

# Report on Bachelor / Master Thesis

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

<b>Student:</b>	<b>Syed Zaki Khalid</b>
<b>Advisor:</b>	<b>Ing. Boris Fišera</b>
<b>Title of the thesis:</b>	<b>Impact of Trade Policies on Pakistan's Economy: A Sector-Level Analysis</b>

## OVERALL ASSESSMENT:

### Short summary

This thesis studies the effect of a diverse range of trade policies on sectoral-level trade (exports and imports) in the case of Pakistan. The author uses a small panel dataset of 5 main sectors of Pakistan's economy and the standard fixed effects estimator to conduct the empirical analysis. The author finds that tariffs have a negative effect on international trade – with the effect of foreign tariffs on Pakistan's exports being larger than the effect of domestic tariffs on Pakistan's imports. Non-tariff measures have a small effect on Pakistan's international trade and export processing zones have not only been effective in stimulating Pakistan's exports, but have also increased Pakistan's imports.

### Contribution

The thesis studies a highly relevant and current topic – the effect of (protectionist) trade policies on international trade. Even though the research question is not particularly innovative, the author does introduce a few innovative features into his research design: The thesis contributes to the existing literature by using sectoral-level data – including self-constructed sectoral-level measures of trade policies, which could help the author to sharpen the identification of the effect of trade policies. Moreover, the author uses a novel measure of non-tariff trade policy measures introduced by the IMF and he also studies the effect of export processing zones and special economic zones on exports and imports – something, which has, so far, been neglected in the empirical literature.

However, the contributions of the thesis are limited by the very small sectoral-level panel dataset (i.e., only 5 sectors and only overall and not bilateral exports/imports) and by the use of data for only one country. The former limits the statistical power of empirical results and constrains the identification of the effect of trade policies, while the latter limits the applicability of the results. That is, the thesis does highlight the negative effects of restrictive trade policies on international trade – but only for one country, and it is thus not clear, whether these results would hold for a larger sample of world economies.

Finally, when discussing the results, the author focuses primarily on interpreting and explaining the results, but less so on drawing conclusions and implications from these results.

### Methods

The primary empirical method that the author uses is a standard fixed effects estimator. This empirical approach is adequate for a bachelor thesis. However, while this empirical approach is applied appropriately, it is only applied on a very small sample of sectors (i.e., panel units), which might lead to issues such as multicollinearity (though the author addressed this issue partly by testing for correlations among regressors), overfitting, lack of heterogeneity across sectors, small number of degrees of freedom... On the other hand, the author did conduct several robustness checks and did address some of the issues that might occur in his panel dataset (i.e., Driscoll-Kraay standard errors to address cross-sectional dependence).

The author also nicely outlines the data used in the thesis. Conversely, the empirical model is discussed only briefly. In particular, I miss a more detailed discussion of the selection of control variables and it would also have been better to base the model design on earlier literature (i.e., gravity

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models). Moreover, most of the control variables are country-level characteristics – to make the results more robust, sectoral-level control variables would have been helpful – provided that the data would have been available.

## Literature

Overall, the author works with a large body of literature. A relatively large share of references are papers published in respectable field journals. The literature review starts with a comprehensive review of the historical development of trade policies. Next, the author introduces the literature that studied the determinants of international trade and the effect of trade policies. While this review is comprehensive and based on a large number of references, it is also a bit unstructured and lacks a logical flow between the respective trade determinants and trade policies. I would have also preferred the author to make a clear distinction between the theoretical and empirical studies that have explored this topic. I also miss a direct link between the literature review and regression model design/interpretation of the results.

## Manuscript form

The thesis is well-written, the level of English and the terminology used, as well as the structure of thesis meet the expectations for a bachelor thesis. However, I think that the discussion and interpretation of the results (chapter 5) is somewhat short, less structured and more prone to typos.

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

Overall, I think that Mr. Khalid had written a fine thesis, the thesis is well-written and reviews a large body of literature. The author uses appropriate empirical approach to study a highly relevant research question. However, the contributions and added value of the thesis are limited by the small panel dataset that the author uses, the lack of data, and the fact that the analysis was conducted using only data for one country. Furthermore, while the author does introduce some innovations into his empirical design (primarily the self-constructed sectoral-level measures of trade policy), the innovativeness of the thesis is rather limited.

The results of the Turnitin analysis indicate a somewhat higher overall similarity score (19 %). However, this higher overall similarity score seems to be driven by the terminology used and references rather than by whole sentences, and so it does not seem to indicate plagiarism.

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

Suggested questions for the defence:

1. Pakistan has experienced much political and institutional instability in the recent period. Could this instability have also influenced Pakistan's foreign trade during the examined period?
2. Your findings indicate that non-tariff restrictive trade measures only have limited effect on Pakistan's foreign trade. What do you think could explain this limited effect? Couldn't this result just be driven by the limited variation of your proxy for non-tariff measures (Figure B.6)?
3. Your findings indicate a significantly negative effect of trade restrictiveness on Pakistan's international trade. Would you therefore conclude that emerging economies are better off by

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focusing on trade liberation, or do you see some benefits of protectionist trade policies for emerging economies?

4. Based on your results, the effect of foreign tariffs on Pakistan's exports is quite large in comparison to the existing international evidence. What could be the reason for this very large effect?

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

<b>CATEGORY</b>	<b>POINTS</b>
<i>Contribution</i> (max. 30 points)	18
<i>Methods</i> (max. 30 points)	22
<i>Literature</i> (max. 20 points)	15
<i>Manuscript Form</i> (max. 20 points)	16
<b>TOTAL POINTS</b> (max. 100 points)	<b>71</b>
<b>GRADE</b> (A – B – C – D – E – F)	<b>C</b>

**NAME OF THE REFEREE:** Boris Fišera

**DATE OF EVALUATION:** August 27, 2024

Digitally signed (27.08.2024):  
Boris Fišera

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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