

## **Abstract**

To support exports, the European Union (EU) and South Korea concluded the EU-South Korea free trade agreement (FTA) in 2010. An objective of the FTA was to reduce or remove barriers to international trade. This thesis examines the impact of the FTA on EU's exports. The gravity model of international trade was applied in the study with using the data over the years 2005-2017. The hypothesis was tested using static and dynamic GLS random and fixed effects, static LSDV model and dynamic GMM model. The two-step SYS-GMM model was concluded as a valid estimate. Empirical analysis shows that the exports between the two countries are predicted to be about 13.8% higher if they have signed the EU-South Korea Free trade agreement, holding other factors fixed. Moreover, a positive impact of GDP and a negative impact of distance on export were detected, as expected.