

# Report on Master Thesis

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

<b>Student:</b>	<b>Marek Wlazel</b>
<b>Advisor:</b>	<b>Vilém Semerák</b>
<b>Title of the thesis:</b>	<b>Gravity Model for the Czech Republic: Test of the Effects of Indirect Trade</b>

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

The thesis deals with a quite a familiar topic, indeed a topic extremely popular with authors of theses related to international trade issues all around the world – the application of a gravity model. It is hard to imagine that a thesis on such a generic topic could be interesting, but Mr Wlazel succeeded in this attempt surprisingly well.

The thesis has a logical structure, it is written in a very clear and lucid style. The author also did correctly what many other authors (including experienced researchers did not):

- He specifically tried to avoid the misspecification pitfalls typical for ad hoc applications of gravity.
- He specifically deals with microfoundations of the gravity model (and problems with the mismatch between the typically used microfoundations and empirical implementations).
- Very importantly, the author deals with the issue of “zero trade” by applying the recommended Poisson Pseudo Maximum Likelihood estimator.

But most importantly, Mr Wlazel finds a type of data and research questions which have not been addressed in previous applications of gravity models on the Czech economy, i.e. the issue of indirect and intermediate trade. He focuses on the differences between the functioning of gravity in “official trade data” on cross-border transactions and on the functioning of the relationship in data on trade in value added (from TIVA statistics) – on both aggregate and industry level.

Even though there is still some space for improvement of the text (occasional typos, inclusion of richer experiments with specification/variables), in my opinion this thesis is still a very good and very topical contribution to gravity based research literature on Czech foreign trade, both in terms of presented results as well in terms of clearly presented methodological features of application of gravity models.

### **Suggested questions for the defense:**

Explain the need for standardizing regressors used in your PPML estimations. How much does it affect the expected values of regression coefficients and their comparability with traditional (log-based) estimates?

Why did you expect the gravity relationship to function differently with value-added based trade data and normal trade data respectively?

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

<b>CATEGORY</b>	<b>POINTS</b>
<i>Literature</i> (max. 20 points)	20
<i>Methods</i> (max. 30 points)	27
<i>Contribution</i> (max. 30 points)	28
<i>Manuscript Form</i> (max. 20 points)	20
<b>TOTAL POINTS</b> (max. 100 points)	<b>95</b>
<b>GRADE</b> (1 – 2 – 3 – 4)	<b>1</b>

**NAME OF THE REFEREE:** Vilém Semerák (thesis advisors)

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**DATE OF EVALUATION:**

**June 19th 2014**

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**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	<b>1</b>	= excellent	= výborně
61 – 80	<b>2</b>	= good	= velmi dobře
41 – 60	<b>3</b>	= satisfactory	= dobře
0 – 40	<b>4</b>	= fail	= nedoporučuji k obhajobě