

Report on Bachelor / Master Thesis

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

Student:	Bc. et Bc. Katarína Vinšová
Advisor:	Mgr. Michal Paulus
Title of the thesis:	Analysis of the EU - South Korea FTA and its effects on their mutual trade using the gravity model

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

My understanding is that Katarína Vinšová graduated from BA program in Korean studies first and then proceeded with studying of economics. I really appreciate that Ms. Vinšová was able to study quite different programs and that she was able to come with a master's thesis proposal that is related to her Korean studies.

There is a vast literature that uses gravity models to analyze various free trade agreements (FTAs). However, ex-post effects on the EU-South Korea FTA have not been analyzed sufficiently in the existing research.

My intuition is that the effects of the FTA differ among sectors. Therefore, I appreciate that Ms. Vinšová works with disaggregated data, i.e. runs her regressions for each SITC category separately.

Methods

The author uses the OLS and the Poisson Pseudo Maximum Likelihood (PPML) method that accounts for zero trade flows. The use of the PPML method has become a standard in the modern gravity literature.

I would not suggest using the simple OLS and would use the fixed effects instead.

Literature

I would like to see a more discerning literature review that would clearly summarize the existing literature on the effects of the EU – South Korea FTA on their mutual trade. For example, I was not clear on the difference between Alessia (2015) and this master thesis when reading page 22 in the literature review part. Only after I looked up original Alessia's article (2015) on my own, I learned that Alessia had not used any gravity regressions and had used only descriptive statistics.

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Manuscript form

The thesis is very well organized – logically structured, streamlined, to the point without much unnecessary details.

I wonder why in the Master's Thesis Proposal in the part called "Outline" on page XIII, the outline is a copy-paste text from some different study on meta-analyses on the price elasticity of gasoline demand.

Thesis contains several typos that a spell-checker could easily find. Did the author use the spell-checker?

The sources of data should be referenced more precisely (links to databases). On page 30 it says only: "The data was collected from the UN Comtrade database" and similarly: "The data was collected from World Integrated Trade Solutions (WITS)" and then on page 31: "The data was collected from CEPII."

Summary and suggested questions for the discussion during the defense

Questions:

1. You are using panel data. Have you clustered standard errors? Why clustering is important when using panel data?
2. Instead of the simple OLS method, would not be more appropriate to use the fixed effects?
3. It might be interesting to see whether the number of products (in each sector and overall) exported to South Korea (and to the Czech Republic) increased over time after the FTA was signed.
4. Are you aware of a bachelor thesis of Ms. Karolína Maderová (defended on Sep 8, 2020) who analyzed the Impact of the FTA between EU and South Korea on the Czech Republic using gravity models? Please read her bachelor thesis and compare your work and results with her.¹

¹ Ms. Maderová concluded (see her Abstract):

"The results of the gravity model estimations suggest that the FTA did not have a significant impact on the bilateral trade. However, trade diversification analysis using the Herfindahl index and comparative advantage analysis using the RCA index both indicate that the bilateral trade between the Czech Republic and South Korea improved with the FTA in place."

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In my view, the thesis of Ms. Vinšová fulfills the requirements for a master thesis at IES, Faculty of Social Sciences, Charles University, I recommend it for the defense and suggest a grade of A.

The results of the Urkund analysis do not indicate significant text similarity with other available sources.

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

CATEGORY	POINTS
<i>Contribution</i> (max. 30 points)	27
<i>Methods</i> (max. 30 points)	27
<i>Literature</i> (max. 20 points)	18
<i>Manuscript Form</i> (max. 20 points)	19
TOTAL POINTS (max. 100 points)	91
GRADE (A – B – C – D – E – F)	A

NAME OF THE REFEREE: PhDr. Pavel Vacek, Ph.D.

DATE OF EVALUATION: 8 September 2020

Digitally signed, 8 Sep 2020
Pavel Vacek

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.*

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.*

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

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.*

Overall grading:

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