

# Report on Bachelor / Master Thesis

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

<b>Student:</b>	<b>Huilin Song</b>
<b>Advisor:</b>	Ing., M.A. Vilém Semerák, PhD.
<b>Title of the thesis:</b>	Does trading with China improve diversification and economic complexity? The case of South Africa and Pakistan

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

*Please provide a short summary of the thesis, your assessment of each of the four key categories, and an overall evaluation and suggested questions for the discussion. The minimum length of the report is 300 words.*

### **Short summary**

The thesis analyzes a timely and important topic in current international trade research – the impact of trade with China on developing countries. The thesis chooses two countries – Pakistan and South Africa – and analyzes macroeconomic trade variables such as export volumes, export diversification, export concentration, economic complexity index (ECI).

### **Contribution**

The thesis has a potential to provide a fruitful contribution into the international trade literature with a detailed analysis of benefits from trade in the case of imbalanced power relationships between partners.

However, the thesis in general is poorly written and the modelled setup lacks justification in the literature and in the international trade theory. Therefore the interesting finding cannot be properly interpreted in the right context (An example of this are reverse coefficients for PAK and ZAF dummies explaining export concentration and diversification). The author therefore cannot put their findings in any context.

### **Methods**

Although authors list two hypotheses, these are not rooted in theory. The hypothesis that trade with China improves both economic complexity and diversification was „rejected“ using a simple OLS set up and the authors „offers“ another hypothesis that this relationship is in fact reversed.

Besides this substantive departure from good scientific standards I offer a few notes:

- a) I have a strong suspicion that although modelled separately, export concentration and export diversification are in fact reversed indicators of the same phenomenon. Why is there twice? This, again, stems from the lack of theoretical justification.
- b) I think there is quite a strong endogeneity issue in your setup. Natural resources rent is in fact a measurement of export concentration (if you strongly rely on natural resources, then you export it and then you have an export concentration). This effect can even propagate into relatively high correlation with ECI. If this was the case, the interpretation of many of the models in the manuscript would be biased.
- c) Why are only some variables included in the correlation matrix (Figure 4.0)? Why is for example capital formation missing as well. I would expect all endogenous and exogenous variables to be included
- d) There is no explanation why Pakistan and South Africa were chosen for the special focus. Such selection should be based on some characteristics of their bilateral trade with China, either very distinct or similar.
- e) Refrain from using a word impact and other expressions indicating you study causal mechanisms. You only study correlations, in some cases even probably biased.

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## Literature

The literature (from both introduction and from literature section) seem pretty much random. By no means it serve its purpose to support the methodology with detailed understanding of the problem, its theory and perhaps the underlying data.

The theory is pretty much missing from the manuscript. There is no theory on international trade with unbalanced power relationships. How can countries end up in a trap by trading with much stronger partner? How the relationship can preserve benefits for both parties? How is this related to export diversification and economic complexity? Are there „typical countries“ that are able to gain from the international trade with China? Are there „typical countries“ for which trade with China is harmful? What would the theory suggest that would be the case of Pakistan and South Africa?

Although the paper models economic complexity and other export diversification measures, there is no information about its drivers. How do countries gain economic complexity and to what benefits does it bring to the economy? Are there some risk? Here again, special focus on the set up of developing countries would be useful

The manuscript also misses any kind of meaningful description of the nature of bilateral trade between China and South Africa or Pakistan. There is no information even about what goods they trade, no meaningful explanation of the peaks described in the figures in Introduction section.

## Manuscript form

Manuscript is poorly written. The citation format is not correct (detail, but it is evaluated), also figure time series development is not properly described (described only shape that can be seen on the figure, but not its drivers or any explanation of what happens on the figures).

## Overall evaluation and suggested questions for the discussion during the defense

All in all although the thesis has a potential to be a good thesis, the potential is not fully reached. In my view, the thesis does not fulfill the requirements for a bachelor thesis at IES, Faculty of Social Sciences, Charles University, I do not recommend it for the defense and suggest a grade F.

The results of the Turnitin analysis do not indicate significant text similarity with other available sources.

Suggested questions follows from the evaluation:

1. How can countries end up in a trap by trading with much stronger partner? How the relationship can preserve benefits for both parties?
2. How is this related to export diversification and economic complexity?
3. Are there „typical developing countries“ gaining from the international trade with China? Are there „typical developing countries“ for which trade with China is harmful? What are the differences between them?
4. How do developing countries gain economic complexity/diversified export and what benefits does it bring to the economy? Are there some risk?

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

<b>CATEGORY</b>	<b>POINTS</b>
<i>Contribution</i> (max. 30 points)	10
<i>Methods</i> (max. 30 points)	10
<i>Literature</i> (max. 20 points)	5
<i>Manuscript Form</i> (max. 20 points)	15
<b>TOTAL POINTS</b> (max. 100 points)	<b>40</b>
<b>GRADE</b> (A – B – C – D – E – F)	<b>F</b>

## **NAME OF THE REFEREE:**

Vít Macháček

**DATE OF EVALUATION:** May 30rd, 2023

Digitálně podepsáno (30. 5. 2023):

**Vít Macháček**

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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.*

**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.*

**LITERATURE REVIEW:** *The thesis demonstrates author's full understanding and command of recent literature. The author quotes relevant literature in a proper way.*

**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.*

**Overall grading:**

TOTAL	GRADE
91 – 100	A
81 - 90	B
71 - 80	C
61 – 70	D
51 – 60	E
0 – 50	F