

MA Economics of Globalisation and European Integration

Supervisor's Evaluation Form

Dissertation title: **Assessment of the Effects of Sanctions on Trade between the EU and Russia**

Candidate: Bc. Andrea Kolářová

Reminder of the general instructions:

- 1) The dissertation should:
 - a. have an original empirical part, albeit of limited scope, OR
 - b. (in the best of cases) contribute to theory, OR
 - c. be a 'meta-empirical' study, i.e. a comparative study of empirical results, with particular care to synthesis, OR
 - d. be a thorough critical survey of the literature (empirical and/or theoretical).
- 2) The length of the dissertation should be kept within well-defined limits (8,000 to 12,000 words). Quality before quantity.
- 3) There should be proper attention to the citation of sources in footnotes or endnotes. The list of references should be carefully made.
- 4) The supervisor and the readers of the dissertation may perform checks on plagiarism. Citations should be made very explicit with quotation marks, indented text and quotation of the source in the main text. Quotations should be limited. Attempts of plagiarism will be severely dealt with, according to the examination regulations.

According to these general guidelines, please report the final overall grade, using the following grading system:

- 5 = 'excellent' (outstanding performance with no or only minor errors);
- 4 = 'very good' (above the average standard but with some errors);
- 3 = 'good' (generally sound work with a number of notable errors);
- 2 = 'satisfactory/sufficient' (pass; performance meets the minimum requirements);
- 1 = 'not sufficient' (marginal fail);
- 0 = 'poor' (fail).

In order to determine the overall grade, it may be helpful to mark the dissertation on each one of the specific aspects mentioned below. However, the final grade does not necessarily have to be the simple average of these partial grades. Please do not use decimals for the final overall grade.

A short motivation of your grade will be much appreciated.

NAME OF SUPERVISOR: Vilém Semerák

FINAL OVERALL GRADE: 2.5

Presentation of the dissertation objectives (motivation, main objective, bottom line, etc.)	4
Organization of the dissertation (division in sections, introduction and conclusions, etc.)	3
Use of presentation devices (tables, graphs, referenced material, quotes, etc.)	2
Development of the argument and provision of evidence for the dissertation objective (including references to the literature)	1.5
Originality of the work	3
Length of the dissertation (whether appropriate, penalize if you think the 12,000 words limit has not been reasonably respected)	5

Motivation:

The author, Ms Kolarova, decided to analyse effects on mutual sanctions imposed by the EU and Russia. The paper was intended as an empirical paper, in which sanctions were to be analysed with the use of either econometric or simulation-based model. The paper is structured into introduction + four main sections. The first section provides a brief historical overview and introduction into methodology of sanctions. The second section focuses on the genesis of the underlying problem (Russian aggression against its neighbour), the third one includes the empirical core of the paper (based on a gravity model), the final section concludes.

In general, I would describe the descriptive parts of the dissertation as fairly fine (with a few smaller issues), unfortunately, the empirical part (gravity model) has severe shortcomings.

The main issues with the descriptive parts:

- The author occasionally uses general and simplified observations which are not supported by direct citations from reliable sources or by other form of evidence. Examples: "Russian market is not as oversaturated as the European one" (p. 9), "... it was an obligation of Russia to defend its territory" (p. 21). In other words, the author sometimes seems to accept beliefs held by the public without doubting or testing them. Fortunately, the author managed to avoid any more severe distortions, but this approach still hides significant methodological risks – the internet is full of seemingly reliable claims about the conflict and effects of sanctions.
- The debate of the decline of trade with Russia in 2015 (e.g. page 33) does not mention a very important fact – the value of international trade decreased globally in the same year. The more correct approach would therefore rely on analysis of indices of physical volumes (in order to filter out terms of trade effects) and analyse relative rather than absolute changes in exports to Russia.
- There are occasional language and editing problems – e.g. an identical quotation of Putin's words is used twice on page 31.

The main problems with the gravity model and econometrics:

- The author did not include any deeper or explicit details on the microfoundation of gravity equation into her thesis and on the implications of these details for her work. Her application of the gravity thus ignores many of the recent concerns (e.g. on the appropriate use of dummy variables) – the results are therefore unlikely to be unbiased even if we do not consider the remaining issues. On the other hand, the author was clearly aware of the existence of some of the troubles (zero flows, endogeneity), but most probably did not have time to further improve this section.
- The sample is really small. The author decided not to make use of one of the main advantages of gravity models, i.e. the fact that we can fairly easily get large samples of data. She only used data on 6 exporters over 16 years (i.e. 96 observations). This decision also causes additional problem – had the author used a larger set of countries + time dummies, she might have been able to some extent filter out the effects related to lower trade values in 2015.
- It is not quite obvious, why the author included some of the charts of key variables of her model twice (once in levels, once in logs) – figures 13-15 on p. 49-50.
- The author was concerned about stationarity (p.51). While there are a few valid reasons for this, unit root tests based on 16 observations are likely to be quite weak anyway. It would be better to focus on expanding the sample instead.
- The results are likely to be unreliable – the simple specification of the model causes that the sanctions dummy catches up several other influences, it most probably significantly overestimates the effects of sanctions. Most importantly – the fact that the sample only includes countries hit by the sanctions (all of them are EU exporters) turns the sanctions variable into a time dummy. If the sample included e.g. 10 other countries (not targeted by the sanctions), the results could be suddenly more convincing.

The quality of the econometrics work is thus the main weakness of the dissertation, indeed the econometrics is at a level typical for undergraduate texts (bachelor theses). Besides the afore-mentioned issues there is also additional reason for the lower grade – a very similar topic was attempted by other MA EGEI students in the past. Unfortunately, the dissertation presented by Ms Kolarova did not exceed the quality of the older dissertations on similar topics.

Any additional comments: