Report on **Bachelor / Master Thesis**

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

Student:	**Ondřej Gabaš**
Advisor:	**Ing.Vilém Semerák, M.A., Ph.D.**
Title of the thesis:	**Euro and the Effect on Bilateral Trade: Gravity Model Analysis**

***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

I find the contribution of the paper appropriate for a bachelor thesis. However, contribution can be explained much more explicitly in the Introduction.

Methods

Author applies well suited methods for a gravity model. I also appreciate very detailed discussion of proper micro-foundation of gravity models and potential „three medals" stemming from omission of theory.

However, I am little bit confused in case of the estimated specifications – chapter 4.8. Theoretical treatment of the micro-founded gravity seems to me well explained, however I am not sure that the presented specifications follow the theoretical discussion in all relevant and manageable aspects.

- First FE specification (p. 24) includes only time and country pair dummies. Exporter and importer time-varying fixed effects are missing even though they should be included in bilateral gravity specification. Why is it so?
- Why in the third specification country-pair dummies are missing (they are mentioned in table 1 but I cannot find them in the equation)? I would also recommend inclusion of exporter and importer time-varying fixed effects.
- I am not sure whether I properly understand difference between specifications 1 and 4. What is the precise difference between variables EMU_t and EMU_1 ? EMU_1 is explained in chapter 5.2. (description of results) – that is too far. The strategy should be clear before results are presented.

One point for discussion. Author analyses the gravity on 44 countries to decrease the measurement error and missing data to minimum which seems to me a reasonable strategy. However a robustness check (maybe additional 45th country can be the „rest of the world") may be done to reveal possible bias in coefficients stemming from exclusion of many other EU trading partners. Has the author considered this potential problem?

Literature

The author presents very detailed discussion of relevant literature concerning theoretical foundations of gravity models. I find the state of the literature review as very good.

Manuscript form

Manuscript form would demand additional round of proof-reading. There are several typos or few errors in references. E.g. references to the quotes from Kee-Hong and Warren (2011) are wrong. It should be „....." (Kee-Hong and Warren, 2011, p. XXX).

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

CATEGORY		POINTS
Contribution	*(max. 30 points)*	30
Methods	*(max. 30 points)*	17
Literature	*(max. 20 points)*	20
Manuscript Form	*(max. 20 points)*	15
TOTAL POINTS	*(max. 100 points)*	**82**
GRADE	**(1 – 2 – 3 – 4)**	**1**

NAME OF THE REFEREE: Mgr. Michal Paulus

DATE OF EVALUATION: August 28, 2017

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Referee Signature