REPORT ON THE MASTER THESIS

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

Title of the thesis:	**Comprehensive Trade Agreement between Asymmetric Partners**
Author of the thesis:	**Lennart Classen**
Referee *(incl. titles)*:	**Mgr. Michal Paulus**

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 the academic literature. The author estimates a microfounded gravity model whose specifications are clearly connected to relevant academic research. The author also very extensively discusses academic findings on FTAs in Latin America.

2) Contribution:
The thesis presents an interesting empirical contribution. It presents, up to our knowledge, the first empirical testing of FTA between EU and Andean Community using an augmented microfounded gravity model of trade. The author also tests interesting set of hypotheses which enrich the empirical added value of the paper.

3) Methods:
The thesis is based on the estimation of a microfounded gravity model of trade following the seminal work of Anderson & Van Wincoop (2003). The author was also able to handle large bilateral dataset (183 countries, 1997-2017). I find the methodological approach of the author sufficient to the demands put on quantitative papers written within the master IEPS study program.

The contribution of the thesis would be of course strengthened if more sophisticated gravity model techniques were used – e.g. the work on missing trade flows by Helpman et al. (2008), however I find those methods beyond the scope of a quantitative thesis at the IEPS master program.

I have several minor critical comments:
- On page 39 the author presents a test of the "hypothesis 8" based on comparison of several estimated coefficients. However, it is not clear the origin of the discussed coefficients. The related estimated specifications shall be explicitly mentioned.
- I would welcome one table summarizing all used variables with information about their origin and scale.
- Very minor remark - one cannot confirm a hypothesis (legacy of Popper). In case of the Lidner´s hypothesis (page 58) I would use the verb "corroborate".

4) Literature:
I highly appreciate the extensive literature review prepared by the author. It has clear logic and is followed by well derived and explained hypotheses from the discussed academic literature. I have no critical remark on that aspect of the thesis.

5) Manuscript form:
The thesis is well written – I have not found some serious typos and the main logic of the text is clear.

However, I have few critical remarks:
- I would recommend separating the Methodology chapter into more subchapters. E.g. the author starts on page 35 describing the ways how he investigates his hypotheses. However,

the whole part is not separated from the rest of the chapter (missing level 2 heading), which makes the whole chapter confusing. In addition, it would be also helpful to separate paragraphs related to each hypothesis (missing level 3 heading).
- The references on the estimated specifications seem to me quite confusing. The author e.g. at the end of page 54 mentions "the fifth specification". It would be very helpful if the author also refers to the specific equation number (all estimated equation are also numbered…). Then the identification of the discussed specification would be explicit.

Box for the thesis supervisor only. *I have been very satisfied with the attitude of Lennart. He worked continuously and hard on the thesis. As a supervisor I have had just positive experience with him.*

Suggested questions for the defence are:
- Can you identify the main weaknesses in your methodology and how they can be overcome by further research?
- How do you asses the prospects of the investigated FTA given quite low mutual trade of both country block? Do you think there is relevant unexploited trade potential between both blocks?
- Can you elaborate more on the possible political relevance of this FTA for the EU? You mention that very briefly in the concluding section.

I recommend the thesis for final defence. I recommend the following grade: A.

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

CATEGORY		POINTS
Theoretical background	*(max. 20 points)*	20
Contribution	*(max. 20 points)*	19
Methods	*(max. 20 points)*	18
Literature	*(max. 20 points)*	20
Manuscript form	*(max. 20 points)*	17
TOTAL POINTS	*(max. 100 points)*	**94**
The proposed grade (A-B-C-D-E-F)		**A**

DATE OF EVALUATION: 8. 9. 2019

Referee Signature