

## Abstract

The European Union (EU) and South Korea signed the EU- South Korea free trade agreement (FTA) in 2011 and since then they started to gradually remove barriers to their mutual trade. This thesis is analyzing the effects of this agreement on their bilateral trade flow in 10 commodity sections from 2005 until 2018. For this analysis we are using gravity model that is estimated by OLS and PPML method for comparison. This analysis showed that the EU-South Korea FTA influences their mutual trade in all 10 sections differently due to different levels of protectionism at the beginning. The FTA had a positive influence on their mutual trade in 9 commodity sections out of 10. In the Section 9 we found a negative effect of the FTA. Contrary to our beliefs we also found out that the highest increase in their mutual trade was not in automobile and electronic industry but in the chemical industry.

**JEL Classification** C23, F14, F33, C16

**Keywords** Free Trade agreement, South Korea, European Union, gravity model

**Title** Analysis of the EU - South Korea FTA and its effects on their mutual trade using the gravity model

**Author's e-mail** katarina.vinsova@gmail.com

**Supervisor's e-mail** michal.paulus@fsv.cuni.cz