Report on Bachelor Thesis

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

Student:	**Tomáš Svoboda**
Advisor:	**Vilém Semerák, Ph.D.**
Title of the thesis:	**Impact of the international trade agreements between the EU and African countries**

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 provides a relatively detailed overview of several topics (the use of trade agreements in international trade relations in general, trade between Europe in Africa, history of trade agreements between European and African countries) followed by the author's own analysis of the effects of agreements between the EU and Africa on mutual trade. The thesis uses a fairly broad and long panel dataset (it starts in 1948!); the descriptive parts are also rather extensive and often begin with ancient trade relations.

The empirical analysis is based on a carefully explained modern version of gravity models (i.e. derived from microfoundations and with the multilateral trade resistance taken care of). The level and form of implementation of econometric methods are at a level definitely adequate for IES students. Results appear credible, and the author provides mostly fairly good and logical interpretations.

Contribution

The author definitely demonstrated his ability to work with a vast volume of resources and data, analyze them critically and arrive at relevant conclusions. In fact, both his analysis (esp. the conclusions on the differences of effects of agreements with different depths) as well as his description of the trade relations (and trade-related institutions) are relevant for current policy debates in many European countries because of the new competition between the EU and China over their role in Africa.

The aforementioned competition over Africa (and African resources) is also one of the additional points that might have been included in the thesis. However, that would require either an increase in the already substantial length of the text or significant changes in the structure of the text.

Methods

The implementation of the gravity model respects mainstream rules and recommendations; the resulting model can be described as one of the typical modern gravity applications based on microfoundations. The author also provides an extensive overview of the derivation of the model (in fact, almost too long – as much of that is based on the contribution of other authors), an explanation of the need to deal with the "gold medal issue" by means of adding an extensive structure of auxiliary dummies (fixed effects) into the model (and brief outline of possible alternatives).

The author also discusses the issue of endogeneity of FTA formation, which is highly relevant to his text, although the actually estimated model does not fully build on the methodology useable for dealing with this issue. However, this is quite acceptable at the undergraduate level.

Actual tests of the effects of FTAs (differentiated with respect to the region and depth of the agreements) are implemented via additional dummy variables. The design of the dummy variables as well as the logic of their interpretation, are carefully explained in the text.

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The dataset is partly based on a ready-made dataset provided by CEPII researchers but substantially enriched by the addition of variables from the DESTA database. These resources can be considered rather standard in this field and reliable.

In general, the methodology can be described as comparable to what many trade economists working for international institutions would use in their work.

Literature

The list of references is fairly long and, for most subtopics, quite adequate. The author is apparently very interested in the history of economics and economic relations; many of the subsections start with excursions into the "pre-history" of discussed topics (Methuen Treaty of 1703, etc.).

As far as possible additional issues are concerned that might have been added to the discussion, I would mention the interpretation of welfare effects of trade diversions. There are relatively straightforward demonstrations that show that even the presence of trade diversion in observed trade data does not necessarily guarantee negative welfare effects. Also, the issue of natural resources in trade relations with African countries (and the possible motivation of trade or partnership agreements related to attempts to preserve access to the resources) might have been explored more explicitly.

Manuscript form

The description of the history of trade agreements (section 2) in general and of trade (and trade agreements) between the EU and Africa (section 3), as well as the significant space (section 1) dedicated to the description of the history of gravity and its various derivations, make the text a bit more similar to traditional theses (as written at Czech and German universities) than to modern (focused and concise) economic papers. If this were to become a policy paper or working paper, probably some additional editing and streamlining would have been advisable.

The text has a decent language quality. While occasional typos can be found, their number is not excessive (given the length of the text). What is slightly more annoying is the presence of some less usual (and possibly not quite correct) formulations – additional proofreading by a native speaker might have helped here.

The text is logically structured, tables and figures are formatted adequately, and the results of regressions are presented in a reasonably arranged form too.

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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 fulfills the requirements for a bachelor thesis at IES, Faculty of Social Sciences, Charles University, I recommend it for the defense and suggest a grade A.

Questions for the defense:

1. You cite Rodrik's (2018) text on what the FTA really do and you are even using this argument to explain some your own results (p. 53). Rodrik's text is mostly discussing the behaviour of US companies (and lobbies), do we have some evidence about the actual behaviour of European companies that would support the conclusions?
2. You also cited the EU's own evaluation of the effects of trade agreements. What kind of methodology do these evaluations use? Is it also based on gravity models?
3. You were estimating your models on overall trade flows. What would be your guess about what might happen if we analyze only trade in manufactured products (i.e. without exports of natural resources)? Would you expect the results to be different?

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

CATEGORY		POINTS
Contribution	*(max. 30 points)*	29
Methods	*(max. 30 points)*	29
Literature	*(max. 20 points)*	19
Manuscript Form	*(max. 20 points)*	18
TOTAL POINTS	*(max. 100 points)*	**95**
GRADE	**(A – B – C – D – E – F)**	**A**

NAME OF THE REFEREE: *Vilém Semerák*

DATE OF EVALUATION: *Digitally signed, June 7th, 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