REPORT ON THE MASTER THESIS

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

Title of the thesis:	**China and Southeast Asia: Trade integration and rivalry**
Author of the thesis:	**Ekaterina Sukhova**
Referee *(incl. titles)*:	**Vilém Semerák, Ph.D. (supervisor)**

Remark: It is a standard at the FSV UK that the Referee's Report is at least 500 words long. In case you will assess the thesis as "non-defendable", please explain the concrete reasons for that in detail.

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

CATEGORY	**POINTS**
Theoretical background (max. 20)	16
Contribution (max. 20)	11
Methods (max. 20)	13
Literature (max. 20)	16
Manuscript form (max. 20)	5
TOTAL POINTS (max. 100)	**61**
The proposed grade (1-2-3-4)	**2**

You can even use a decimal point (e.g. giving the grade of 2.5 for 60 points).

Comments of the referee on the thesis highlights and shortcomings (following the 5 numbered aspects of your assessment indicated below).

The presented paper attempts to analyze the complex cobweb of trade agreements in South-East Asia and even evaluate their contribution to observed trade patterns. The text is divided in into 5 sections:

i) Description of the main agreements in the region and brief presentation of their logic and history. This can be for some readers the most useful section of the text as the complexity of trade agreements in the region is not so well-known in Central Europe.

ii) Description of the structure and quality of trade relations of China with the main players (both individual players and groups of countries) in the region. This part suffers a little from its descriptive form – it would have been more interesting to try to approach the topic of this section a bit more analytically or to use other methods of presentation (diagrams, charts).

iii) Section which very briefly describes effects of FTAs on member countries. This section focusses mainly on traditional effects ("noodle-bowl"-related issues, trade creation/diversion). It would have been useful to mention also other possible motives for creation of FTAs (non-economic motives) and the issue of FTA endogeneity.

iv) Section title "trade potentials of the region" which provides a brief introduction into the logic of gravity models. The section covers most of the traditional sources and mentions most of the issues relevant for the history and application of gravity models. Unfortunately, it suffers from some stylistic issues – it could have been organized in a clearer way. This section also presents the author's attempts at own estimates and econometric tests of the results.

v) Results and discussion where the author summarizes her conclusions and attempts to provide explanation for some of the less expected results (insignificant or even negative contribution of FTAs).

1) Theoretical background:

The paper is based on a sound and generally accepted methodology, the gravity model. This class of models is used for actual applied analysis of similar effects in both academic and analysis-oriented literature. The author also demonstrates that she was aware of some of the traditional problems which plagued the application of gravity models in the past and attempts to use at least basic procedures (dummy structures as suggested

2) Contribution:

The paper has had a potential for an interesting contribution to the debate on the logic of FTA creation in SE Asia. In its current form the potential contribution is partially thwarted by the language quality and some econometric issues. The main contribution as of now thus consists in the description of the existing FTA arrangements, the econometrics results appear to a some extent plausible (given the specific development of Chinese economy and the plethora of FTA in the region), but further testing would be advisable.

3) Methods:

The author opted for econometric analysis based on gravity models. I would like to emphasize here the fact that she studies the IEPS program and therefore she had been exposed to statistics and econometrics much less than a typical student of the IES. The text is in fact her first attempt at econometrics and she was learning everything from scratch – reformatting and merging the datafiles, running first econometric tests, analyzing their results. From this point of view, I would describe her progress during the last year as admirable. Unfortunately, this process consumed a lot of her time – consequently she was lacking time for additional work with the econometric estimates and especially for an understandable and correct interpretation of the results.
The econometric specification of the basic gravity model is of the same form as often used in the literature, so is the use of dummies for dealing with nonlinearity of the MRT. On the other hand, the descriptions of the F tests and Hausman test (p. 47-48) are a bit confusing and unconvincing.
Some of the results are not explained too well and leave some space for doubts – e.g. the fact that although the author opted for fixed effects, the results (e.g. table 4) still include estimates for parameters which are likely to be time invariant for the selected period (2000-2015): common language dummy, area, distance etc.
The author did not use more advanced methods suggested as remedies for the MTR non-linearity (Baier-Bergstrand Taylor approximation), but considering her prior lack of econometric skills it was an understandable decision.

4) Literature:

The author is familiar with and mentions the most important contributions to the theory and empirical application of gravity models. She also covers many relevant sources on FTAs, although some of the sources which look at FTAs from the IPE perspective are not included (e.g. Dürr, Baccini, Elsig (2013)).
The list of literature gathered by the author is quite representative and extensive. Unfortunately, the resulting impression and usefulness of the literature review are rather impaired by language and stylistic issues.

5) Manuscript form:

Besides some econometric issues (which can be to some extent excused by the lack of prior experience) it is the manuscript form which devalues the author's contribution significantly. It is

quite apparent that the author was finishing her thesis in a hurry, after spending too much time mastering basic data-processing skills.
Specifically:

- The introduction has different formatting (spacing) than the rest of the text. Occasional differences in formatting of headlines can also be found in other parts of the text.
- Econometric results are presented in the form of direct printouts of tables from Stata.
- Numbers are often presented in a uselessly precise form (exports in dollars rather then in millions or billions of USD – section 2).
- Table 4 (appendix) with econometrics results could also be presented in a more legible form.
- The text would need additional proof-reading by a native speaker.

Occasional omissions and typos can be found also in dates: For example, the APTA was signed in 1975 (rather than 1976, p. 17). The brief text on APTA also does not mention the fact that China only acceded the agreement in 2001.

My final evaluation takes into account the identified problems of the text, but also the amazing progress achieved by the student throughout the last year during which she made a significant progress in data-processing and econometric skills.

Suggested questions:

1) What is so-called "enabling clause" and how is it related to FTA's of developing countries?
2) What is a "trade deflection" and how is it related to "trade diversion" and to "rules of origin"?

DATE OF EVALUATION: ***June 15th, 2017***

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Referee Signature

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 for this thesis topic? Were some important theoretical concepts omitted? Was the theory used in the thesis consistently incorporated with the topic and hypotheses tested?*

Strong	*Average*	*Weak*	
20	*10*	*0*	*points*

2) CONTRIBUTION: *Evaluate if the author presents* ***original ideas*** *on the topic and aims at demonstrating* ***critical thinking*** *and 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	*10*	*0*	*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 10 points signal an exceptional work,* ***which requires your explanation "why" it is so****).*

Strong	*Average*	*Weak*	
20	*10*	*0*	*points*

4) LITERATURE REVIEW: *The thesis demonstrates author's full understanding and* ***command of recent literature****. The author quotes relevant literature in a proper way and disposes with a representative bibliography. (Remark: 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 much better impression.*

Strong	*Average*	*Weak*	
20	*10*	*0*	*points*

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

Strong	*Average*	*Weak*	
20	*10*	*0*	*points*

Overall grading scheme at FSV UK:

TOTAL POINTS	**GRADE**	Czech grading	US grading
81 – 100	**1**	= excellent	= A
61 – 80	**2**	= good	= B
51 – 60	**3**	= satisfactory	= C
41 – 50	**3**	= satisfactory	= D
0 – 40	**4**	= fail	= not recommended for defence