

Report on Bachelor / Master Thesis

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

Student:	Michaela Svobodová
Advisor:	Mgr. Michal Paulus
Title of the thesis:	Risk in International Trade

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

Please provide your assessment of each of the following four categories. The minimum length of the report is 300 words.

Contribution

The thesis contributes to the contemporary literature via estimation of the political risk indicators (PRS group) on a large bilateral panel dataset using a recent data. The thesis aims to estimate the impact of risk on trade via 4 estimation approaches to test the robustness of the results. The author cannot conclude that the results are robust and raises a question about the reliability of the data based on perception (similar and well-known debate is about CPI index of Transparency International). I find the contribution of the paper more than satisfactory for general standards of bachelor theses.

Methods

The author works with a standard micro-founded gravity model of trade. She applies two approaches on how to approximate so called multilateral resistance terms (MRT): 1) dummy variable approach and 2) Taylor approximation of MRT. Each strategy of MRT approximation is then estimated via OLS and PPML in a panel data setting. The author has also tried to take into account potential multicollinearity of the political risk data using the PCA analysis (inspired by Francois and Manchin (2013)). The methodology applied in the thesis seems to me above standards of a bachelor thesis.

I have just one minor note regarding the methods. The concluding part of the chapter 3.3.1. seems to me confusing. The author suggests that she used trade data from IMF which is contradictory to the data description on page 45 where it is clearly stated that the data are taken from Comtrade. The chapter 3.3.1. should be clarified.

Literature

Literature survey seems to me weak and an unbalanced part of the thesis. The literature review is too focused on a treatment of a risk in general. However, the goal of the thesis and its main analysis is not about "risk in general" but about the relationship between international trade and risk. The whole chapter 2 should respect the main aim of the paper and should be revised accordingly. I would expect that the treatment of the "risk in general" would be just minority of the chapter while the major part would be devoted to the trade-risk relationship (I would simply suggest to dramatically reduce chapters 2.3-2.5). Extensive coverage of the literature estimating the effects of political risk on trade or FDI is missing. Extensive survey on that topic would also highlight the contribution of the thesis. Unfortunately that could have been corrected in case of an earlier delivery of the final draft.

The thesis would also demand more precise treatment of references and citation style in general. See e.g. the reference of Shepherd on page 25 or references at the end of the first paragraph on page 26.

Manuscript form

The manuscript form is quite good but it would definitely demand additional round of proofreading (I have found several minor typos).

My additional minor comments are following:

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I would recommend the author to add just short notice in chapter 2.2.1. that the definitions of risk and uncertainty used in the thesis are different compared to the definitions introduced by Frank Knight. Some readers may be confused while having the concepts of F. Knight in their mind.

On page 27 the approach approximating zero and missing trade flows based on Heckman selection procedure should be mentioned (reference is missing).

I would also welcome a table summarizing all used variables (data) together with their sources at the beginning of the chapter 3.3. before the variables are explained in more details.

I would recommend author to “synchronize” the abstract with the introduction because the abstract states that “*The aim of this thesis is to define and classify international trade risks and provide an overview of key types of international trade operations.*”, while in the introduction we can find out that “*This thesis attempts to empirically prove that “Risk matters” is not just an empty statement.*”. The main aim of the thesis is clearly the empirical estimation based on a gravity model therefore the abstract should be revised accordingly.

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

CATEGORY	POINTS
<i>Contribution</i> (max. 30 points)	25
<i>Methods</i> (max. 30 points)	25
<i>Literature</i> (max. 20 points)	5
<i>Manuscript Form</i> (max. 20 points)	8
TOTAL POINTS (max. 100 points)	63
GRADE (1 – 2 – 3 – 4)	2

NAME OF THE REFEREE: Michal Paulus

DATE OF EVALUATION: 2.6.2017



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