

## REPORT ON THE MASTER THESIS

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

<b>Title of the thesis:</b>	<b>Potential of Agricultural Trade between China and Central and Eastern Europe within the 16+1 Framework</b>
<b>Author of the thesis:</b>	<b>Elena Rasenko</b>
<b>Referee (incl. titles):</b>	<b>Vilém Semerák, Ph.D.</b>

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

### **1) Theoretical background:**

The thesis analyzes the reality as well as future prospects for the agriculture trade between Central and Eastern European countries (CEE) and China. While such trade may appear to be improbable from the narrow perspective of a typical Czech reader, interestingly enough it is an issue which has attracted some attention, esp. on the Chinese side.

Attempts to analyze whether indeed the CEE countries may be relevant partners who can help China to solve possible future food supply problems and whether the design of current Chinese policies may push at least some CEE countries in this direction is definitely a relevant topic.

The author, Ms Rasenko, submitted a thesis which strives to analyze such questions in an impartial and rigorous way, i.e. with methods based on available statistical data and generally accepted statistical methods.

### **2) Contribution:**

Besides describing the recent trends and providing an up-to-date overview of Chinese policies, the thesis also includes an implementation of gravity models (and calculations of trade potentials) on data on food and agriculture trade between CEE countries and China. There are so far still relatively few papers analyzing these trade flows with the use of modern quantitative methods; this is especially true for data on agriculture trade.

### **3) Methods:**

The thesis includes empirical analysis which comes in three forms:

- Traditional descriptive analysis based on indexes and indicators directly computed from statistical data (RCA – revealed comparative advantages index, TCI - trade complementarity index)
- Econometric model based on the gravity model of international trade applied on a fairly large sample (many similar theses are using a simple one-sided panel instead)
- The econometric results were also used as a basis for the estimation of trade potentials for future trade of the CEE countries with China.

When explaining and estimating the gravity model, the author builds on a modern micro-founded version of the model (the differences between the older “naïve” and newer micro-founded models are described in sections 1.4.1 and 1.4.2) and attempts to avoid the traditional problems (inadequate treatment of the multilateral resistance term) which often used to plague results based on gravity models in older papers. The author also strives to explicitly address the zero trade problem which often complicates attempts to apply the traditional form of the gravity model on sector-level trade data.

The methodology can be therefore described as sound (at least in its design and intended implementation) and more than adequate for a student of the IEPS program. Some of the results of the econometric estimates are a bit surprising, but they can also be related to the specific nature of agriculture trade – further tests might be needed here. Taking into account the previous tests based

on the RE and FE, it might have been useful to implement country-pair dummies also in the Poisson estimation.

The author correctly mentions possible problems with methodologies used to estimate trade potentials.

#### **4) Literature:**

The thesis attempts to provide an adequate insight into several different areas of literature: recent Chinese policy initiatives (16+1, OBOR) and their logic, food security, gravity models estimation, trade potential analysis.

Obviously the wide scope comes at a price – it is difficult to maintain a comparable level of detail and keep the text sufficient streamlined. It is also not easy to review literature on China and its relations with the CEE countries – there are quite a few contributions which are either too visibly based on political proclamations, or fails to account for economic factors properly. Although it is not easy, I would still prefer the author to attempt to improve the work with the literature and for example to better separate lower quality papers on China-CEE relations and papers based on own deeper analysis.

The overview of the literature on gravity models is quite detailed and includes even some less common works, while many papers describe the Anderson-van Wincoop based derivation of the model, this thesis also includes Bergstrand's attempt to provide adequate micro-foundations for the model.

Minor omissions and errors can be found in the text:

- I would describe gravity models as an example of quantitative methods and not qualitative (p. 4)
- The claim that there was only a small amount of interaction between the two regions in the post-war period (p. 8) oversimplifies the reality too much. For instance, the brief overview of historical relations between the 16 and China might have included also the very specific position of Albania
- The author accepts the official narrative that “.. China is not demanding any reformation of the political or economic system” (p. 9-10). This is not quite true – while China does not require any changes in the system, it often imposes rather strict demands concerning official policies - as especially countries directly neighbouring on China or countries attempting to have closer relations with Taiwan have found out.

Some extensively cited sources are a bit older – Brown (1994), but they still appear to be relevant within the context in which they were used in the paper.

All in all, I would evaluate the literature review as acceptable given the time/space limitations and the state of the research on relations between the CEE countries and China.

#### **5) Manuscript form:**

The text includes occasional typos as well as a few stylistic and grammar-related issues typical for less experienced writers using a non-native language. However, the overall quality of the text can still be considered as adequate. The same can be claimed about the use of citations and references. Formatting of equations shows the typical problems caused by the use of a mainstream text editor, but this is not the fault of the author. On the other hand, formatting of tables with results of the regressions (e.g. table 4, p. 47) might have been improved very easily.

**Box for the thesis supervisor only.** Please characterize the progress in the working out of thesis (e.g., steady and gradual versus discontinuous and abrupt) and the level (intensity) of communication/cooperation with the author:

Ms Rasenko was working on her thesis steadily and responsibly. She was trying to stay in touch and discuss relevant issues even during her stay abroad.

**Suggested questions for the defence are:**

1. Your thesis analyses the development of agricultural trade between the CEEC countries and China. Do you think that the CEEC countries should actively try to support this form of their participation in the international division of labour? What could be the advantages and disadvantages of this form of specialization from the long run perspective?
2. What are the weaknesses of the traditional simple in-sample estimates of trade potentials?
3. Is the 16+1 initiative just a part of the One Belt, One Road initiative (a section of the “Silk Road”), or is it a different project?

**I recommend the thesis for final defence.**

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

<b>CATEGORY</b>	<b>POINTS</b>
<i>Theoretical background (max. 20 points)</i>	17
<i>Contribution (max. 20 points)</i>	17
<i>Methods (max. 20 points)</i>	17
<i>Literature (max. 20 points)</i>	17
<i>Manuscript form (max. 20 points)</i>	18
<b>TOTAL POINTS (max. 100 points)</b>	<b>86</b>
<b>The proposed grade (A-B-C-D-E-F)</b>	<b>B</b>

**DATE OF EVALUATION: September 13th, 2018**

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**Referee Signature**

**Overall grading scheme at FSV UK:**

<b>TOTAL POINTS</b>	<b>GRADE</b>	<b>Quality standard</b>
91 – 100	<b>A</b>	= outstanding (high honour)
81 – 90	<b>B</b>	= superior (honour)
71 – 80	<b>C</b>	= good
61 – 70	<b>D</b>	= satisfactory
51 – 60	<b>E</b>	= low pass at a margin of failure
0 – 50	<b>F</b>	= failing. The thesis is not recommended for defence.

## The referee should give comments to the following requirements:

**1) THEORETICAL BACKGROUND:** Can you recognize that the thesis was guided by some **theoretical fundamentals** relevant to this thesis topic? Were some important theoretical concepts **omitted**? Was the theory used in the thesis consistently **incorporated with the topic** and hypotheses tested? Has the author demonstrated a genuine **understanding** of the theories addressed?

Strong	Average	Weak	
20	15	< 10	points

**2) CONTRIBUTION:** Evaluate if the author presents **original ideas** on the topic and aims at demonstrating **critical thinking** and the ability to draw **conclusions** based on the knowledge of relevant theory and relevant empirical material. Is there a distinct **value added** of the thesis (relative to knowledge of a university-educated person interested in given topic)? Did the author explain **why** the observed phenomena occurred? Were the **policy implications** well founded?

Strong	Average	Weak	
20	15	< 10	points

**3) METHODS:** Are the **hypotheses** for this study clearly stated, allowing their further **verification and testing**? Are the theoretical explanations, empirical material and **analytical tools** used in the thesis relevant to the research question being investigated, and adequate to the aspiration level of the study? Is the thesis **topic comprehensively analyzed** and does the thesis not make trivial or **irrelevant detours** off the main body stated in the thesis proposal? More than 12 points signal an exceptional work, **which requires your explanation "why" it is so**).

Strong	Average	Weak	
20	15	< 10	points

**4) LITERATURE REVIEW:** The thesis demonstrates the author's full understanding and **command of recent literature**. The author **quotes** relevant literature in a **proper way** and works with a **representative bibliography**. (Remarks: references to Wikipedia, websites and newspaper articles are a sign of **poor research**. If they dominate, you cannot give more than 8 points. References to books published by prestigious publishers and articles in renowned journals give a much better impression. Any sort of **plagiarism** disqualifies the thesis from admission to defence.)

Strong	Average	Weak	
20	15	< 10	points

**5) MANUSCRIPT FORM:** The thesis is **clear and well structured**. The author uses appropriate **language and style**, including the academic **format for quotations**, graphs and tables. The text effectively refers to graphs and tables, is easily readable and **stimulates thinking**. The text is free from typos and easy to comprehend.

Strong	Average	Weak	
20	15	< 10	points

## Remarks for the referees:

- 1) Download the thesis from the SIS. If you have no access to SIS, please ask the secretary of IPS ([jana.krejcikova@fsv.cuni.cz](mailto:jana.krejcikova@fsv.cuni.cz), tel. 251 080 214) for sending you the thesis by e-mail.
- 2) Use the IEPS Thesis Report form only for your comments. **It is a standard at the FSV UK that the Referee's Report is at least 400 words.** In case you assess the thesis as "non-defendable", please explain the concrete reasons for that in detail.
- 3) Retain your critical stance. You cannot confer more than 80 points upon a thesis that does not satisfy research standards in top European universities.
- 4) Upload the Report as PDF/A file into the SIS. Instructions on how to convert .DOCx to PDF/A): „Save as“ – select „PDF“ – check-in „Options or Možnosti“ that „PDF options“ tick „ISO 19005-1 compliant /kompatibilní s/ (PDF/A)“ – „Save“. If you have no access to SIS, please send the unsigned PDF file to the secretary of IPS ([jana.krejcikova@fsv.cuni.cz](mailto:jana.krejcikova@fsv.cuni.cz)).
- 5) Please deliver to the IPS Secretariat, U Kříže 8, 15800 Praha 5 Jinonice, **two hand-signed** originals. Unfortunately, a photocopied report with signature does not suffice. Sorry.
- 6) Your Report will be remunerated, so we need also your account information (separate from this form).