

# Master Thesis

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

<b>Student:</b>	<b>Bc. Daniela Moisei</b>
<b>Advisor:</b>	<b>Prof. Roman Horváth, Ph.D.</b>
<b>Title of the thesis:</b>	<b>Assessing Economic Linkages between the EU and the Eastern Europe Neighbours</b>

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

## Contribution

The topic of this master's thesis is interesting and relevant to the further economic cooperation and possible enlargement of the European Union in the future, in both the DCFTA (Deep and Comprehensive Free Trade Areas), i.e. Georgia, Moldova and Ukraine and EU countries.

The thesis is divided into four main chapters. After the introduction the author concentrates on the theoretical framework, i.e. how CEE economies transform from central planning to association agreements and EU membership, including discussion about association agreements with the EU. The second chapter is concentrated on econometric methods and data, i.e. empirical theoretical background, data description and research hypothesis and VAR model specification for the small open economy. The third chapter is engaged in the interpretation of the main results. The author evaluates the economic impact of external shocks on the Czech Republic, Romania, Republic of Moldova, Georgia and Ukraine, followed by assessment of economic inter-linkages within "CEECs" countries. The final chapter describes the impact of EU's eastern cooperation and gives an overall conclusion. The referee's main comments to this master's thesis are set out below:

- **Inaccurate definition of the analysed region:** The author uses the definition of "CEEC (Central and Eastern Europe Countries)" for the Czech Republic, Rumania, Georgia, Moldova and Ukraine, but there is a convention in the economic literature to rank different countries into the CEEC. Central and Eastern European Countries (CEECs) is an OECD term for the group of countries comprising Albania, Bulgaria, Croatia, the Czech Republic, Hungary, Poland, Romania, the Slovak Republic, Slovenia, and the three Baltic States: Estonia, Latvia and Lithuania. From this reason the referee was very often confused as to which countries the author was referring (for example page 3, page 9, etc.). Furthermore, the author also uses titles such as „Eastern Partnership Countries“ (but without Armenia, Azerbaijan and Belarus) and „Eastern European countries“, which are also not unambiguously defined.). Finally, the motivation for why the Czech Republic and Romania are set as reference countries (i.e. why not for example Poland, Hungary or Bulgaria) is also missing.
- **Econometric specification of two research hypotheses H2 and H3 (p. 9):** These hypotheses do not entirely correspond to the empirical analysis in chapter 3. The examined period covers a relatively long period of unconventional monetary policy of the ECB, during which for 3 months Euribor was not used and so-called shadow rates were not discussed but even so applied. See for example the "similar" work of Babecká, Claeys and Vašíček (2016)<sup>1</sup>.
- **Econometric part:** The referee missed: (i) a description of whether the applied time series are in levels or were transformed to differences, (ii) tests for stationarity of variables (i.e. for example ADF, PP, or/and KPSS test, etc.), (iii) information concerning whether impulse responses are in per cent or in standard deviation from original variable(s) and (iv) a description of methodology behind variance decomposition (table 3.1 – table 3.7). Furthermore, fonts in many graphs are very small (all chapter 3); it is difficult to understand how big impulse reactions are to shocks and for which variable(s).

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<sup>1</sup> Oxana Babecká Kucharčuková, Peter Claeys and Bořek Vašíček. Spillover of the ECB's monetary policy outside the euro area: How different is conventional from unconventional policy? Journal of Policy Modeling, 2016, vol. 38, issue 2, p. 199-225.

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## Methods

The author applied VAR type model, based on Horváth and Rusnák (2008), consisting of an estimation of 5 individual country blocks (the Czech Republic, Romania, Moldova, Georgia and Ukraine) and the euro area block. The referee finds these methods appropriate for the aim of the master thesis.

## Literature

The literature review is on standard level, i.e. includes both original sources of literature and current applied studies oriented to analysed countries.

## Manuscript form

The manuscript form is also on standard level, but, as was mentioned above, the inaccurate definition of analysed region worsens the clear arrangement and conclusions of this master thesis.

## Summary and suggested questions for the discussion during the defence

This master thesis is generally quite well-balanced; it consists of both theoretical and empirical parts, with interesting results (which were not so easy for the referee to follow), an interesting literature survey, and appropriate techniques for empirical analysis (which could be prepared more accurately in another way).

1. *It is possible to compare the results (impulse responses) in the third chapter among all countries? What is author's conclusion about the reaction to shocks on the Czech economy and other analysed countries (mainly Moldova, Georgia and Ukraine)?*
2. *What would be the pro and cons of using so called shadow interest rates in VAR analysis?*

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

<b>CATEGORY</b>	<b>POINTS</b>
<i>Contribution (max. 30 points)</i>	25
<i>Methods (max. 30 points)</i>	25
<i>Literature (max. 20 points)</i>	16
<i>Manuscript Form (max. 20 points)</i>	15
<b>TOTAL POINTS (max. 100 points)</b>	<b>81</b>
<b>GRADE (A – B – C – D – E – F)</b>	<b>B</b>

**NAME OF THE REFEREE: Prof. Lubos Komarek**

**DATE OF EVALUATION: 8.9.2018**

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**Referee Signature**

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## EXPLANATION OF CATEGORIES AND SCALE:

**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

**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

**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

**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	GRADE
91 – 100	A
81 - 90	B
71 - 80	C
61 – 70	D
51 – 60	E
0 – 50	F