



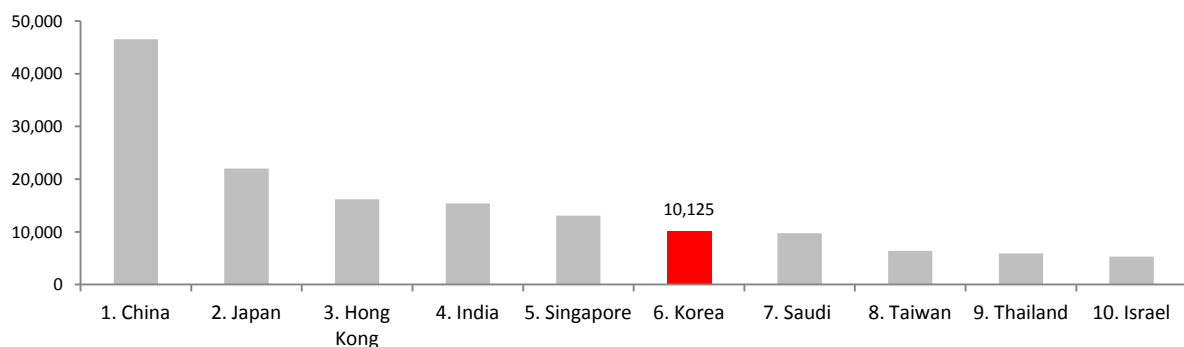
British Embassy Seoul

UK-KOREA TRADE: Maximising the Relationship

1. Goods and Services Trade: A Strong and Diverse Relationship

- **The bilateral trade relationship between the UK and Korea is strong.** Korea is the UK's 4th largest trading partner¹ in Asia, excluding transport hubs Hong Kong and Singapore in 2012 (23rd among all countries – 16th in goods, 28th in service).

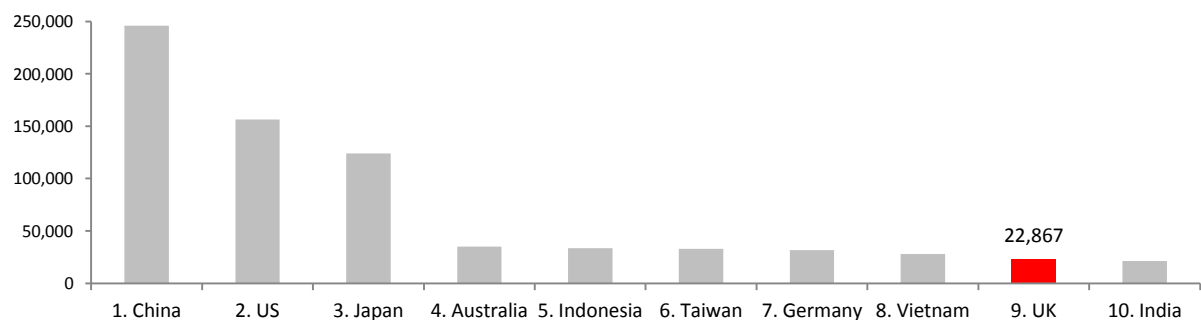
Chart1: UK's top 10 trade partners in Asia (2012, £ million)



Source: ONS

- **The UK is Korea's 2nd largest trading partner among EU countries** and 9th largest trading partner among all countries in 2012 excluding transport hubs (HK, Singapore) and oil export countries (Saudi, UAE and Russia). The UK's trade position is much better placed than other major EU competitors such as France (20th), Netherlands (19th), and Italy (21st) although our performance lags quite significantly behind Germany (7th).

Chart2: Korea's top 10 trade partners in 2012 (USD million)

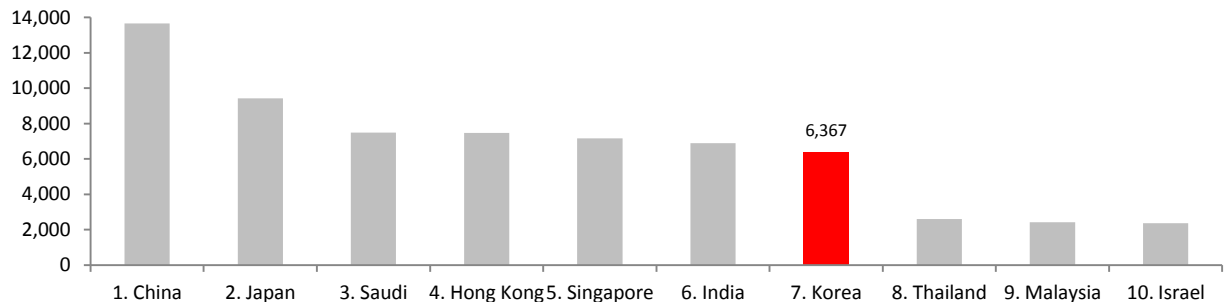


Source: Bank of Korea

¹ Sum of exports and imports in goods and services trades

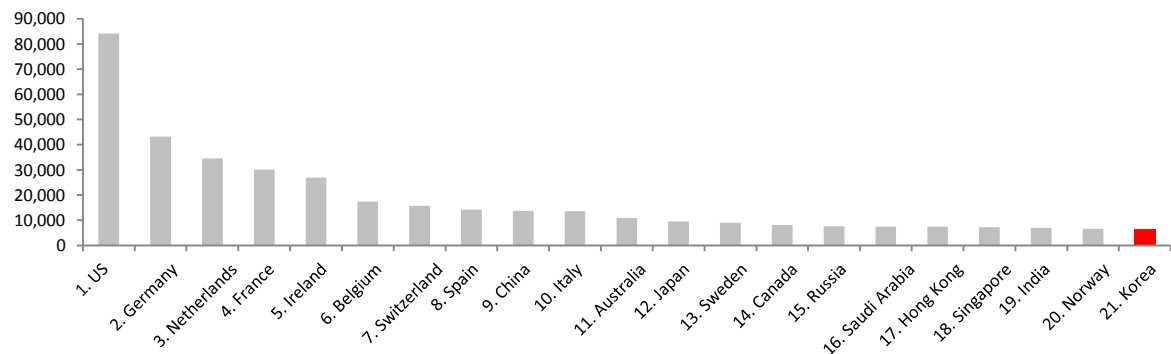
- **Korea is the 5th largest destination for UK goods and services exports in Asia excluding transport hubs (HK and Singapore) in 2012.** Korea is 19st largest destination among all countries in 2011, notching up from 24th in 2011 excluding HK and Singapore.

Chart3: UK goods and services exports to Asia (2012, £ million)



Source: ONS

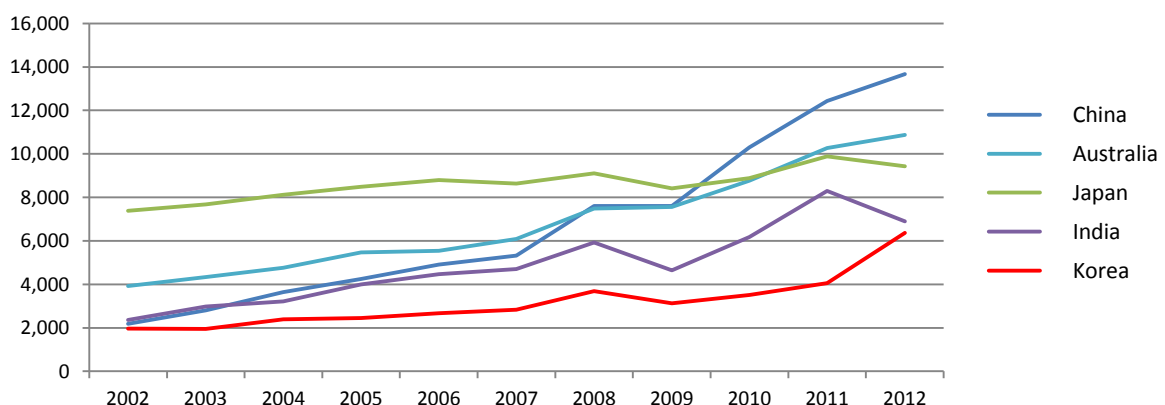
Chart4: UK goods and services exports to the world (2012, £ million)



Source: ONS

- **Total UK goods and services exports to Korea performed strongly, growing 57% to £6,367 million in 2012 - nearly on par with total exports to India.** Goods exports have contributed more to an increase in total UK's exports to Korea than service exports.

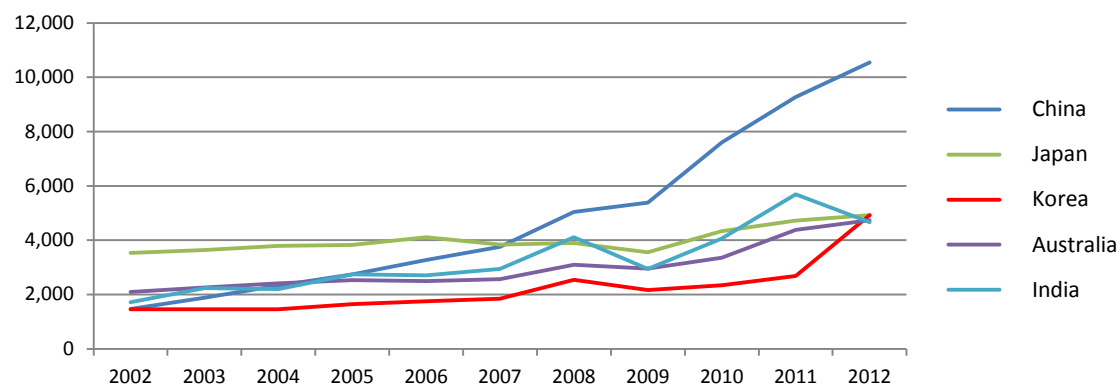
Chart5: Trend of UK goods and services exports to top 5 Asia & Oceania (£ million)



Source: ONS

- **Korea is the 3rd largest destination for UK goods exports in Asia and Oceania excluding the transport hubs (HK and Singapore).** UK goods exports to Korea increased rapidly from 2011 to 2012 (84%, y-o-y), surpassing its exports to Australia and India.

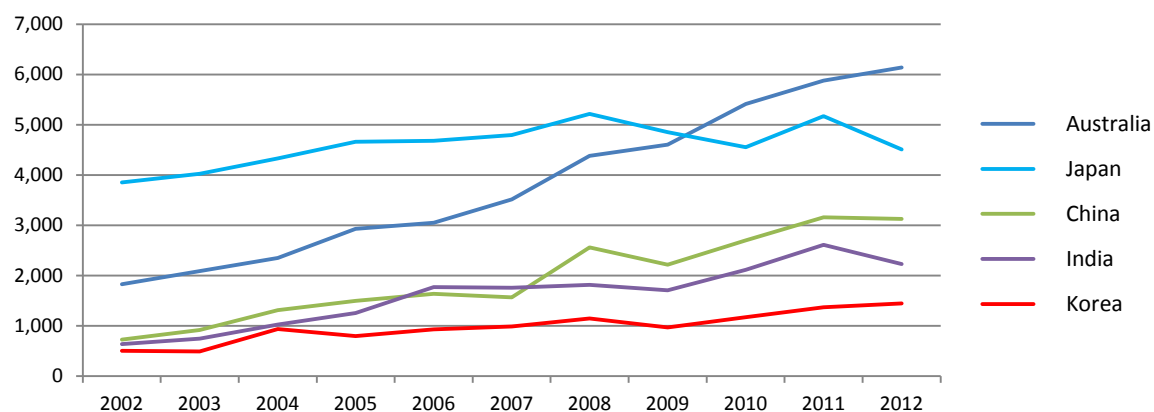
Chart6: Trend of UK goods exports to top 5 countries in Asia & Oceania (£ million)



Source: ONS

- **However compared to other countries, UK service exports to Korea have increased moderately.** Korea is 5th largest destination for UK service exports in Asia and Oceania, excluding HK and Singapore (26th in the world).

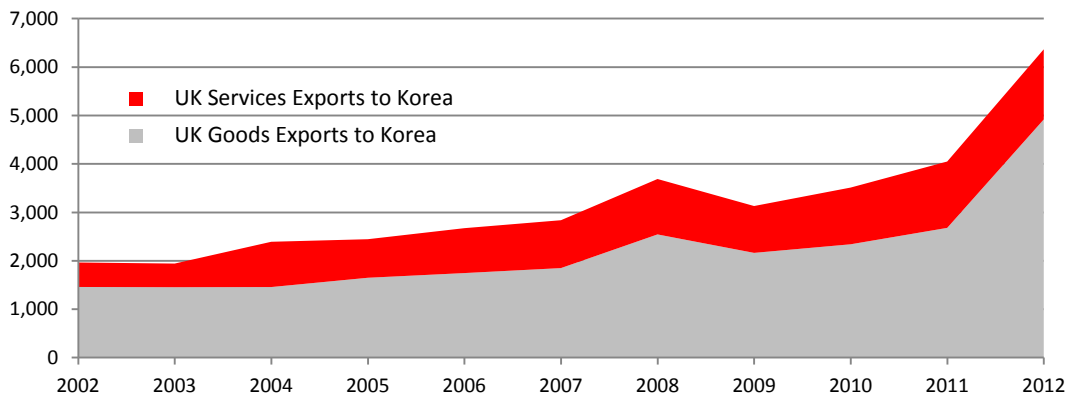
Chart7: Trend of UK service exports to top 5 countries in Asia & Oceania (£ million)



Source: ONS

- **In light of above, UK goods exports largely determine the direction of total export growth to Korea.** The share of goods exports increased to 77% in 2012 from 66% in 2011 mainly due to oil exports while the share of service exports decreased to 23% from 34% in the same period.

Chart8: Trend of UK goods and services exports to Korea (2002-2012, £ million)



Source: ONS

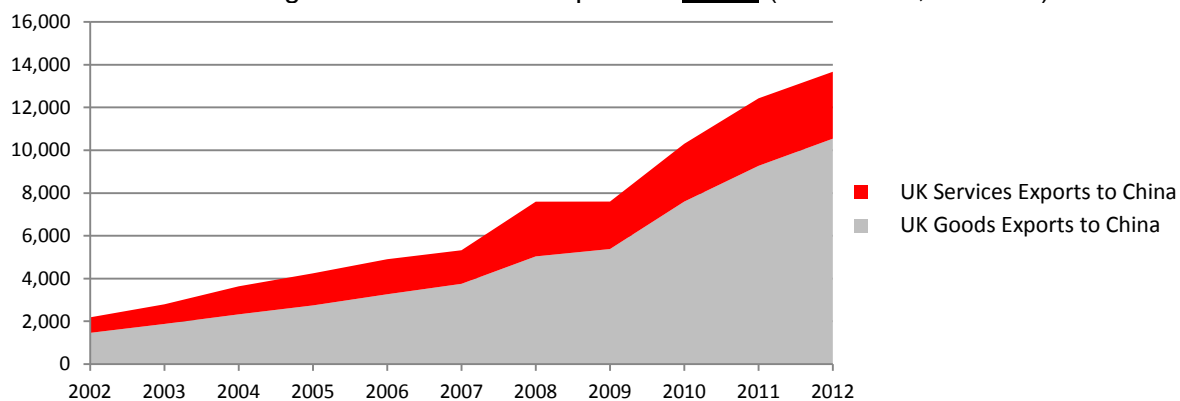
Chart9: Share of UK goods and services exports to Korea (2002-2012, %)



Source: ONS

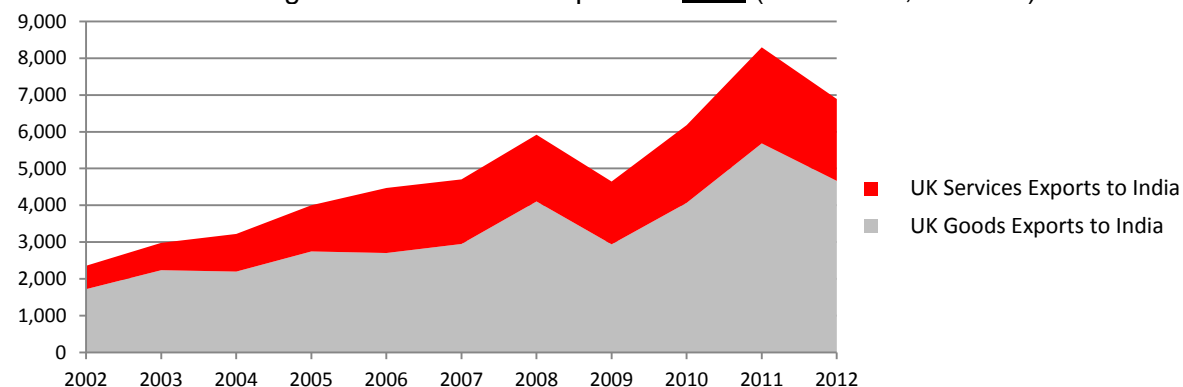
- **The share of UK service exports to Korea of total exports is 30% on an annual average in 2002-2012.** This trend is similar to the one for China and India in the same period.

Chart10: Trend of UK goods and services exports to China (2002-2012, £ million)



Source: ONS

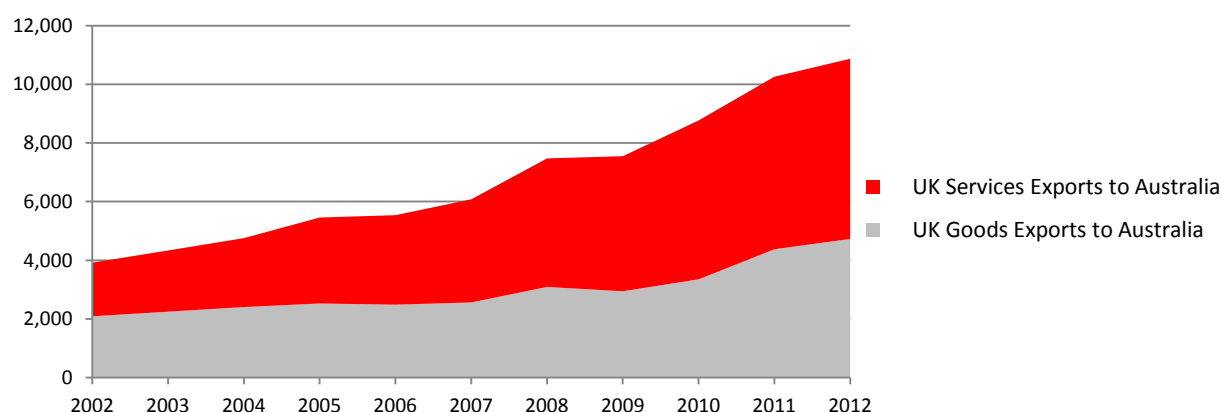
Chart11: Trend of UK goods and services exports to India (2002-2012, £ million)



Source: ONS

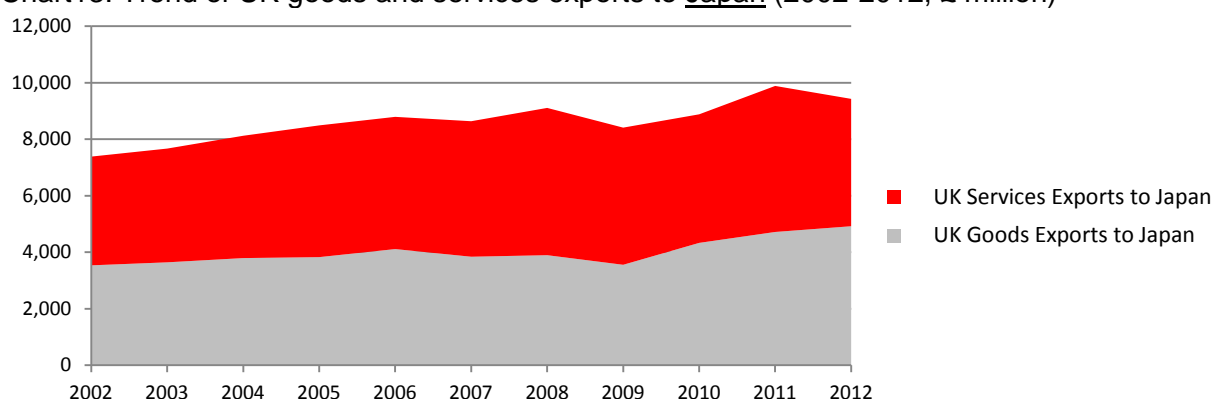
- However, the share of UK's service exports to Australia and Japan is more than 50% each on an annual average in 2002-2012.

Chart12: Trend of UK goods and services exports to Australia (2002-2012, £ million)



Source: ONS

Chart13: Trend of UK goods and services exports to Japan (2002-2012, £ million)



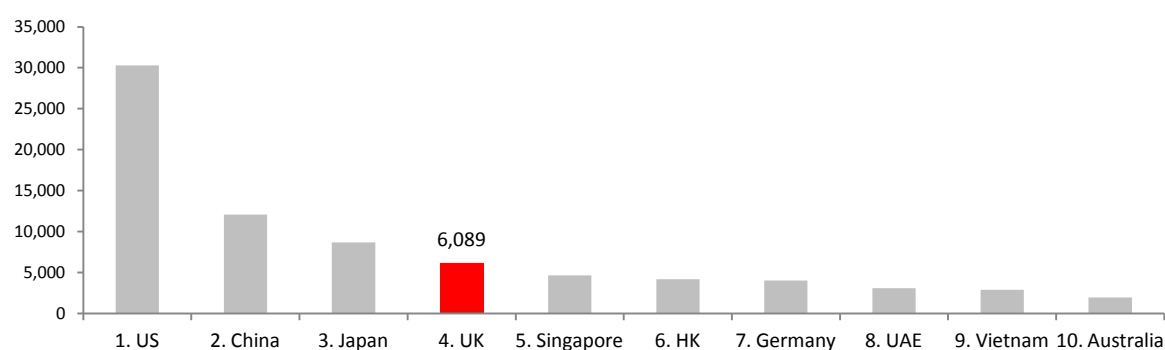
Source: ONS

2. UK Service Exports to Korea

- **UK services exports grew 5% to £1,448 million in 2012.** UK is the largest service exporter in Korea among EU countries and 4th largest among all countries after US, China and Japan over the past 5 years and in 2012 alone².

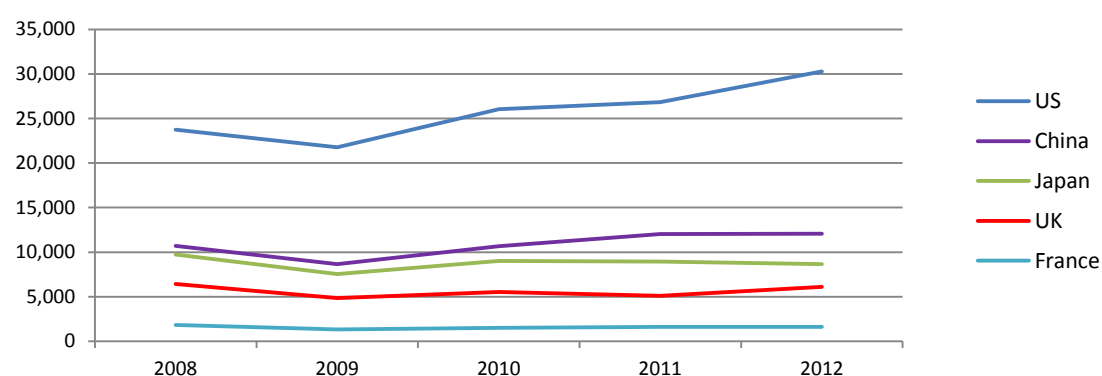
² To compare the UK service exports to Korea with competitors, we used the Bank of Korea data. As such, the value of service exports can differ from the ONS data due to different methodology.

Chart14: Top 10 service exporters to Korea in 2012 (million USD)



Source: Bank of Korea

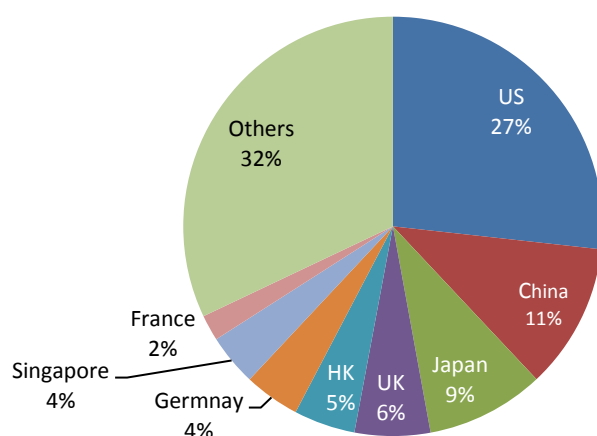
Chart15: Trend of service exports to Korea (2008-2012, million USD)



Source: Bank of Korea

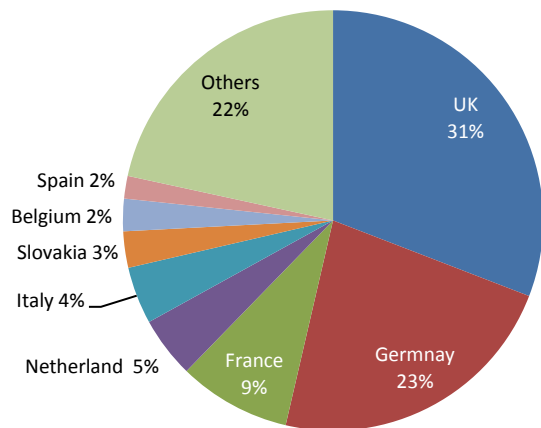
- **UK service exports comprise more than 1/3 of total EU service exports to Korea on an annual average in the past 5 years.** The share of UK service exports of total service exports to Korea is 6% on an annual average over the same period.

Chart16: Breakdown of global service exports to Korea by country



Source: Bank of Korea

Chart17: Breakdown of EU service exports to Korea by country



Source: Bank of Korea

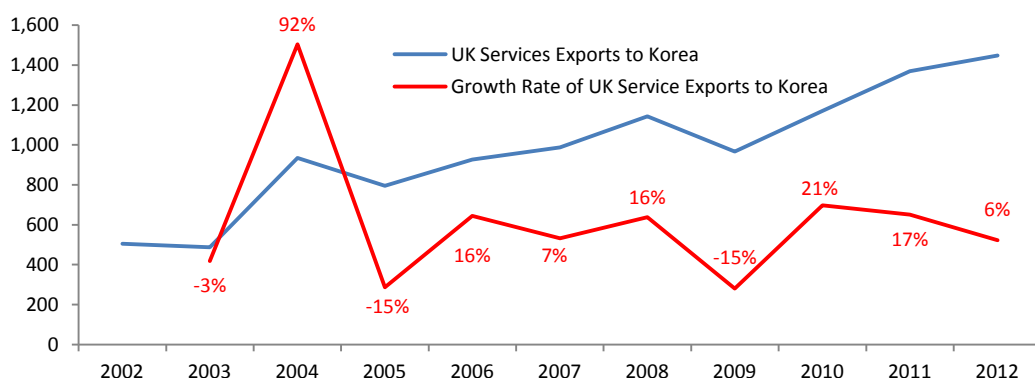
- UK's service exports to Korea continued to increase the past 10 years, although not as fast goods exports.** The UK service exports to Korea grew faster than its non-oil goods exports to Korea. UK service exports to Korea almost tripled in 2012 since 2002 (2.8x), while non-oil goods exports doubled (1.9x) in the same period. Including oil, UK's goods exports to Korea more than tripled (3.3x).

Chart18: Trend of UK goods and services exports to Korea (2002-2012, £ million)



Source: ONS

Chart19: Trend of UK service exports to Korea (2002-2012, %)

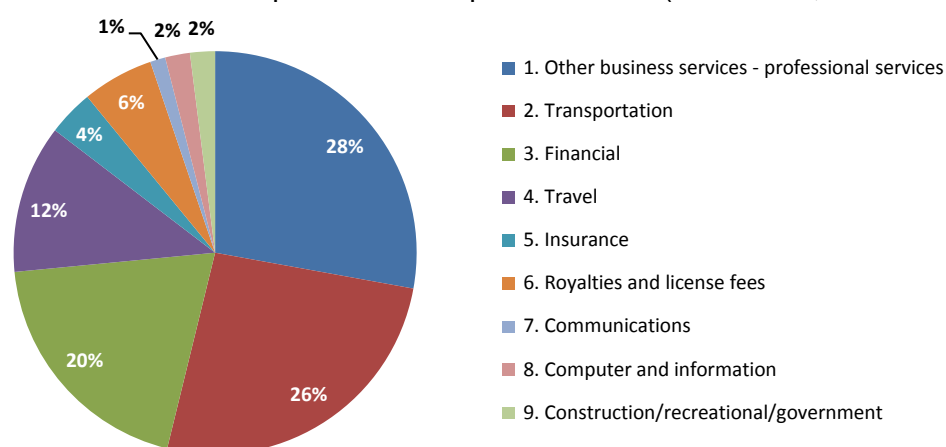


Source: ONS

- UK's top 3 service exports are professional services, transportation and financial.** The share of these sectors compromise of 74% of the total UK service exports to Korea

on annual average in the past 5 years. The largest service export in value is professional services – see chart18 for details. But breakdowns of professional services are unknown.

Chart20: Share of UK's top 10 service exports to Korea (2008-2012, annual average)



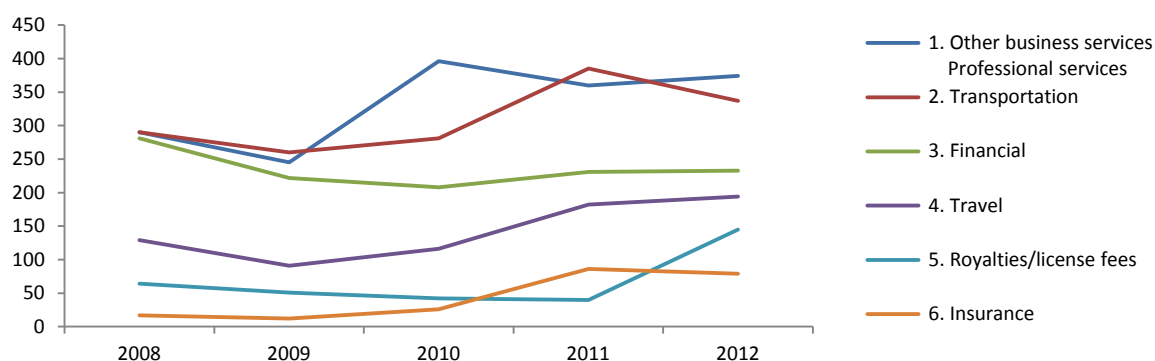
Source: ONS

Chart21: What are services in trade?

- 1. Other business services:** professional/technical services such as legal, accounting, consulting, advertising, market research, R&D, architectural, engineering, surveying and mining on-site processing
- 2. Transportation:** sea/air transport for passenger and freight on UK exports
- 3. Financial services**
 - Monetary financial institutions: commissions and fees, spread earnings
 - Loans & deposits: interest differential between borrowing and lending
 - Fund managers: commissions/fees for securities dealers and spread earnings
- 4. Travel:** business expenditure by seasonal/border workers, personal health, education
- 5. Royalties and license fees:** film and television, other royalties and license fees
- 6. Insurance:** life insurance, pension funds, freight insurance, reinsurance, insurance brokers
- 7. Computer and information services:** IT related service
- 8. Government:** expenditure by foreign embassies and consulates
- 9. Construction:** construction projects (if operate for over a year, the enterprise becomes part of the host economy and its transactions are excluded from the trade in services account, rather, recorded under FDI).
- 10. Communications:** Postal and courier services, telecommunications services

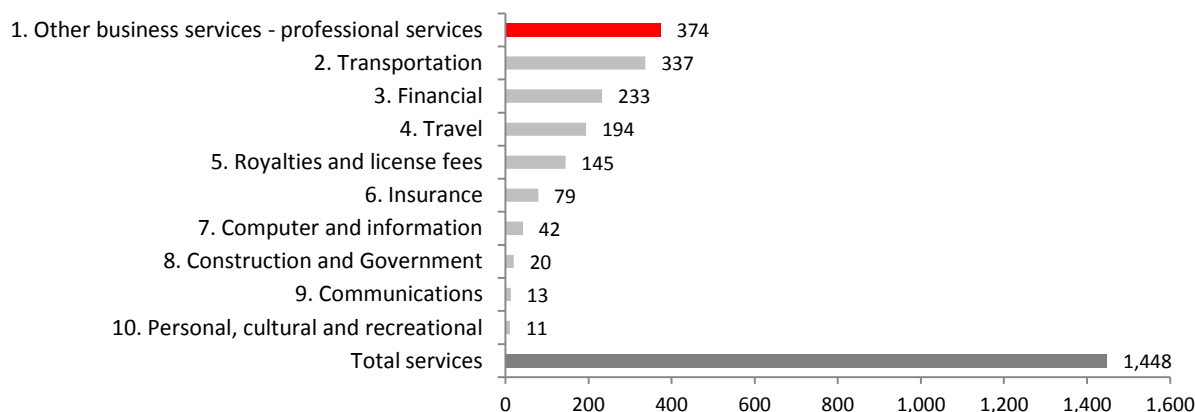
- **Except for financial sector, most service exports continued to increase in the past 5 years.**

Chart22: Trend of UK's top 10 service exports to Korea (2008-2012, £ million)



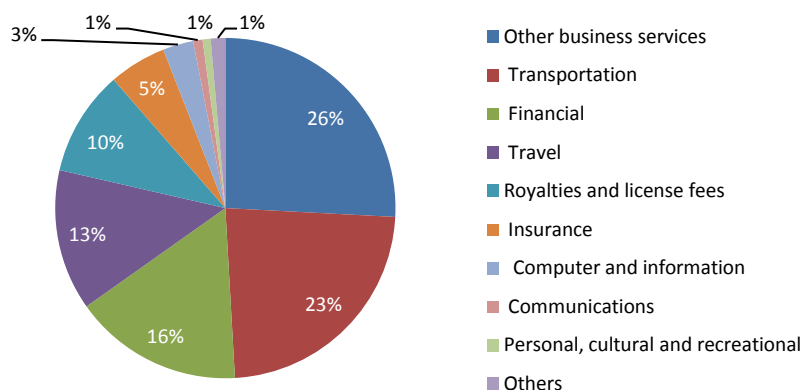
Source: ONS

Chart23: UK's top 10 service exports to Korea in 2012



Source: ONS

Chart24: Share of top 10 service exports of total UK service exports to Korea in 2012



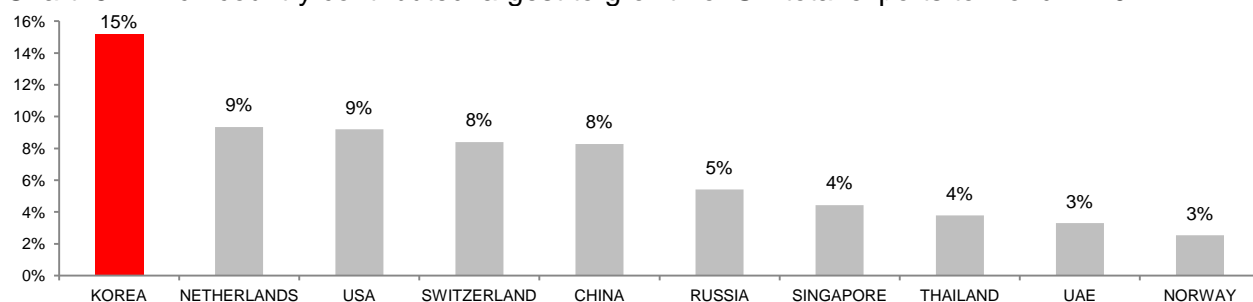
Note: Figures for construction and government are combination of the two since both are unknown – subtraction of the rest sectors from the total service exports.

Source: ONS

3. UK Goods Exports to Korea in 2012

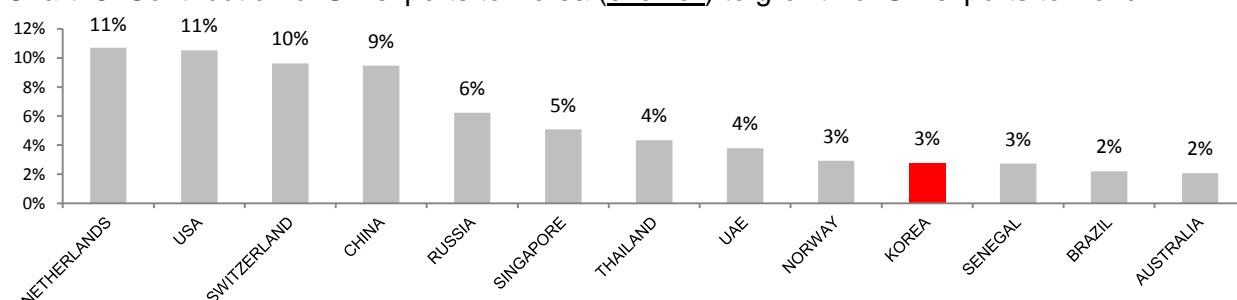
- UK exports to Korea made the largest contribution (15%) to growth in UK's total exports to the world in 2012. UK goods exports to Korea increased 82% to £4,919 million in 2012 from 2011. When stripping out oil, Korea made the 8th largest global contribution (3%) to total UK export growth excluding transport hubs such as Netherlands and Singapore.

Chart25: Which country contributed largest to growth of UK total exports to world in 2012?



Source: HMRC

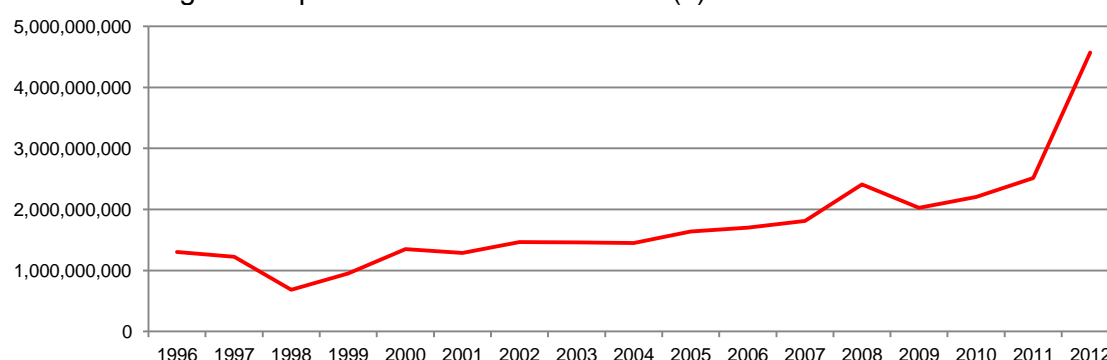
Chart26: Contribution of UK exports to Korea (excl. oil) to growth of UK exports to world



Source: HMRC

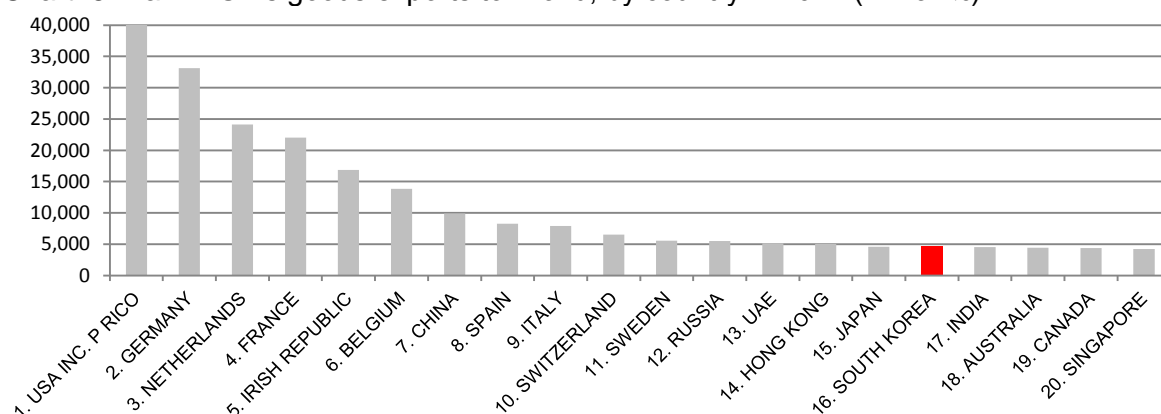
- UK exports to Korea reached a new historical peak in 2012.** Korea ranked 16th largest destination for UK goods exports in the world in 2012 (15th largest excluding transport hub Hong Kong), upgrading 10 notches up from 2011. Korea is ahead of India, Australia and Canada. When stripping out oil, Korea ranked 27th in 2012. In Asia and Oceania, Korea ranked 4th (3rd largest excluding transport hub Hong Kong) upgrading 3 notches up from 7th in 2011. When stripping out oil, Korea ranked 7th in 2012.

Chart27: UK's goods exports to Korea in 1996-2012 (£)



Source: HMRC

Chart28: Rank - UK's goods exports to World, by country in 2012 (million £)



Source: HMRC

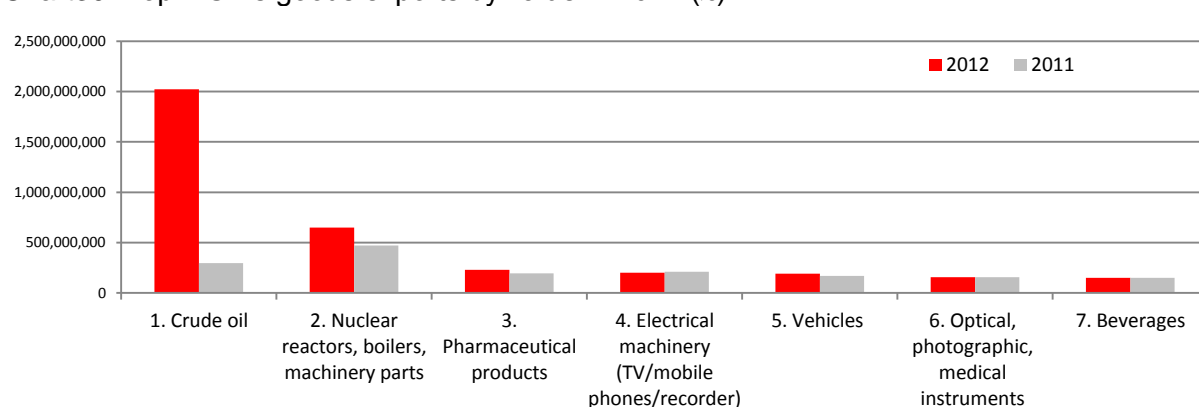
Chart29: Rank - UK's goods exports to Asia & Oceania, by country in 2012 (£)



Source: HMRC

- **Total UK goods exports to Korea increased 82% in 2012 from 2011 (14% in 2011).** When stripping out oil, the UK exports to Korea increased 15% in 2012 (1% in 2011). Crude oil contributed to 80% of the total increase in exports (59% in 2011), comprising 44% of the total UK's exports to Korea (11.8% in 2011).
- **The top 5 UK's exports to Korea (71% of total exports) performed well in 2012.** Except for crude oil, an increase in machinery³ exports was the largest in value among top 5 exports. Most UK's medium-term (5 yrs) strong exports performed well in 2012 except for electronics.

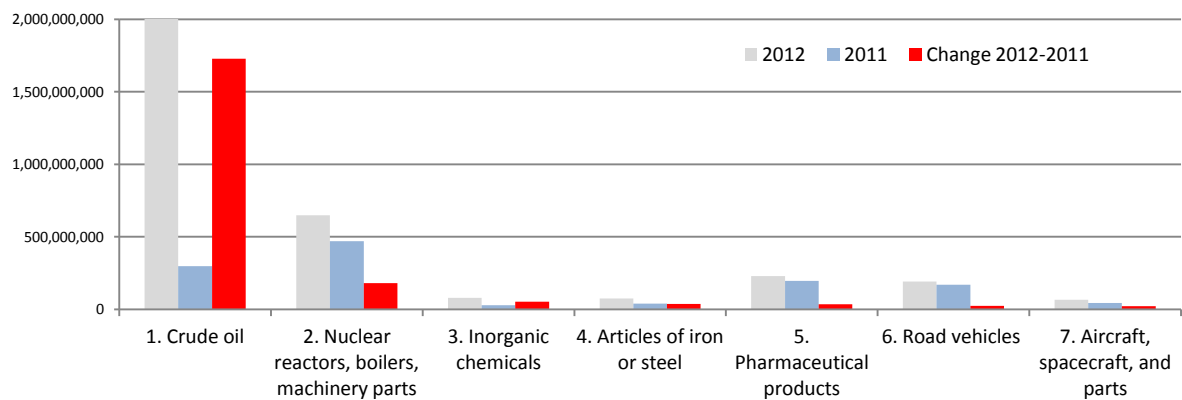
Chart30: Top 7 UK's goods exports by value in 2012 (£)



Source: HMRC

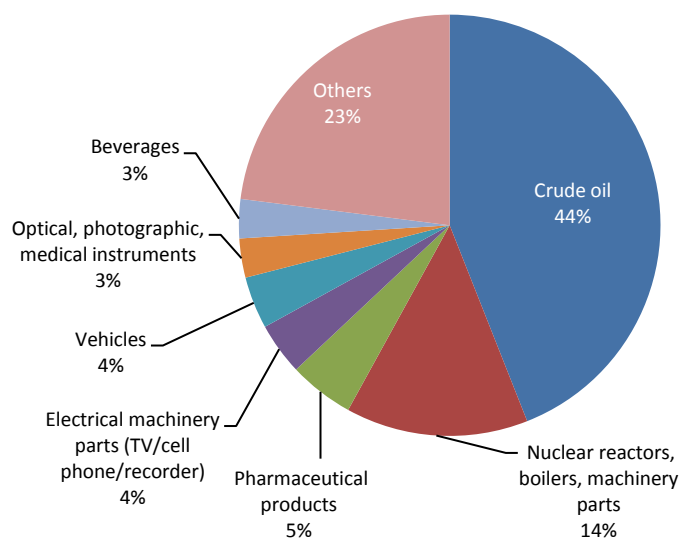
³ The largest exports of HS 84 were (i) automatic data-processing machines (ii) turbo-jets/propellers, gas turbines, and (iii) taps, valves and boilers. (HS 84: machinery parts, nuclear reactor, boilers, etc.)

Chart31: Top 7 UK's goods exports to Korea by value change in 2012 (£)



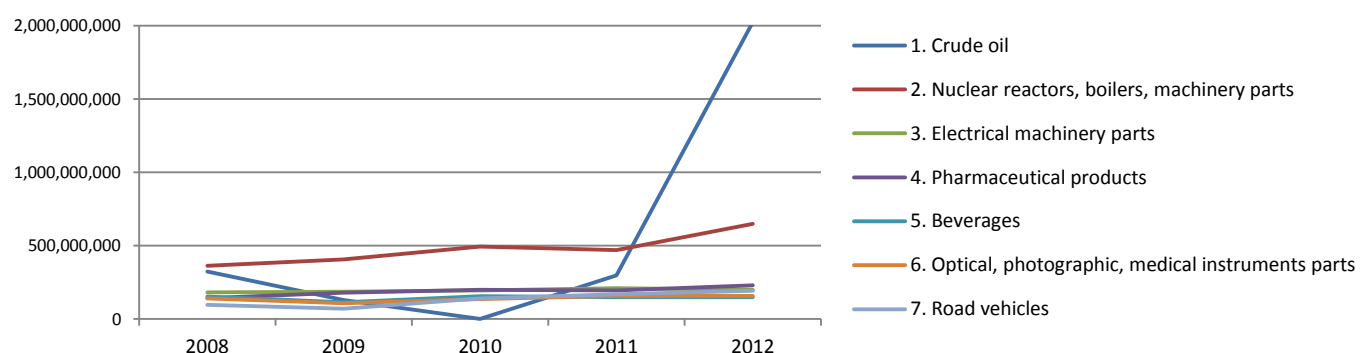
Source: HMRC

Chart 32: UK's goods exports by sectors in 2012 (share of total exports)



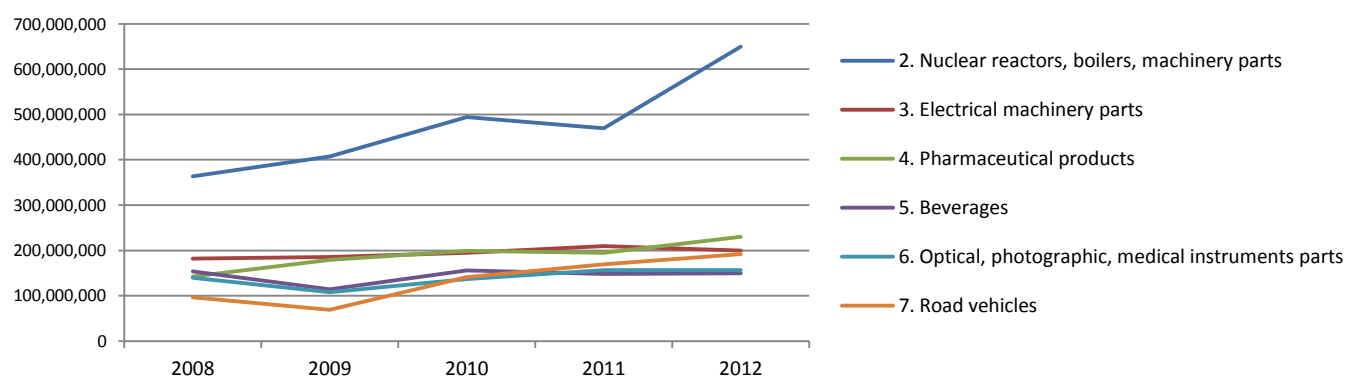
Source: HMRC

Chart33: The UK's medium term export performance (in order of total exports in '08-'12)



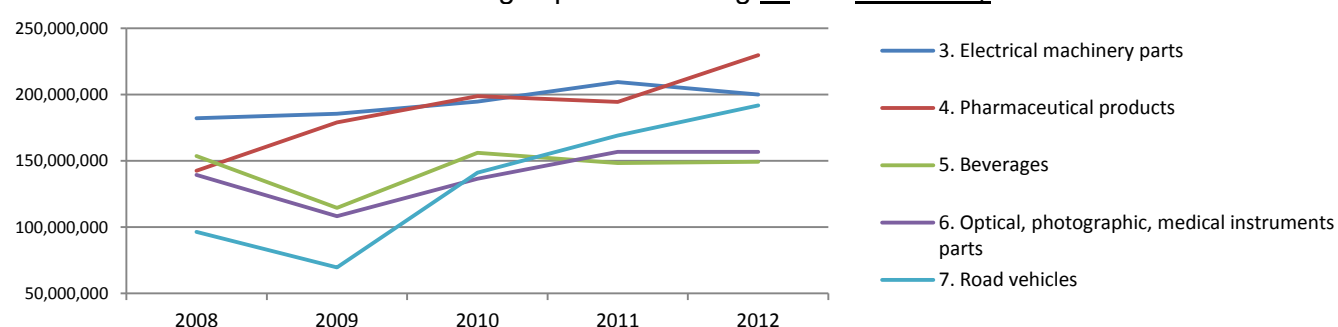
Source: HMRC

Chart34: The UK's medium term exports excluding oil



Source: HMRC

Chart35: The UK's medium term strong exports excluding oil and machinery



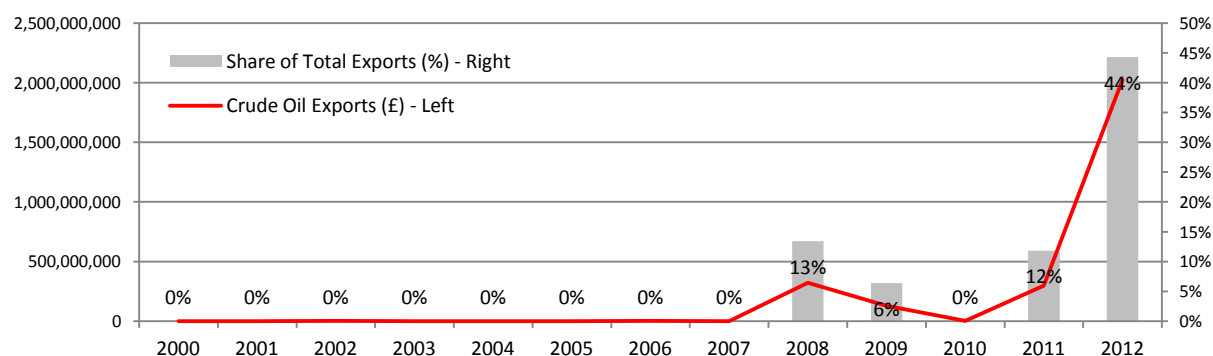
Source: HMRC

Chart36: Assessment on UK's medium term strong exports in 2012

	Change	2012 (£)	2011 (£)	Share of total exports in '08-'12	Share of total exports in '12
1. Crude oil	582%	2,024,383,119	296,748,980	20%	44%
2. Nuclear reactors, boilers, machinery parts	38%	649,391,516	469,713,704	17%	14%
3. Electrical machinery parts	-4%	199,948,618	209,336,818	7%	4%
4. Pharmaceutical products	18%	229,757,706	194,461,459	7%	5%
5. Beverages	1%	149,259,624	148,196,208	5%	3%
6. Optical, photographic, medical instruments parts	0%	156,785,707	156,658,465	5%	3%
7. Road vehicles	13%	191,720,458	169,064,856	5%	4%
Total				67%	79%

Source: HMRC

Chart37: UK's oil exports to Korea in 2000-2012



Source: HMRC

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