

Report on Bachelor / Master Thesis

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

Student:	Vojtěch Tomšů
Advisor:	Ing. Vilém Semerák, M.A., Ph.D.
Title of the thesis:	Analysis of Russian efforts to avoid economic sanctions

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

Short summary

This research examines the impact of sanctions on Russian trade from 2014 to 2022 by analyzing data primarily from the Global Sanction and CEPII Gravity databases. The author employs a gravity model, utilizing both Ordinary Least Squares (OLS) with fixed effects and Poisson Pseudo-Maximum Likelihood (PPML) methods. The results indicate that while sanctions had a substantial impact on Russian trade, their effects were not statistically significant. Additionally, the author investigates the trade of specific banned goods and identifies patterns of trade diversion through third-party countries.

Contribution

The author provides a description of the classification and effectiveness of sanctions. In this regard, Vojtěch outlines the available data on sanctions, frequently referencing the influential work of Felbermayr et al. (2020), who introduced the sanctions database. Vojtěch then presents his own attempts to test the effects of sanctions on Russian trade. As expected at the undergraduate level, the author does not introduce any methodological innovations but instead utilizes commonly employed methods such as the PPML estimator and the fixed effects model. Given the ongoing importance of this topic, the author's contribution also lies in his proactive search for data, as he extends his panel to include the year 2022, despite many data series ending in 2020/2021, such as the CEPII database. Additionally, Vojtěch evaluates suspicious goods that some countries have often banned from export to Russia.

On the other hand, in my opinion, the thesis's contribution could be enhanced if the model results were communicated more clearly. The author could also perform a sensitivity analysis to increase the reliability of the results. In this context, I am not fully convinced by the author's statement: "*This means that partial and complete import sanctions imposed on Russia led to a decrease in trade volume by 74.8%.*" Given that this is, in my view, one of the most significant findings of the thesis, I would like the author to elaborate more on this point. Regarding the analysis of suspicious goods, I would appreciate some graphical visualization (such as a treemap) that could perhaps convey the findings in a clearer and more understandable manner.

Methods

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The thesis utilizes a gravity model, employing both OLS with fixed effects and PPML, to analyze the impact of trade sanctions on Russian trade between 2014 and 2022. The gravity model is a widely used empirical framework for analyzing bilateral trade flows and the impact of sanctions. Vojtěch demonstrates a strong command of the gravity model's setup and specification. The inclusion of PPML estimators reflects a thoughtful design of the study. The author draws from various data sources, such as CEPII and the Global Sanction Database, compiling them into a cohesive dataset. Moreover, Vojtěch takes steps to address common challenges associated with gravity models by adhering to the approach recommended by Baldwin & Taglioni (2006). Lastly, I value that Vojtěch has appended the replication package to the solution of the thesis.

However, in my opinion, the study could benefit from a more thorough sensitivity analysis or a deeper evaluation of the methods employed, even considering that this is a bachelor's thesis. I find the lack of certain statistical tests, such as tests for heteroscedasticity, to be a limitation, especially given the relevance of these tests to justify the use of PPML. Additionally, applying tests specific to PPML, such as the RESET test or tests for overdispersion, would strengthen the analysis. Finally, while the results presented in Chapter 6 are interesting and provide additional point of angle to Vojtěch's research, I suggest considering alternative methods of presentation. For instance, comparing sanctioned goods with those not subject to sanctions could highlight the differences more effectively.

Literature

In my opinion, the thesis's literature review is thorough and demonstrates a cohesive flow between its individual parts. However, I found some sections overly focused on historical context. For example, the author spends 1.5 pages describing the conflict between Ukraine and Russia. Since this thesis focuses on the economic aspects of sanctions, I would prefer that the author dedicates more attention to the relevant literature on this topic. Additionally, the analysis of the economic aspects of sanctions could be improved. In my view, the author places too much emphasis on the classification of sanctions and their effectiveness, primarily referencing the work of Felbermayr et al. (2020) and Hufbauer et al. (2007).

In summary, Vojtěch demonstrates a strong understanding of the theory of sanctions, but this theoretical knowledge is not sufficiently integrated into the empirical part of the thesis. The overall focus on the theoretical aspects of sanctions lacks a corresponding empirical approach. I also miss the inclusion of empirical studies that explore the same topic as the author—the

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effect of sanctions on trade. While some of these works are included in Chapter 3, I believe this section could be further expanded. Notably, works such as Crozet & Hinz (2020) or Smeets (2018) are either missing or mentioned without any critical analysis of their methodology or findings. In this regard, the author could draw inspiration from the recently defended thesis of Pavlína Symerská (2023).

Manuscript form

The thesis is written clearly and adheres to the standards of a scientific article. However, there are certain aspects that could be improved. The author makes some formatting errors, particularly in citations. These issues are quite noticeable, such as when the author places citations after the end of sentences (e.g., p.4: "*which erupted into the Russian-Ukrainian war. (Walker 2023)*"). The author frequently alternates between placing the bracketed citation before and after the end of a sentence, leading to inconsistency. Additionally, some citations are incorrectly formatted (e.g., p.9: "*Nevertheless, Hufbauer et al. used*"). The author also occasionally repeats certain words (e.g., p.4: "*The three actors frequently behind imposing these sanctions in recent times are the United Nations, the United States, and the European Union.*"). Although typos are present, they are not very frequent. Regarding graphical representation, some figures could be improved for clarity (e.g., the font in Figure 3.2 is not easily readable, even when zoomed in). Lastly, while I appreciate the use of LaTeX, there are also some typesetting errors, such as non-existent links (e.g., p.1, where instead of "Chapter 6," LaTeX produced "??").

Overall evaluation and suggested questions for the discussion during the defense

In my opinion, Vojtěch Tomšů has done a good job in writing his thesis. He has shown a good knowledge of both the existing literature and methodology. However, some refinements in clarity and analysis would improve the quality of the thesis. 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 D.

Questions for the defence

Do you think there might be a relationship between the success of the sanctions (e.g., the non-significance of your results) and the length of your sample period? It's important to note that your entire sample period covers a time when sanctions were in place. How might trade

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evolve after the sanctions are lifted? Do you believe some effects of the sanctions could persist even after they are removed? How would you test this in your model?

How do you view the impact of the significant increase in sanctions during 2022? Do you believe that the events of 2022 could influence the results of your model? How would you adjust the model to account for the new wave of sanctions introduced in 2022?

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

CATEGORY	POINTS
<i>Contribution</i> (max. 30 points)	17
<i>Methods</i> (max. 30 points)	18
<i>Literature</i> (max. 20 points)	12
<i>Manuscript Form</i> (max. 20 points)	14
TOTAL POINTS (max. 100 points)	61
GRADE (A – B – C – D – E – F)	D

NAME OF THE REFEREE: Mgr. Tomáš Boukal

DATE OF EVALUATION: 14.8. 2024

Digitally signed (14.8. 2024):
Tomáš Boukal

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.*

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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