

Report on Bachelor Thesis

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

Student:	Pavel Zacharuk
Advisor:	Vilém Semerák, Ph.D.
Title of the thesis:	Border Effect and Openness of Chinese Economy

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

Please provide your assessment of each of the following four categories, summary and suggested questions for the discussion. The minimum length of the report is 300 words.

Contribution

The paper attempts to explain one quite interesting empirical fact – Chinese economy started to become less open (in relative terms) since about 2005. While simplistic explanations can be offered (size of economy, protectionism), there are some indications that internal structural factors may be at play. Pavel Zacharuk has attempted to analyze the effects of such factors, specifically to what extent are provinces in China trading more intensively with each other than with foreign countries. The topic merges several relatively hot research areas (global value chains, interregional input-output tables, structural changes of Chinese economy) as thus it is definitely very relevant.

There are several possible contributions:

- (i) Mapping of the relevant literature and methodology
- (ii) Attempt to provide actual estimates of interprovincial trade (classified as intra-China and extra-China trade).

The actual value of the contribution has been a bit reduced by several weakness of the paper (discussed in the following sections). However, with additional work and some methodological improvements this might lead to a publishable paper.

Methods

The analysis of the role of the changes in internal barriers to trade (transportation costs) should ideally be based on provincial-level data on interprovincial trade and international trade. Although such data seem to exist, they do not seem to be as readily available as originally expected. It is possible to find some examples of such data in selected provincial reports relatively easily, but in spite of attempts to contact even researchers from both mainland China and Hong Kong, Pavel did not succeed in getting access to a more complete and sufficiently detailed and coherent sample of the data in time.

Another possible source of the data can be inter-regional (especially transnational inter-regional) input-output tables or at least provincial level input-output tables (especially is complemented with additional regional statistics). Again, Pavel was able to get some of the sources (some thanks to help of Chinese researchers who had worked on related topics), but they did not seem to be consistent enough and by far did not cover the whole period analyzed in the paper. And again – they came a bit late.

Therefore he attempted to use IO regionalization methods to estimate the provincial level tables, he also tried to find a way how to relocated vectors of final use and thus generate the estimates of flows between provinces within China, as well as between provinces and other countries.

As a part of the regionalization procedure, Pavel first re-aggregated all the input-output tables (both for national as well as for domestic flows) and then estimated the provincial input-output tables with the use of location quotients based on employment patterns. Additional quotients (based on GDP and on employment) were tested and used for the reallocation of components of the final demand. This methodology is relatively crude and some of its hidden assumptions are relatively strong (especially in the case of China – as Pavel correctly although in a bit less organized way also explains in his paper), but similar non-survey and hybrid methods have their place in the portfolio of IO methods.

My grade for the methods reflects not just the presented outcome, but also the methods attempted during the work in the thesis as well as the additional effort that Pavel had to exert and which is not fully described in the paper.

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Literature

The bibliography of the thesis is relatively long, the author mentions the main papers in three main areas:

- The original literature on border effects
- IO and IO regionalization methods
- Relevant features of Chinese economy and of policies that might be relevant for the topic.

The coverage of the literature on the fourth area (value chains) is a bit weaker and focuses mainly on descriptive texts.

While the author has attempted to process a fairly wide body of literature, the style and overall organization and quality of the literature review are weaker, Pavel is a better programmer than writer.

Manuscript form

Neither the style nor other formal features (formatting, consistent capitalization, use of charts and tables) are entirely perfect. Some figures are taken from older and perhaps too old texts (Figure 13, p. 21). There are some typos, grammar issues, even duplicities (e.g. the information about trade/GDP ratios in the very first paragraph). The author also occasionally uses imprecise formulations - e.g. the claims about biased results of gravity models (p. 10) are relevant more for the traditional empirical approaches to gravity rather than to the newer microfounded models. This is what the author probably intended to convey, but the resulting text might mislead the reader.

The text is more or less reasonably structured, but the author occasionally digresses to a related (but less important) issue. This can be exemplified by the discussion of output multipliers embedded in the description of regionalization procedures (p. 24). The table attached to this part of the discussion (Figure 14) is not explained too well – it is not clear whether the multipliers were calculated from national-level data or provincial data (and in this case for which province).

In short, many features show that the thesis was finished in a hurry and that additional time for proof-reading and editing would have been desirable.

Summary and suggested questions for the discussion during the defense

Pavel has opted for a very interesting topic which – if finished properly – might lead to a highly interesting publishable paper. He also attempted to overcome problems with data availability with the use of a bit less orthodox approaches based on a simplified version of regionalization of input-output tables. Moreover, he managed to learn the Python programming language during the work on his thesis. Therefore, while the results, as well as the form of their presentation, are far from perfect (and additional time and work were highly recommended), he definitely proved that he can work as a researcher, learn new methods and apply them actively.

Therefore I recommend his thesis for the defense.

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Suggested questions for the defense:

1. Why is it important to understand whether the decline in relative openness of Chinese economy was caused rather by increased protectionism or by different internal factors such as the improved domestic infrastructure?
2. If the "One Belt, One Road" initiative succeeds in improving infrastructure connecting China with other countries, how should this influence your results, i.e. Chinese foreign and interprovincial trade?
3. Are similar regionalization methods used in actual economic analysis, e.g. in the EU? Do they appear to provide reliable and convincing results?

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

CATEGORY	POINTS
<i>Contribution</i> (max. 30 points)	21
<i>Methods</i> (max. 30 points)	24
<i>Literature</i> (max. 20 points)	16
<i>Manuscript Form</i> (max. 20 points)	10
TOTAL POINTS (max. 100 points)	71
GRADE (A – B – C – D – E – F)	C

NAME OF THE REFEREE:

Vilém Semerák, Ph.D.

DATE OF EVALUATION:

May 31st, 2019

Referee Signature

EXPLANATION OF CATEGORIES AND SCALE:

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.*

<i>Strong</i>	<i>Average</i>	<i>Weak</i>
30	15	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.*

<i>Strong</i>	<i>Average</i>	<i>Weak</i>
30	15	0

LITERATURE REVIEW: *The thesis demonstrates author's full understanding and command of recent literature. The author quotes relevant literature in a proper way.*

<i>Strong</i>	<i>Average</i>	<i>Weak</i>
20	10	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.*

<i>Strong</i>	<i>Average</i>	<i>Weak</i>
20	10	0

Overall grading:

TOTAL	GRADE
91 – 100	A
81 - 90	B
71 - 80	C
61 – 70	D
51 – 60	E
0 – 50	F