

Report on Bachelor Thesis

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

Student:	Daniel Kolář
Advisor:	Vilém Semerák, Ph.D.
Title of the thesis:	Repealing NAFTA: The impact on international trade with focus on Mexico

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

Please provide your assessment of each of the following four categories, summary and suggested questions for the discussion. The minimum length of the report is 300 words.

Contribution

The submitted thesis is one of the few such texts which focus on a highly policy-relevant topic rather than on an extension of previously published research.

The main contribution seems to be that fact the author found a way of how to credibly estimate post-NAFTA vectors of trade barriers, designing a logical structure (regions and sectors) of the model, and finding a plausible interpretation for the numerical results. Seen from this perspective, the paper is highly relevant for possible future attempts to estimate effects of possible attempts to leave the EU as well. The thesis also explores the usefulness of standard CGE models in a bit less unusual type of applied analysis (at least from the perspective of recent years): the increase rather than elimination of trade barriers.

I also appreciate the positivistic nature of the author's approach – especially in the light of the form of many recent debates on related issues.

Methods

The thesis is based on application of a standard GTAP model. The model has been developed by other researchers, but it should be mentioned that the creation and debugging of a completely new CGE model for a bachelor thesis would be quite an unusual achievement.

Author clearly invested a great deal of effort into analysing the functionality, logic, and definitions of variables; he provides a very good general introduction into the main features and assumptions of the GTAP framework. Unlike in other applied papers of this type he also discusses the closures (and their differences) in detail.

The author describes the logic of the decision on the regional and sector aggregation of the model in detail. He also designed and implemented an interesting algorithm for deriving the post-repeal levels of trade barriers, the method takes into account both data limitations as well as legal and institutional constraints (MFN clause).

The methodology has two specific features which might weaken its policy implications but which are logically following from the nature of available data and applied model:

- the thesis focuses on tariff barriers, possible increases in non-tariff measures are not analyzed. This decision is however quite logical - unlike in the case of tariffs there is no readily useable list of existing NTMs (and of their AVE, ad valorem equivalents) and estimating the current level of such barriers would be a topic for a separate research paper. Finally, these barriers can be to some extent modified independently of the NAFTA repeal, so the analysis of the directly visible (and verifiable) barriers such as tariffs is still relevant.
- comparative static nature of the implemented model.

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As usual in good policy-focused texts, the author also attempts sensitivity analysis – and at several different levels, he even provides a bit less usual form of a sensitivity analysis with respect to a few selected closures.

Literature

Mr Kolar also provides relevant and up-to-date references, as well as a critical and well-organised review of relevant literature. I particularly appreciate that he also discusses the possible issue of hysteresis, which is indeed likely to be quite relevant for NAFTA. The literature review does not cover some traditional references on the history and methodology of CGE models (Shoven & Whalley 1984) etc., but it seems to be a sensible decision given the current length and focus of the paper.

Manuscript form

The manuscript is structured very logically and systematically. Although many tables with fairly detailed results are used, the author succeeded in keeping the text reasonably coherent. There are fairly few typos left in the final version of the text; the style is quite adequate for a bachelor thesis.

Summary and suggested questions for the discussion during the defense

The thesis is definitely more than recommended for the defense.

Proposed questions:

1. What do the design and closure of your versions of the model imply for the labour market? Can there be any change in the total employment or just structural effects?
2. Many of CGE models were traditionally implemented as comparative static models. How does it influence the type of adaptation you can credibly model and describe in your model?
3. Defenders of current US trade policies can, in theory, refer to the large country effect – indeed a welfare optimising tariff can have a positive value for large countries in standard neoclassical models of trade policy. Do your results support a similar type of claims, i.e. the US can profit from the more protectionist position thanks to the effects of the tariffs on US import and export prices?

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

CATEGORY	POINTS
<i>Contribution (max. 30 points)</i>	28
<i>Methods (max. 30 points)</i>	28
<i>Literature (max. 20 points)</i>	20
<i>Manuscript Form (max. 20 points)</i>	20
TOTAL POINTS (max. 100 points)	96
GRADE (A – B – C – D – E – F)	A

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NAME OF THE REFEREE: Vilém Semerák

DATE OF EVALUATION: June 5th, 2018

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.*

<i>Strong</i>	<i>Average</i>	<i>Weak</i>
30	15	0

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.*

<i>Strong</i>	<i>Average</i>	<i>Weak</i>
30	15	0

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

<i>Strong</i>	<i>Average</i>	<i>Weak</i>
20	10	0

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.*

<i>Strong</i>	<i>Average</i>	<i>Weak</i>
20	10	0

Overall grading:

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