

# Report on Bachelor / Master Thesis

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

<b>Student:</b>	<b>Ira SAKTOR</b>
<b>Advisor:</b>	<b>Doc. Ing. Vladimír Benáček, CSc.</b>
<b>Title of the thesis:</b>	<b>Comparative Analysis of Determinants of Trade in Services: Cases of Ireland and United Kingdom</b>

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

Mr. Ira Saktor, as the author of this B.A. thesis, has shown how varied and non-orthodox could be the applied studies in international trade based on the gravity equation. There are several aspects of his work that can be considered innovative:

- a) Analysis of services (that are so rare, in contrast to manufacturing);
- b) Work with data at various levels of disaggregation (actually at levels deeper than any previous analysis of services known to me);
- c) International comparative tests of trade behavior (Ireland versus Britain combined with impacts of different disaggregation on the coefficients and with different services);
- d) Own programming of the estimation procedures (i.e. the PPML- Poisson Pseudo-Maximum Likelihood estimator algorithm plus some tests).

The review of literature (pp. 3-8) is representative, pointing to the prevailing microeconomic foundations of gravity models and to the scarcity of research applied to exports of services.

### **Comments:**

A] While comparing the trade data for Ireland and Britain, it could be also interesting if the absolute figures were „weighted“ by the economy size – getting so the index of revealed comparative advantages.

B] There is a gap between the theoretical introduction and the final selection of explanatory variables. The author evidently tries to follow the microeconomically-based gravity of Anderson-van Wincoop and include items belonging to the Multilateral Resistance Terms to Trade but the explicit over-arching between the theory and the application was cut short by directly adopting the intuitive specification prevailing in economic literature.

C] Since the service data contain much more zeros than it is in the manufacturing data, the author correctly based his estimates by opting for the PPML estimators and avoided the problems of heteroscedasticity by deciding to estimate the „Sandwich standard errors“.

D] I would recommend that higher attention be paid to unusually high differences in the estimates for the crucial variable of Distance received in presented 10 models. Its values fluctuating between -1,12 and -0,26 would deserve a specialised comparative section. Author avoided the trap of time-series estimate of GM where all variables and dummies fixed in time fall prey to statistical insignificance (which explains the paradox hinted on p. 41 in the estimates of Walsh (2006)).

E] It is a pity that the tests of multicollinearity (VIF) have not been treated explicitly in a form of a table with results. Multicollinearity is a serious problem in estimates where an extensive list of explanatory variables (plus time and country dummies) decreases significantly the degrees of freedom.

The text is in good English and it is easy to read. I appreciate the author's endeavour to explain economic reasons (or intuition) behind some paradoxes in the estimated coefficients, that have been quite persuasive. Unfortunately, there are too many typos that preclude me from praising the manuscript form too much.

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The thesis of Mr Saktor is to some extent attacking the existing gap in the world literature dedicated to the analysis of trade in disaggregated services. From that point of view this thesis is highly original, as well as persuasive in its techniques and in the discussion of results. This B.A. thesis could bear all criteria imposed on a well-written advanced M.A. theses. **IT DESERVES TO BE TREATED AS AN ORIGINAL THESIS OF GRADE A.**

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

<b>CATEGORY</b>	<b>POINTS</b>
<i>Literature</i> (max. 20 points)	18
<i>Methods</i> (max. 30 points)	26
<i>Contribution</i> (max. 30 points)	28
<i>Manuscript Form</i> (max. 20 points)	17
<b>TOTAL POINTS</b> (max. 100 points)	<b>89</b>
<b>GRADE</b> (1 – 2 – 3 – 4)	<b>1</b>

**NAME OF THE REFEREE:** *Vladimír Benáček*



**DATE OF EVALUATION:** 28.5.2016

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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