

The UK-Korea and UK-Japan trade: developments and impacts of FTAs in light of Brexit

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Abstract

One of the reasons for British withdrawal from the European Union (EU) was the dissatisfaction with the EU trade policy and claim that a Brexit Britain could negotiate better deals with global partners. For its global strategy, the UK has focused, among others, on maintaining and further developing relations with Japan and Korea, taking the EU trade agreements with the two countries as the starting point: the post-Brexit UK maintains existing trade arrangements of the EU–Korea FTA and its trade agreement with Japan largely follows the EU-Japan EPA. Given this background, this paper, first, describes the structure and patterns of the UK-Korea and UK-Japan trade. Next, it offers simple analysis on the impacts on the bilateral trade flows at sector level of the free trade agreements which these countries signed with the EU – at the time when the UK was still a member state – as well as the trade agreements with the UK. As direct study of the effects of Brexit and UK-Korea and UK-Japan trade agreements is difficult given the negative impact of COVID-19 pandemic on global trade and its coincidence with the UK withdrawal from the EU, we use also the historical patterns and impacts of the previous agreements to provide insights into the potential developments of the post-Brexit UK trade with the two countries.

The data show that, while generally UK export to Japan and trade with Korea tended to increase through 2000s and 2010s, the visible increase in trade volumes after implementation of EU FTA is present only for UK trade with Korea, most prominently exports. On the other hand, we observe that the share of UK exports and imports with the two countries in the UK total exports and imports is generally going down in 2000s and recovering somehow through 2010s, especially when it comes to exports to Japan and trade with Korea. The FTA impact is visible in an increase in shares of the UK overall exports to both countries, but there is no clear impact on the UK overall imports. The most positively affected trade sectors seem to be Food and live animals, various kinds of Manufactures as well as Animal and vegetable oils and fats in case of UK exports and Beverages and tobacco and Chemicals in case of UK imports. Finally, while intra-industry trade between the UK and the two countries generally increased in last two decades, there agreements seem to have little impact on it.

Key words: Brexit; Free Trade Agreements; Trade policy; Intra-industry trade