicated directly in the thesis text, will be delivered to the author in private communication. The text of the thesis could be revised.

4) Literature:
The author works with an exceptionally wide prism of contemporary world literature, notwithstanding that the topic used to suffer from little interest in research even a couple of years ago. She has mastered both the theoretical issues in the literature, as well as the techniques proposed in these papers.

5) Manuscript form:
The text is written in a highly cultivated style using scientific language and easy to read. Few typos could be amended (e.g. complementary instead of complimentary).

Box for the thesis supervisor only. Please characterize the progress in the working out of thesis (e.g., steady and gradual versus discontinuous and abrupt) and the level (intensity) of communication/cooperation with the author:

Suggested questions for the defence are:

Discuss the implications of the following hypothesis at your defence: "In the case of China, it is visible, that the Chinese agricultural exports are still below the calculated trade potential in 14 of 16 countries" (p. 53).

Discuss also the meaning of your analytical results on forming a meaningful trade policy in CEECs and China.

PERSONAL COMMENTS OF THE REFEREE:

1) To assess the weight of the agro-trade, it would be worthwhile to provide a table with agro-exports of CEEC to China as a % of their total exports to China.

2) RCA formula (8): What about trying an experiment where RCA is calculated just for the SITC agro-exports with China / all agro-exports to CN, relative to all agro-trade of the given country / all its exports?

3) The statement „*The CEEC have revealed comparative advantages in the agricultural sector in comparison with China*". This is a too general statement which deals with the position in the over-all trade. The bilateral trade C/A with China can be very different from your macro-C/A indices. In reality, your RCAs of studied 16 countries are revealed vis-a-vis the EU (their dominant trade partners), plus the Chinese negative RCA are revealed vis-a-vis the remaining Asian countries (i.e. the dominant partners of China). How would you explain the fact that, contrary to NRCAs, the real bilateral agro-trade balances with China are all in deficit (except Hungary)? China is a marginal very distant agro-partner of the CEECs and RCAs valid for trade with dominant importers (i.e. the EU) need not be valid for RCAs with small distant partners.

4) Your statement on p. 46: "Distance and the other dummies, except for ceecchina, were omitted due to exact collinearity." This is my most serious proviso from all: dropping Distance equals dropping the most important determining factor. Dropping is justified only if you work with time series: than the Distance is constant - adding no additional information. Similarly all time-sluggish dummies. As I understand it, Gretl simply has deleted both the Distance and the economic dummies. But then you should have made the estimation of cross-sections (using the country dummies only, dropping the time dummies, plus using other economic dummies). Distance could be then retained, and your results will be compatible with those of the PPML.

5) Your two FEM estimates could be compared for robustness (i.e. similarity of results – coefficients and signs).

6) Could you explain why you have not used LOGS for Xin1000 variable?

I recommend the thesis for final defence.

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

CATEGORY		POINTS
Theoretical background	*(max. 20 points)*	18
Contribution	*(max. 20 points)*	19
Methods	*(max. 20 points)*	18
Literature	*(max. 20 points)*	20
Manuscript form	*(max. 20 points)*	17
TOTAL POINTS	*(max. 100 points)*	**92**
The proposed grade (A-B-C-D-E-F)		**A**

DATE OF EVALUATION: 25.8.2018

Overall grading scheme at FSV UK:

TOTAL POINTS	GRADE	Quality standard
91 – 100	**A**	= outstanding (high honour)
81 – 90	**B**	= superior (honour)
71 – 80	**C**	= good
61 – 70	**D**	= satisfactory
51 – 60	**E**	= low pass at a margin of failure
0 – 50	**F**	= failing. The thesis is not recommended for defence.

The referee should give comments to the following requirements:

*1) **THEORETICAL BACKGROUND:** Can you recognize that the thesis was guided by some **theoretical fundamentals** relevant to this thesis topic? Were some important theoretical concepts **omitted**? Was the theory used in the thesis consistently **incorporated with the topic** and hypotheses tested? Has the author demonstrated a genuine **understanding** of the theories addressed?*

Strong	*Average*	*Weak*	
20	*15*	*< 10*	*points*

*2) **CONTRIBUTION:** Evaluate if the author presents **original ideas** on the topic and aims at demonstrating **critical thinking** and the ability to draw **conclusions** based on the knowledge of relevant theory and relevant empirical material. Is there a distinct **value added** of the thesis (relative to knowledge of a university-educated person interested in given topic)? Did the author explain **why** the observed phenomena occurred? Were the **policy implications** well founded?*

Strong	*Average*	*Weak*	
20	*15*	*< 10*	*points*

*3) **METHODS:** Are the **hypotheses** for this study clearly stated, allowing their further **verification and testing**? Are the theoretical explanations, empirical material and **analytical tools** used in the thesis relevant to the research question being investigated, and adequate to the aspiration level of the study? Is the thesis **topic comprehensively analyzed** and does the thesis not make trivial or **irrelevant detours** off the main body stated in the thesis proposal? More than 12 points signal an exceptional work, **which requires your explanation "why" it is so**).*

Strong	*Average*	*Weak*	
20	*15*	*< 10*	*points*

*4) **LITERATURE REVIEW:** The thesis demonstrates the author's full understanding and **command of recent literature**. The author **quotes** relevant literature in a **proper way** and works with a **representative bibliography**. (Remarks: references to Wikipedia, websites and newspaper articles are a sign of **poor research**. If they dominate, you cannot give more than 8 points. References to books published by prestigious publishers and articles in renowned journals give a much better impression. Any sort of **plagiarism** disqualifies the thesis from admission to defence.)*

Strong	*Average*	*Weak*	
20	*15*	*< 10*	*points*

*5) **MANUSCRIPT FORM:** The thesis is **clear and well structured**. The author uses appropriate **language and style**, including the academic **format for quotations**, graphs and tables. The text effectively refers to graphs and tables, is easily readable and **stimulates thinking.** The text is free from typos and easy to comprehend.*

Strong	*Average*	*Weak*	
20	*15*	*< 10*	*points*