REPORT ON THE MASTER THESIS

IEPS – International Economic and Political Studies, Faculty of Social Sciences, Charles University

Title of the thesis:	**The effect of the New Silk Road on EU-China trade**
Author of the thesis:	**Andreas Philipps**
Referee *(incl. titles)*:	**Mgr. Michal Paulus**

Remark: It is a standard at the FSV UK that the Referee's Report is at least 500 words long. In case you will assess the thesis as "non-defendable", please explain the concrete reasons for that in detail.

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

CATEGORY	**POINTS**
Theoretical background (max. 20)	18
Contribution (max. 20)	20
Methods (max. 20)	20
Literature (max. 20)	20
Manuscript form (max. 20)	10
TOTAL POINTS *(max. 100)*	**88**
The proposed grade (1-2-3-4)	**1**

You can even use a decimal point (e.g. giving the grade of 2.5 for 60 points).

Comments of the referee on the thesis highlights and shortcomings (following the 5 numbered aspects of your assessment indicated below).

1) Theoretical background:
The thesis is well backed by theory of a gravity model of international trade. The author shows good knowledge of gravity model theory which is properly explained and also his empirical model follows theoretical foundation of a gravity model.

2) Contribution:
The thesis offers interesting contribution in estimation of trade potentials based on simulated improvement of infrastructure stemming from OBOR initiative. The OBOR initiative has not been in fact realized and has been in stage of planning. Therefore, simulation exercise is appropriate approach to estimation of the OBOR outcomes. The findings and research design follow several existing papers about OBOR and enriching their conclusions with presented simulation study.

3) Methods:
Author´s methods follow standard treatment of so called micro-founded gravity model of trade. His treatment is based on utilization of bilateral and unilateral panel dataset, estimation using PPML (zero trade flows and heteroscedasticity) and OLS, and approximation of MRT via Taylor polynomial. He therefore addresses all main problems of gravity modeling with respect to knowledge and skills of a master student of IEPS or even IES programs.

I have just one minor discussion comment. Author excludes FTS variable because of multicollinearity (page 31). I find this approach reasonable. However, one alternative solution can be to combine both variables using Principal Component Analysis.

4) Literature:
I find the state of literature review as very good. Author covers many relevant papers about OBOR initiative, gravity models in general and empirical papers estimating trade costs. Theory behind gravity models and its history is very well explained together with technical issues concerning gravity models.

5) Manuscript form:
The manuscript form is in quite good state. However, it would require additional round of proof-reading and probably some restructuring.

Specific comments are below:

- In the Introduction the contribution of the thesis should be clearly specified.
- Table 2 should be rescaled to fit to one page and put into the Appendix.
- Then there is quite large confusion concerning references on tables since page 37, because there are many mistakes in the references (wrong table numbers in references). Therefore a reader is confused and it takes time to realize the right table which is referred to.
- Table 7 and 8 – absolute changes in TP should be expressed e.g. in millions of USD. Not in units…
- Chapter 7 should be included in Literature Review chapter. Conclusion chapter should be the last one.

DATE OF EVALUATION: August 28, 2017