

IMESS DISSERTATION

Note: Please email the completed mark sheet to Year 2 coordinator
(cc Chiara Amini chiara.amini@ucl.ac.uk and fiona.rushworth@ucl.ac.uk)

Please note that IMESS students are not required to use a particular set of methods (e.g. qualitative, quantitative, or comparative) in their dissertation.

Student:	Jiayi Zeng
Dissertation title:	Intra-industry trade and human capital endowment: a case of EU-CEE trade

	70+	69-65	60-61	59-55	54-50	<50
	A	B	C	D	E	F
Knowledge <i>Knowledge of problems involved, e.g. historical and social context, specialist literature on the topic. Evidence of capacity to gather information through a wide and appropriate range of reading, and to digest and process knowledge.</i>	89					
Analysis & Interpretation <i>Demonstrates a clear grasp of concepts. Application of appropriate methodology and understanding; willingness to apply an independent approach or interpretation recognition of alternative interpretations; Use of precise terminology and avoidance of ambiguity; avoidance of excessive generalisations or gross oversimplifications.</i>	86					
Structure & Argument <i>Demonstrates ability to structure work with clarity, relevance and coherence. Ability to argue a case; clear evidence of analysis and logical thought; recognition of an argument's limitation or alternative views; Ability to use other evidence to support arguments and structure appropriately.</i>	88					
Presentation & Documentation <i>Accurate and consistently presented footnotes and bibliographic references; accuracy of grammar and spelling; correct and clear presentation of charts/graphs/tables or other data. Appropriate and correct referencing throughout. Correct and contextually correct handling of quotations.</i>	78					
Methodology <i>Understanding of techniques applicable to the chosen field of research, showing an ability to engage in sustained independent research.</i>		69				

ECTS Mark:	82	Charles Mark:	B	Marker:	Vilém Semerák, Ph.D.
<i>Deducted for late submission:</i>			<i>No</i>	Signed:	Vilém Semerák
<i>Deducted for inadequate referencing:</i>				Date:	September 11 th , 2022In

MARKING GUIDELINES

A (UCL mark 70+) = A (Charles mark 91-100 - excellent): *Note: marks of over 80 are given rarely and only for truly exceptional pieces of work.*

Distinctively sophisticated and focused analysis, critical use of sources and insightful interpretation. Comprehensive understanding of techniques applicable to the chosen field of research, showing an ability to engage in sustained independent research.

B (UCL mark 69-65) = B (Charles mark 81-90 – very good)

C (UCL mark 64-60) = C (Charles mark 71-80 – good): A high level of analysis, critical use of sources and insightful interpretation. Good understanding of techniques applicable to the chosen field of research, showing an ability to engage in sustained independent research. 65 or over equates to a B grade.

D (UCL mark 59-55) = D (Charles mark 61-70 – satisfactory)

E (UCL mark 54-50) = E (Charles mark 51-60 – sufficient):

Demonstration of a critical use of sources and ability to engage in systematic inquiry. An ability to engage in sustained research work, demonstrating methodological awareness. 55 or over equates to a D grade.

F (UCL mark less than 50) = F (Charles mark 0-50 - insufficient):

Demonstrates failure to use sources and an inadequate ability to engage in systematic inquiry. Inadequate evidence of ability to engage in sustained research work and poor understanding of appropriate research techniques.

Please provide substantive and detailed feedback!

Comments, explaining strengths and weaknesses (at least 300 words):

The paper focuses on a relatively traditional topic, the analysis of the role and determinants of intra-industry trade (IIT) and extends available literature by providing newer results (years 2000-2019 were analyzed) relevant particularly for EU new member states. Besides providing general descriptive results (the development of the role of the IIT in the analyzed sample), the author attempts own empirical analysis of the determinants of the IIT and specifically of the role of the human capital endowment.

A fairly extensive literature review (and bibliography) are included, the literature review discusses most of the relevant concepts (it is logically particularly focused on new trade theory and empirical results). Especially traditional and “older” new trade theory are represented quite well, although some additional discussion on the possible role of global value chains might have been included too (a very brief mention related to the possible relevance of GVCs is hidden on p. 13). Special relatively detailed subsection (1.2.2) is dedicated to the role of human capital and to the issue of measurement of intra-industry trade (section 1.2.1) respectively. The latter section (measurement), on the other hand, includes a small discontinuity: there is a sudden jump to the criteria for the classification of vertical intra-industry trade (p. 12) that might be puzzling for a reader at first. The discussion of the criteria (for identification of vertical industry trade) covers traditional issues, given the participation of the CEE countries in value chains and the role of multinational companies, one might be tempted to expect also at least a brief mention of possible distortions caused by transfer pricing. However, the literature review provides decent foundations for the formulation of the econometric specification used by the author. Implications of the most directly relevant sections of the literature review are made more accessible and clearer by tables (Tables 2, 3, and 4) which conveniently summarize the main conclusions.

Ms Zeng’s own empirical analysis is based on detailed trade data (HS six-digit level) from Comtrade statistics. She decided to focus on one particular section of trade, section 16 (Machinery), specifically chapters 84 & 85 (p. 21). This can be seen as a bit narrow focus, but selected other authors also focused e.g. only on agriculture or only on manufacturing in the past. What can be seen as much more constraining was the decision to focus on a more limited subset of countries (Visegrad 4 and their trade with selected EU15 countries + China and the USA, the countries are described in Table 7, p. 23) and specifically on their trade with Germany. This means that a substantial share of the countries’ trade flows was covered, the inclusion of additional countries (e.g. of poorer South and East European countries) and a less asymmetric design might have provided some additional variability and insight. Another compromise can be identified in the design of the otherwise relatively standard set of explanatory variables: the proxy used for capital endowment (GDP per capita) also plays the role of a measure of the relative development of the country (with possible Linder-hypothesis-like implications). However, the author was aware of this compromise and mentions it explicitly (p. 31, p. 45).

The econometric specification is loosely based on the logic of gravity models, where the overall trade has been replaced by the volume of IIT trade calculated by the author. The author concludes that she finds the specification with country and time effects more appropriate (p. 39), this argument might have been made stronger by providing references to the gravity-related discussions of the role of the multilateral trade resistance term. Interestingly, when the author discusses the results (e.g. for the EU membership dummy and distance), she provides t-statistics but does not explicitly mention statistical significance (p. 40). Obviously, this is not a problem for an informed reader, but it is a bit less reader-friendly. The discussion of the absence of significant effects of EU members (extended version of the model, p. 52) avoids one possibly important issue: the author focuses on machinery, and a significant degree of trade liberalization in these sectors was achieved already prior to the actual accession in 2004 (thanks to the association agreements which led to FTA arrangements). Another explanation could be based on the exclusion of the USA from the sample (which implies that other variables identifying the rather specific remaining non-EU market might have made the EU dummies superfluous.

As far as the stylistic, formal and formatting issues are concerned, the thesis is mostly at an adequate level. Minor issues in the formatting of some tables can be identified (e.g. Table 9 happens to be divided rather inconveniently), the formatting of descriptive charts on p. 34 also leaves some space for possible improvement. There are some minor stylistic issues concerning the use of references – e.g. the author uses Krugman & Helpman (1985) in the text, but the source is mentioned as Helpman & Krugman (1985) in the bibliography. Finally, the Urkund analysis did not indicate any suspicion of plagiarism.

Using the Charles University scale, I would evaluate the thesis with a grade B (about 82 points on the CU 0-100 scale).

Specific questions you would like addressing at the oral defence (at least 2 questions):

1. What is transfer pricing? Can it influence the classification of vertical intra-industry trade? Can this issue be relevant for CEE countries?
2. Explain possible problems that might arise when we attempt to measure the extent of intra-industry trade by the traditional Grubel-Lloyd indices.
3. You claim that the size of countries matters for intra-industry trade: “larger countries are supposed to specialize in high-quality products” (p. 3 and p. 10), and countries more similar in size will have a greater share of intra-industry trade (p. 2-3 & p. 9). Can you explain the logic of this effect? What would especially the first claim imply for the CEE countries?
4. Can you provide some additional details on the problems that convinced you to drop the US observations from your sample (extended model, p. 43)?