Report on Bachelor / Master Thesis

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

Student:	**Jan Srna**
Advisor:	**Ing. Vilém Semerák, M.A., Ph.D.**
Title of the thesis:	**Estimates of the role of non-tariff measures in trade between CZE/EU and Japan**

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

Please provide your assessment of each of the following four categories, summary and suggested questions for the discussion. The minimum length of the report is 300 words.

Contribution

This thesis estimates the effect of a new free trade agreement signed between the EU and Japan on the trade relationship between Czechia and Japan. It estimates a classic gravity model of trade and e provides estimates of the effect of the trade deal on imports.

Regarding the contribution of this thesis, the author fails to distinguish his work from the existing literature and this is part of the reason why I do not see a clear contribution of this thesis. During the defense, I propose the author clarify the contribution of his work.

Methods

Overall, I think the author uses suitable methods, however, I have major reservations about how these methods are presented and used.

- Arguing that 10 years of data is enough because the supervisor said so should not appear in a thesis. Such choices should be justified by statistical arguments.
- In section 4.1.1.: If distance included information on military conflicts etc., as argued by the author, the coefficient would still not be negative. There are reasons that it could, but this is not one of them.
- I am not convinced by the argument that mirrored data cannot be used due to the fact that some of the reported ones do not precisely correspond.
- Dealing with unbalanced panels is a complex phenomenon. Arguing that R can deal with it is not valid - R deals with it in a certain way which affects inference. It is important to know how.
- The author appears to choose the random effects model over the fixed effects model because 'in this type of situation Random effect estimation results make more sense and provide better explanation for the whole import thus it is more useful to use it.' and then even reports in a footnote that the Hausman test rejects RE. Choosing the RE model because the results are better aligned with the expectations of the author and despite a formal test in favor of FE is unacceptable. This is even more important given that in this context, it is very likely that FE models will provide a better fit.
- The author uses wording that suggests causality in a number of occasions, but there is no identification. The only identification I see in the methodology used in this thesis is on the 'treaty' variable in a fixed-effects setting for countries that have adopted a treaty in the observed time period. However, that coefficient is insignificant (see Table 4).
- The interpretation of some of the coefficients is troublesome. For example, the author reports on some of the coefficients for the dummy variables for individual years in the RE setting, but there is no interpretation of these effects. I also had trouble locating some of the mentioned numbers in the tables. For example, where does 183.5% come from on p. 30?
- Why would missing variables 'underpredict the actual situation'? (p. 36)
- It is not clear to me how the 'depth' variable is specified if there is no treaty. I would expect an interaction term of 'treaty' and 'depth' to be included in the model on which the author reports in Table 8.

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Some minor comments:

- The variable 'depth' is defined on p. 22 as a dummy variable, but it is a multinomial variable, as explained much later.
- Figures 1 and 2 would be more informative if done as a cross-section for one year. Making cross-sections pooled over 10 years leads to very low inference possibilities (as correctly identified by the author).

Literature

- The author likely identifies the most relevant studies (although I do not know this literature), but also talks about a number of studies that seem to be of little relevance.
- The Literature Review does not relate the existing literature to the present thesis. What does this thesis do differently, what does it do similarly? What is new in this thesis that has not been done before? In which specific aspects are the estimates derived in this thesis better than the existing ones? Why do the results differ? All these questions should be answered in this section; none are.
- Existing estimates of the effect of the trade deal differ substantially. Why? Is it differences in methodology? Data? Scope?

Manuscript form

- Introduction is a very confused text. The author does not tell us what he does in his thesis nor what is his contribution. Some sentences do not make sense (e.g. 'To show the impact is impossible without data from the future...').
- Some claims are not justified. e.g. 'If those [non-tariff barriers] are eliminated at a large scale the impact is going to be extremely significant.' I would expect this claim to be one of the potential conclusions of the entire analysis; here it is stated on p. 5 with no evidence for it.
- The entire text would benefit significantly from proofreading for grammar and typos as well as structure and clarity.
- A number of minor issues are present: Acronyms are sometimes not defined at their first appearance (e.g. NTBs on p. 3), some tables are referred to with wrong numbering (e.g. ref. to Table 4 on p. 30).

Summary and suggested questions for the discussion during the defense

During the defense, I suggest that the questions raised above in the section Methods be answered. If the author answers these questions in a satisfactory way, I propose the grade E.

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

CATEGORY		POINTS
Contribution	*(max. 30 points)*	18
Methods	*(max. 30 points)*	15
Literature	*(max. 20 points)*	13
Manuscript Form	*(max. 20 points)*	10

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TOTAL POINTS *(max. 100 points)*	**56**
GRADE (A – B – C – D – E – F)	E

NAME OF THE REFEREE: Miroslav Palanský

DATE OF EVALUATION: August 29, 2019

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Referee Signature

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