

Report on Master Thesis

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

Student:	Ling Liu
Advisor:	Vilém Semerák, Ph.D.
Title of the thesis:	The Impacts of Non-Tariff Measures on China's Tea Exports

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 thesis attempts to analyze a valid empirical topic; it tests the effects of a selected type of non-tariff trade barriers (limits on the contents of pesticide residuals) on trade with a particular commodity (tea, resp. green tea). The thesis provides a rudimentary literature review on the topic, the author has selected appropriate methodology (gravity models) and managed to process relevant trade data (BACI, HS 6-digit and 4-digit classification) and at least some data on the actual limits on pesticide residuals imposed by selected main importers of the commodity. The results of the paper would require a better coverage of the residuals limit and also some additional test to represent a truly usable contribution, but the presented literature and data represent a valid contribution of the author.

The author also attempted to add a second topic, the analysis of the effects of cultural factors. This sub-topic has received much less attention in the thesis, and the contributions of these latter tests are therefore much less satisfactory (the time-invariant variable selected to represent the cultural aspects clearly clashes with the structure of dummies/fixed effects).

Methods

The thesis is built on the application of an extended gravity model applied on several different (but nested) samples of data. The author managed to describe the logic of gravity models reasonably well and she is clearly aware of (i) the criticism of traditional implementation of gravity models which lacked microfoundations, (ii) of the recent development of recommended estimators. This means that her paper (in spite of other problems mention in the next two sections) can be considered methodologically better than some older attempts to use gravity models for similar purposes. The resulting models which combine specifications with pair- and time-dummies with OLS and PPML estimators can be considered as standard at this level.

The core of the thesis, the estimation of the effects of non-tariff measures is based on a relatively narrow and short subsample of countries for which the author was able to obtain the data on pesticide residual limits. Therefore the results are not as convincing as they might have with a more extensive dataset.

Moreover, the author has also been struggling with implementation of the models. When she started her work on the thesis, she appeared to have only very basic understanding of econometrics and statistics and in spite of her effort the weaker foundations negatively influenced the quality of the work and of the results (e.g. interpretation of the models). As a results, the author has opted for correct methodology, but its implementation and interpretatino of the results are lacking.

Literature

The thesis include several parts of a literature review, the parts cover: methodology of gravity models in general, application on the analysis of the role of non-tariff barriers in trade in general, and specifically in the case of Chinese trade, plus a brief overview of the role of cultural factors (and of research testing the factors' relevance). The gravity part is the most detailed and standard one; the section on cultural factors can be considered the weakest and the least elaborate one.

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Manuscript form

The form of the manuscript is definitely the weakest feature of the whole thesis. The author was working in Google Docs until almost the last moment and kept postponing final editing and formatting. Consequently, she ran out of time when the deadline was coming close, but still decided to submit the hastily formatted thesis. Moreover, it even seems that for some strange reason, the version of the thesis submitted to the SIS does include some of the corrections that the author hastily attempted to finish in the final days before submission.

The text repeatedly refers the reader to an appendix (e.g. on page 34) – but the version of the text available in the SIS does not seem to have one.

Besides, there are many formatting issues, typos and errors left in the submitted version of the text:

- Formatting of the contents section, formatting of tables (e.g. p. 28-29), description of figures/tables.
- Numbering of tables (and links to them – e.g. p. 39, “Table xx”, p. 42, “Table X”)
- Style and formatting of equations (subscripts)
- Page numbering
- Capitalization errors
- Typographical issues (missing spaces after commas or periods)
- Inconsistent formatting of references (mainly in the case of researchers with Chinese names, but at p. 13 or p. 20, 22, 25 she even suddenly uses html link instead of a proper reference).

The author was struggling when attempting to generate charts from her detailed dataset (using either Stata or Excel); therefore she decided to rely on visualization instruments provided by the Observatory of Economic Complexity (MIT).

Last but not least, the structuring and continuity of the text could also be significantly improved.

All in all, had the author decided to postpone the submission or had she, at least, another week for final editing, the resulting thesis might have been improved significantly.

Summary and suggested questions for the discussion during the defense

Despite all the criticism in the previous sections, it is not easy to evaluate the thesis unambiguously. Even though it is not so apparent from the submitted result, Liu Ling made a significant effort during the work on the thesis. She managed to learn how to get and process data (merging) in Stata; she was trying to learn more about gravity methodology. When doing so, she was clearly struggling with her command of English language and weak background in econometrics and statistics.

In my opinion, the thesis still meets (barely) the requirements for a master thesis at the IES, Faculty of Social Sciences, Charles University. Therefore I recommend it for the defense and suggest a grade E.

The results of the Urkund analysis show 16% similarity of the text (due to citations). This does not indicate significant text similarity with other available sources.

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Suggested questions:

- On p. 9 you mention a silver medal error and the fact that it is related to averaging. However, it is not quite clear which variable is being averaged here. Can you explain the problem?
- Your estimates (Table 12, p. 49) include positive (and significant) coefficients for the variables which capture the role of selected pesticide residual standards. Can you provide some explanation of these results? Have you tried to verify the interpretation which you describe on p. 51?
- It is apparent that your "tea etymology" variable clashes with pair (or effectively importer) dummies in the model. Can you propose some solution of this problem?

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

CATEGORY	POINTS
<i>Contribution (max. 30 points)</i>	15
<i>Methods (max. 30 points)</i>	14
<i>Literature (max. 20 points)</i>	15
<i>Manuscript Form (max. 20 points)</i>	7
TOTAL POINTS (max. 100 points)	51
GRADE (A – B – C – D – E – F)	E

NAME OF THE REFEREE:

Vilém Semerák

DATE OF EVALUATION:

January 26th, 2021

*Digitally signed (January 28th 2021):
Vilém Semerák*

Referee Signature

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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