Report on Bachelor / Master Thesis

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

Student:	Huilin Song
Advisor:	Vilém Semerák, Ph.D.
Title of the thesis:	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 was motivated by observed differences in the development patterns of countries which appear to be increasingly relying on economic ties with China. The author has therefore decided to test whether trade relations with China seem to matter for development in general and whether two particular countries (Pakistan and South Africa) deviate from this general pattern.

The test is based on a relatively simple regression model estimated on data for 30 countries observed over 10 years. The methodology is rather simple, and it is not derived from any deeper microeconomic foundations, therefore, the results should be rather described as comovements/correlations rather than causations (the author's formulations are often not too precise with respect to this distinction).

Unfortunately, even though the student was quite active, she was significantly disadvantaged by her language skills and relatively poor prior knowledge of econometrics. Both of these issues have left their mark even on the final version of the text, both in terms of effects on its style and language quality and on the use of the relatively simple econometric methodology.

Contribution

While both the literature review as well as the methodology are weaker, I appreciate that the author was not swayed by the plethora of official texts, speeches and declarations describing the economic ties between China and developing nations in extremely positive colours. She used critical thinking, analyzed data impartially and presented results which differed from her original expectations. I believe that this made her position more difficult than the position of most other IES students.

In terms of actual contributions: the text provides results that can be understood more as correlations; the general conclusion that increasing reliance on trade with a large and specific partner such as China, may not improve the countries' export patterns appears to be correct intuitively, although additional tests would be required.

Methods

The author obtained data from the Observatory of Economic Complexity and also data in the form o more traditional indicators of export concentration (calculated from BACI data in HS classification at the six-digit level of detail). Subsequently, she tested the relationship between the aforementioned characteristics of the sophistication/concentration of exports and a number of covariates which included the role of China in the analyzed countries' trade relations.

Her approach could be described as relatively simple and indeed "old-style": simple regression with an ad-hoc specification and more or less an ad-hoc set of variables, estimated on a relatively narrow sample (only 30 countries). Possible differences between Pakistan / South Africa and other countries are tested with the use of country dummies. The logic of the specification is discussed only

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superficially (e.g. the reasons for including the air transportation variable). Specification equations (p. 22-24) miss time dimension indices (subscripts). Most importantly, it is not clear why the specification includes both the value of trade with China and the share of trade with China.

The author did not attempt too many additional tests, with a small exception of an attempt to check whether collinearity might be an issue by checking a correlation matrix of selected variables.

Literature

The literature review has three sections, the first one is further divided into two subsections – at first, the author discusses trade diversification, economic complexity, and their determinants in general, then she focuses more narrowly on the relations between China and Pakistan and China and South Africa, respectively.

The literature review might have been more detailed and systematic - especially the first two (more general) sections which focus on the logic and determinants of export complexity and export diversification. Some influential texts are cited (most importantly Hausman et al., "What you export matters"), but much of the newer literature which has developed the arguments further is missing. The author apparently planned to include additional relevant sources but did not do so for some reasons in the end (some of the sources were left in the list of references, e.g. Schiff & Wang (2012).

But the biggest literature-related problems concern the handling of references. The list of references appears to be sorted according to the first name of the authors. Even more importantly, some sources mentioned in the text are not included in the final list of references (e.g. Ferdous; Alexander J.G.) or appear to be included incorrectly (Talha Yalta). The author also sometimes refers to other texts by using just the first names of the authors ("Logan and Jan" on p. 10), which can be confusing for those trying to track the development of the arguments. While I understand why the student might have been confused (her mother tongue typically uses the first name and the surname in the reversed order), this still does not explain the remaining irregularities.

Manuscript form

The author allegedly tried to have her text checked for language issues prior to the submission. However, the text is still much more poorly organized than one would expect. Also, the stylistic quality of the text as well as formatting (e.g. the formatting of the results of the regressions on p. 27 or in the appendix) are not quite at a level that most other IES students achieve.

Overall evaluation and suggested questions for the discussion during the defense

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

In my view, the thesis fulfils the requirements for a bachelor thesis at IES, Faculty of Social Sciences, Charles University, I recommend it for the defense and suggest a grade D.

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Questions for the defence:

1. Explain the logic of the indicators measuring economic complexity.
2. Why does your econometric specification include both the value and the share of trade with China?
3. Why can dependence on exports of natural resources have adverse effects on export diversification?

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

CATEGORY		POINTS
Contribution	*(max. 30 points)*	24
Methods	*(max. 30 points)*	19
Literature	*(max. 20 points)*	9
Manuscript Form	*(max. 20 points)*	11
TOTAL POINTS	*(max. 100 points)*	**63**
GRADE	**(A – B – C – D – E – F)**	**D**

NAME OF THE REFEREE: *Vilém Semerák*

DATE OF EVALUATION: *Digitally signed, June 4th, 2023*

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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