

Report on Bachelor / Master Thesis

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

Student:	Carolina Spivacenco
Advisor:	PhDr. Pavel Vacek, Ph.D.
Title of the thesis:	The Main Determinants of European Trade Integration

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

The thesis aims to explore whether trade flows between European countries changed after the adoption of the Euro. It examines evolution of commercial flows and their determinants. The author sees her contribution mainly in analysing both the stable (pre-crisis) period and the period of crisis.

The author comes to the conclusion that: „the intensity of commercial exchanges are highly influenced by the level of development (GDP) of the country and the amount of FDI that are attracted, while the use of a common currency appears to be not too significant,“ (page IV).

First of all, I would like to praise the author for taking a challenging task on herself. She tries to formulate interesting hypotheses, then she compiles panel data for 14 European countries from 1999 (when the Euro was introduced) to 2009 (the last year of available data then) and uses panel data econometric techniques – random and fixed effects to analyze it.

In chapter II and III, the author provides quite a comprehensive theoretical overview of the subject and shows that she has a good grasp even of up-to-date literature. The main part of the thesis is empirical analysis described in chapters IV-VII.

As the main contribution lies in the empirical analysis, I will focus on this part. My major comments are as follows:

- The author should better explain why she chose exactly those 14 countries in her data sample. Is this decision solely driven by data availability?
- The author should restate in a better way what she does in her thesis: She is not testing whether adoption of the Euro changed trade volumes between countries, as she works with data starting in 1999, i.e. when the Euro was adopted. To be able to examine the influence of the adoption of the Euro, she would need to analyze period before it was adopted and compare it with results after the Euro was adopted. What the author really does in her thesis is comparison of pre-crisis period and crisis period.
- The variable Euro is a dummy variable that takes value of 1 if both countries in the pair used the Euro and zero otherwise. However, the only country in the sample that did not adopt Euro in 1999 was Greece. This means that the variable Euro takes the value of 1 for all country pairs not containing Greece and 0 for all country pairs even with Greece from 2002 to 2009. The variability of this variable is then low. It is not sensible to get any reasonable estimates of the effect of the Euro on trade volumes then. And it does not really matter whether the author uses the OLS, or any other econometric method – sufficient data variability is missing. This invalidates the empirical analysis in a serious way.

As a minor comment: the author should have checked for typos in a better way (for example she misspelled the Heckscher-Ohlin model on page 4, words like „writes“ instead of „writer“ on page 33, etc.

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In the case of successful defense, I recommend "velmi dobře" (good, 2).

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

CATEGORY	POINTS
<i>Literature</i> (max. 20 points)	18
<i>Methods</i> (max. 30 points)	15
<i>Contribution</i> (max. 30 points)	15
<i>Manuscript Form</i> (max. 20 points)	18
TOTAL POINTS (max. 100 points)	66
GRADE (1 – 2 – 3 – 4)	2

NAME OF THE REFEREE: *Pavel Vacek*

DATE OF EVALUATION: *5 September 2011*

Referee Signature

EXPLANATION OF CATEGORIES AND SCALE:

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

Strong Average Weak
20 10 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.*

Strong Average Weak
30 15 0

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.*

Strong Average Weak
30 15 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.*

Strong Average Weak
20 10 0

Overall grading:

TOTAL POINTS	GRADE		
81 – 100	1	= excellent	= výborně
61 – 80	2	= good	= velmi dobře
41 – 60	3	= satisfactory	= dobře
0 – 40	4	= fail	= nedoporučuji k obhajobě