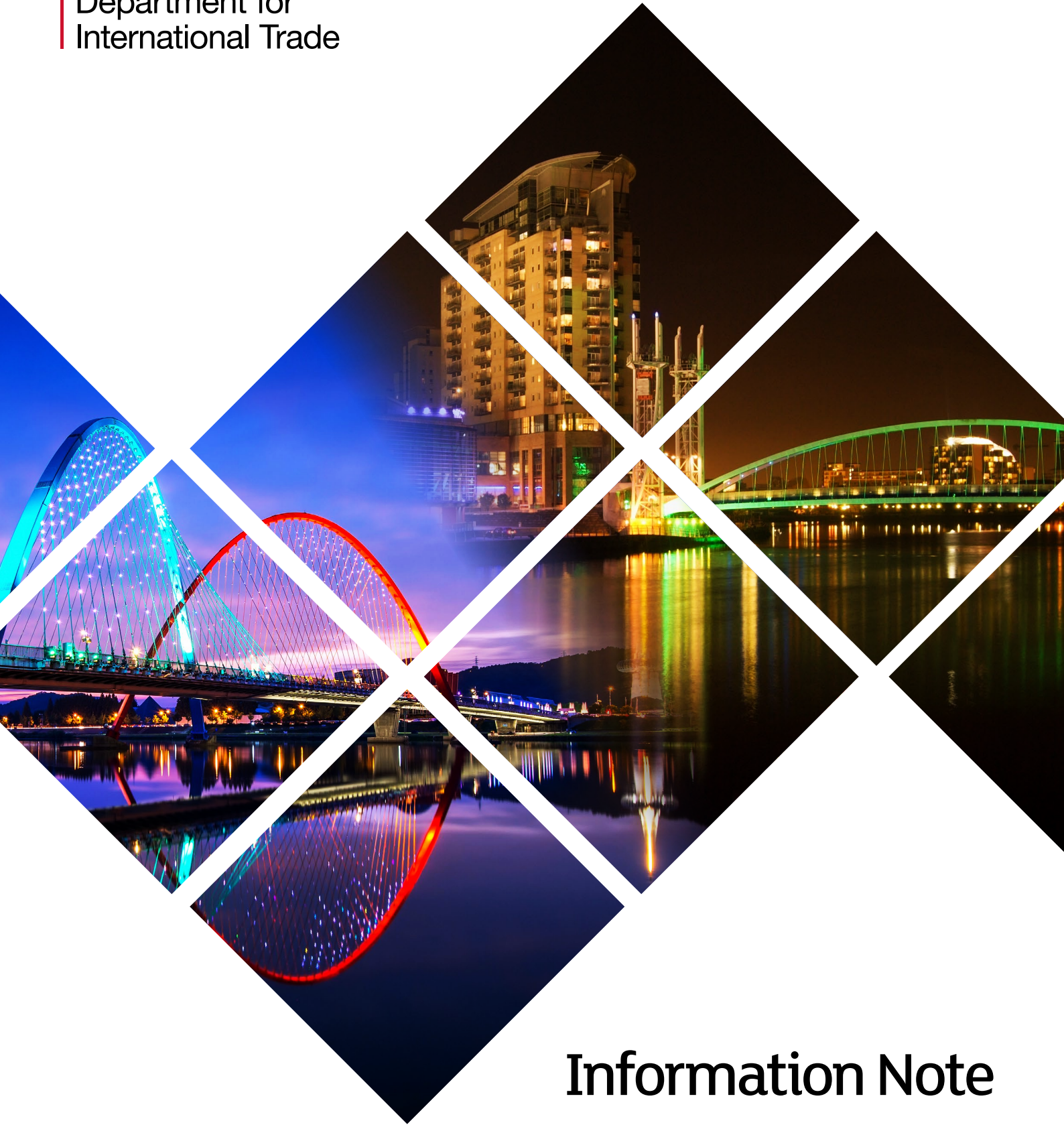




Department for
International Trade



Information Note

for the call for input on a
Free Trade Agreement
between the United Kingdom
and South Korea

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1-Introduction

Free Trade Agreements ('FTAs') facilitate UK businesses to export to foreign markets and enable producers and consumers to access a greater range of intermediate and final products at competitive prices. Greater trade liberalisation also has a positive economic impact by increasing innovation, productivity, and competition.

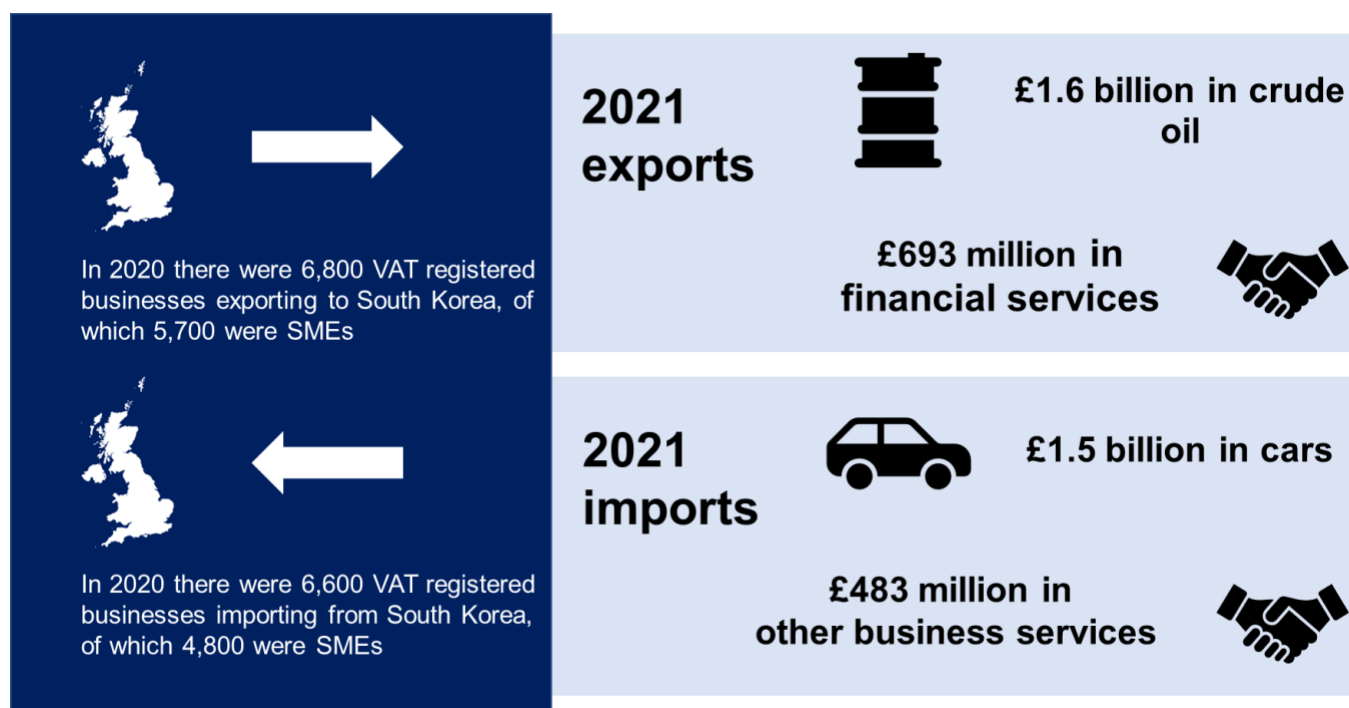
On 22 August 2019, the UK and the Republic of Korea ('South Korea' or 'Korea') signed the UK-South Korea Free Trade Agreement (the 'Agreement'). It entered into force on 1 January 2021. This replicated, as far as possible, the terms of the existing trade agreement between the European Union and South Korea.

The Agreement provides the basis for our trading relationship with South Korea and is a platform from which we can begin the process of negotiating a new and more ambitious trade deal.

We have agreed with South Korea that we will open negotiations to upgrade our trade arrangement. In advance of agreeing a UK mandate for these negotiations, DIT is seeking input from members of the public, businesses, and any other interested stakeholders to inform which aspects of current trading arrangements with South Korea we should look to improve or amend. The aim of this document is to provide:

- background information on current trade flows between the UK and South Korea to better understand the existing trading relationship;
- information to help guide stakeholders to identify priority areas of the current trading relationship, including the potential for further ambition or amendments.

Figure 1: Top goods and services imports and exports with Korea, and business trading with South Korea



2-Areas of interest for our call for input

This call for input provides stakeholders with the opportunity to express their views about an enhanced trade agreement with South Korea. We are particularly interested in views about:

- Which areas do you want the UK government to prioritise in trade talks with South Korea when negotiating an enhanced FTA?
- Are you facing challenges or constraints when attempting to trade or invest in South Korea, and if so, how significant is this on your business activity?
- How do you expect your business to respond if remaining restrictions were removed on trade or investment with South Korea?
- Is your business trading innovative goods and services with South Korea, and how can trade talks support increased innovation?

3-UK - South Korea economic, trade and investment relationship

3.1 Overview of economies

In 2021, South Korea had a gross domestic product (GDP) per capita of around \$46,900 on a purchasing power parity (PPP) basis. This is slightly less than the UK's GDP per capita of around \$49,700 over the same period.¹ In 2020, total trade (imports plus exports) was equal to just over half (55%) of GDP for the United Kingdom but was a higher (80%) share of South Korea's total GDP.² Both the UK and South Korea are services-based economies, with services accounting for a higher share of value added in the UK.³

Table 1: Headline economic indicators for South Korea and the UK, 2021

Economic Indicator	South Korea	UK
GDP, PPP (\$ billion)	\$2,428	\$3,344
GDP per capita, PPP	\$46,918	\$49,675
Trade (% GDP)	79.8%	55.2%
Population (million)	51.7	67.3
Agriculture, value added (% GDP)	1.8%	0.6%
Manufacturing, value added (% GDP)	25.4%	8.8%
Services, value added (% GDP)	57.3%	71.6%

Source: World Bank: World Development Indicators

3.2 Trade flows between the UK and South Korea

South Korea is the UK's 22nd largest trading partner, accounting for around 1.1% of total UK trade in 2021. Total trade in goods and services between the UK and South Korea was £14.3 billion over the same period.⁴

As seen in Table 2, UK exports to South Korea were £8.1 billion in 2021, accounting for 1.3% of all UK exports.⁵ UK imports from South Korea were £6.2 billion over the same period, accounting for 1% of all UK imports.

¹ In current \$ values.

² World Bank: World Development Indicators.

³ Value added as a percentage of GDP can be used as a measure of the relative contribution of a sector towards overall economic output in an economy. Organisation for Economic Co-operation and Development (OECD), 2021.

⁴ ONS, UK Total Trade: all countries, seasonally adjusted.

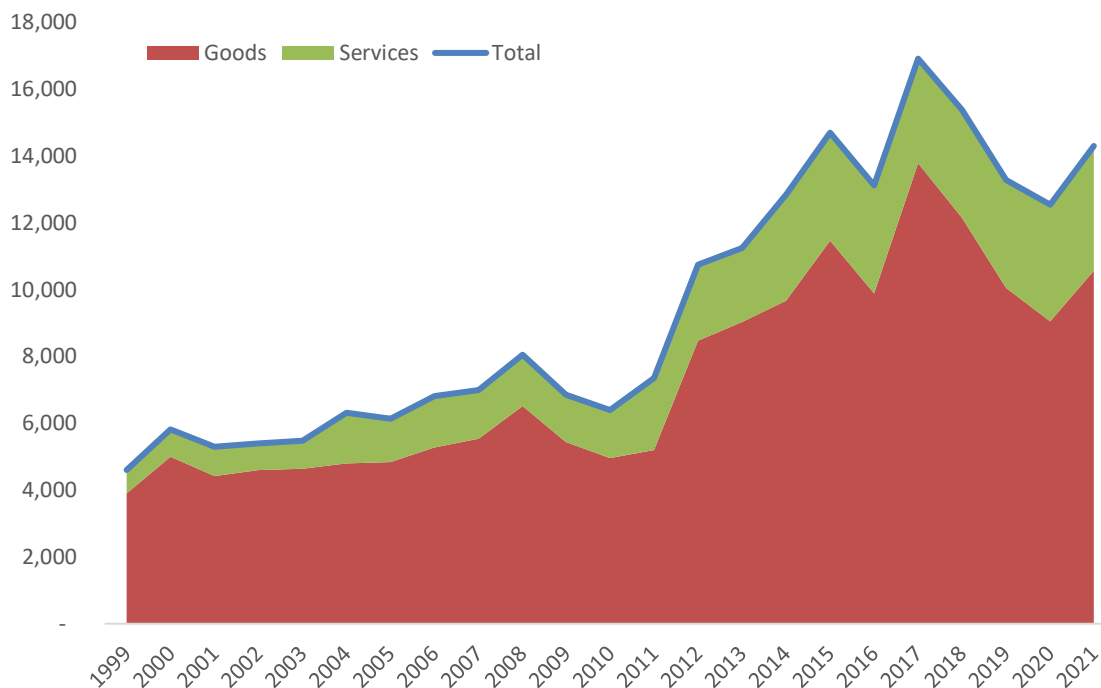
⁵ ONS, UK Total Trade: all countries, seasonally adjusted.

Table 2: Trade between the UK and South Korea, 2021 (£ million)

	Trade in goods	Trade in services	Total trade
Exports	5,603	2,513	8,116
Imports	4,969	1,216	6,185
Total	10,572	3,729	14,301

Source: ONS, UK total trade: all countries, seasonally adjusted

Figure 2 shows how UK trade with South Korea has evolved since 1999, broken down by goods and services. UK trade with South Korea increased 3-fold from 1999-2021. Most of the UK's trade with South Korea is in goods. Trade between the UK and South Korea increased steadily either side of the global financial crisis, growing at 6.4% p/a from 1999 to 2008, before accelerating to 7.6% p/a from 2010 to 2021. Services trade has become an increasing share of the UK's trade with South Korea.

Figure 2: UK trade with South Korea over time (£ billion)

Source: ONS, UK total trade: all countries, seasonally adjusted

The top UK goods exported to South Korea in 2021 were crude oil (1.6 billion), non-ferrous metals (£496 million) and clothing (£348 million). These categories represent around 44% of all UK goods exports to South Korea, with crude oil making up 29% of goods exports to South Korea.⁶ The top 5 goods products lines exported to South Korea are shown in figure 3.

⁶ ONS, country-by-commodity exports. The commodities are categorised based on SITC codes using level 2 codes.

The top goods imported from South Korea to the UK in 2021 were cars (£1.5 billion), telecoms and sound equipment (£430 million) and ships (£292 million).⁷ These categories represent around 44% of all UK goods imports from South Korea. The top 5 UK goods products lines imported from South Korea in 2021 are shown in figure 4.

Figure 3: Top 5 UK goods exports to South Korea, 2021 (Using SITC codes, £ million)

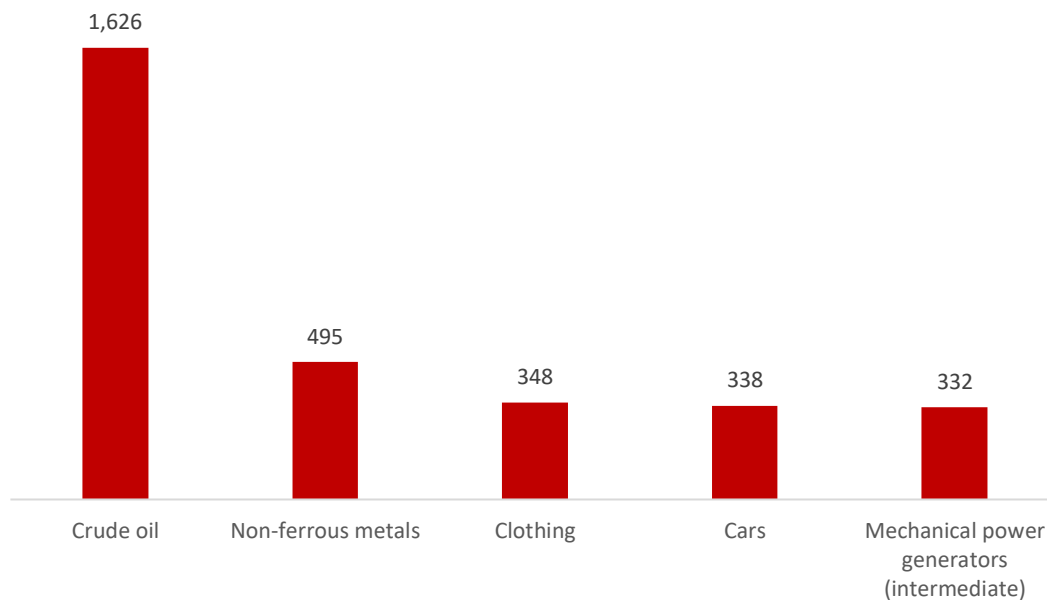
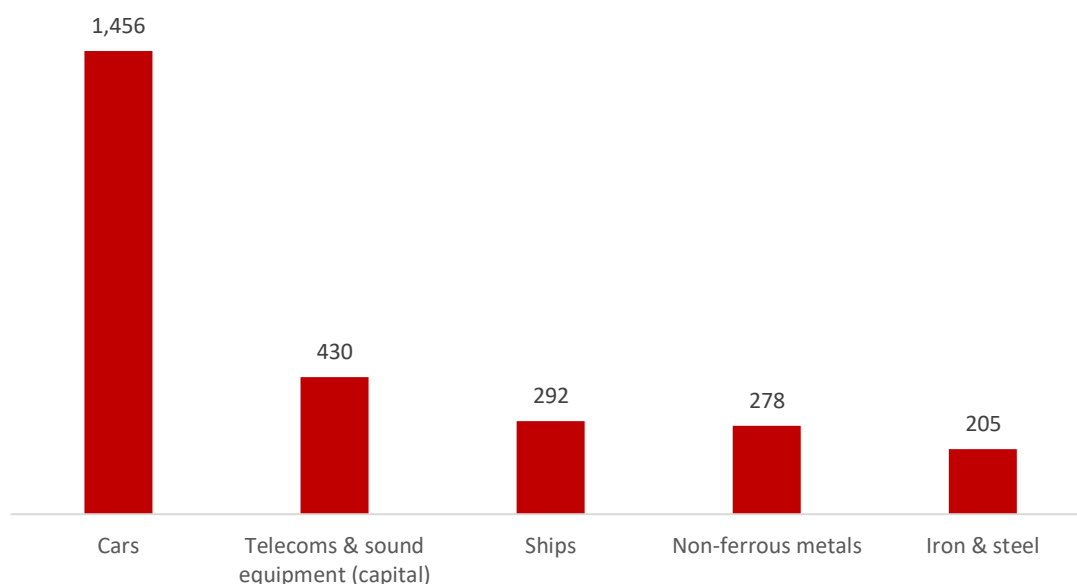


Figure 4: Top 5 UK goods imports from South Korea, 2021 (Using SITC codes, £ million)



Source: ONS, country-by-commodity imports and exports. The commodities are categorised based on SITC codes using level 2 codes.

Goods are exported to South Korea from all over the UK, and particularly so from London and Scotland, where 2.7% and 2.5% of all goods exported in 2021 were destined for South Korea

⁷ ONS, Country-by-commodity imports. The commodities are categorised based on SITC codes using level 2 codes.

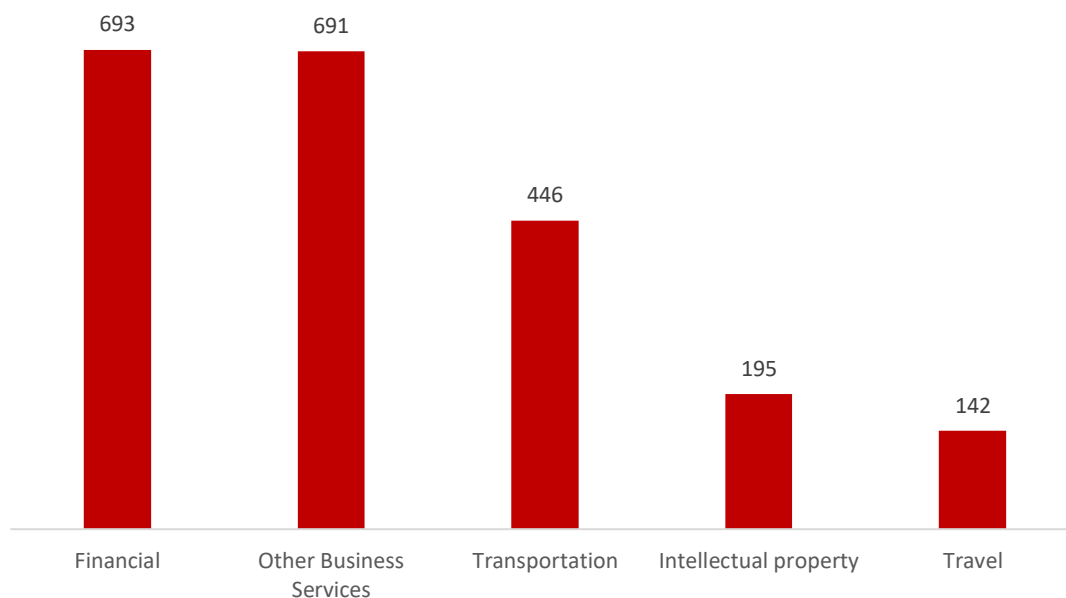
respectively (equivalent to £959 million and £684 million). This compares to the UK average of 1.5%. Businesses from the South East and Wales imported 2.2% and 1.3% of their goods, respectively, from South Korea – relative to an average of 1% for the entire UK.⁸

Small and Medium Sized Enterprises (SMEs) play a significant role in trade in goods between the UK and South Korea. Around 5,700 UK SMEs export to South Korea and 84% of UK businesses that export to South Korea are SMEs⁹. The value of UK SME goods exports to South Korea was £1.3bn in 2020, representing 33% of the total value of UK exports to South Korea.

Conversely, around 4,800 UK SMEs import goods from South Korea and 73% of UK businesses that import from South Korea are SMEs. The value of UK SME goods imports from South Korea was £2.2bn in 2020, or 58% of the total value of UK goods imports from South Korea.

Other business services, which includes accountancy, architectural and legal services, was the UK's largest category of services trade with South Korea, worth £691 million in exports and £483 million in imports in 2021.¹⁰ Financial services was the UK's second largest category of services trade, worth £693 million in exports and £331 million in imports. The top five UK services exported to and imported from South Korea in 2021 are shown in figures 5 and 6.

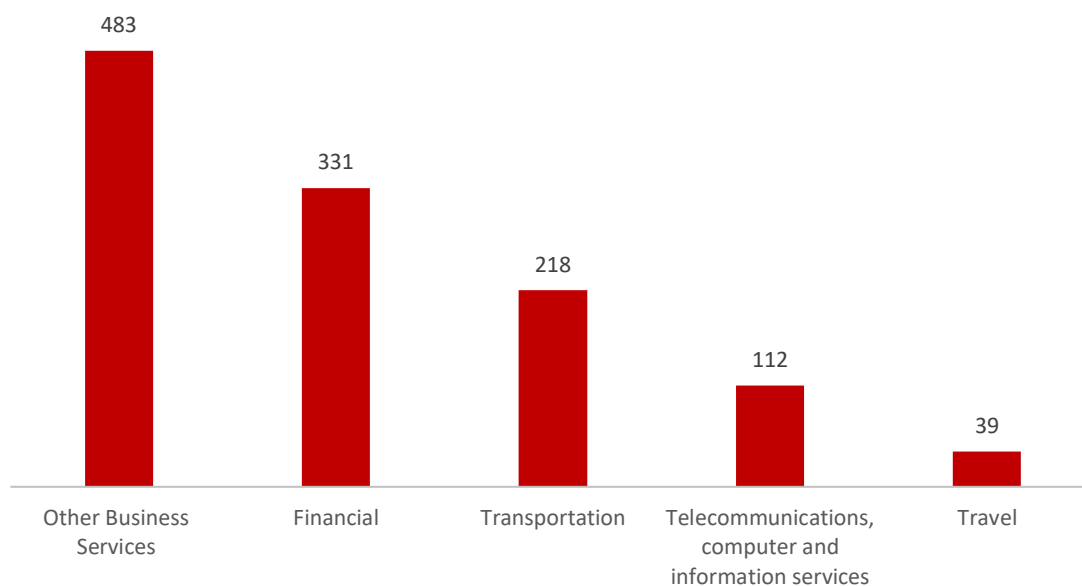
Figure 5: Top 5 UK services exports to South Korea, 2021 (£ million)



⁸ HMRC, Regional trade data tables. Available at: <https://www.uktradeinfo.com/trade-data/rts-custom-table/>

⁹ HMRC, UK trade in goods by business characteristics 2020. Available at: <https://www.gov.uk/government/statistical-data-sets/uk-trade-in-goods-by-business-characteristics-2020-data-tables>

¹⁰ ONS, UK trade in services: service type by partner country, non-seasonally adjusted.

Figure 6: Top 5 UK services imports from South Korea, 2021 (£ million)

Source: ONS, UK trade in services: service type by partner country, non-seasonally adjusted

Digitally delivered services account for a high share of UK trade with South Korea. In 2020 around 79% of UK services exports to South Korea were digitally delivered with this equivalent figure around 80% for service imports.¹¹

In 2020 the stock of Foreign Direct Investment (FDI) from the UK in South Korea was £4.6 billion. This was around 0.3% of the UK's total outward FDI stock.¹² Between December 2011 and December 2021, the clusters with the highest number of UK outward FDI projects in South Korea were “creative industries”, “retail trade” and “ICT & electronics”. Together, these clusters accounted for 39% of the 82 total UK outward FDI projects to South Korea.¹³ Over the same period, South Korea's inward FDI projects in the UK were concentrated in “ICT & electronics”, “financial services” and “environmental technology”. Together these clusters accounted for 42% of the total Korean inward FDI projects to the UK.¹⁴

The OECD FDI Restrictiveness Index highlights that in 2020 South Korea was more restrictive than the OECD average in seven sectors, including in electricity and transport. It is also more restrictive than the UK in six sectors, while the UK is only more restrictive in fisheries.¹⁵

On average in 2020, over 95% of Korean restrictions on FDI reflected equity restrictions, which limit the extent of foreign ownership permitted in companies.

¹¹ ONS, Trade in services by modes of supply, UK: 2020.

¹² ONS, Foreign direct investment involving UK companies: 2020.

¹³ FDI Markets.

¹⁴ FDI Markets.

¹⁵ OECD FDI Restrictiveness Index.

3.3 Basis of current trading relationship

Goods Market Access

Goods chapters in trade agreements set out the preferential treatments that are applied to the originating goods of each of the respective parties.

Under the current Agreement, over 99% of South Korea's tariff lines on imports from the UK are duty-free or staged to duty-free, covering about 99.9% of the value of Korean imports from the UK on average between 2017 and 2019. The remaining tariffs apply only to certain agricultural and natural goods, including animal and vegetable products.

Under Korea's Most Favoured Nation (MFN) tariff schedule 19.6% of tariff lines are already subject to a zero MFN tariff. The Agreement liberalises a further 9,770 tariff lines after all staging is completed, covering £4.1 billion in Korean imports from the UK. The remaining 60 lines are only partially liberalised or not liberalised at all under the existing agreement, however, based on average trade flows over the period, these lines only account for £1 million in annual South Korean imports from the UK.

Table 5: Breakdown of tariff lines in South Korea's MFN schedule and UK-Korea Trade Agreement schedule

Tariff line type	Number of lines (10-digit code, Korean nomenclature)	UK exports to Korea of under these tariff lines (2017-19 average, £m)
MFN zero	2,404	955
MFN non-zero but preferential rate zero after staging	9,770	4,098
Partial liberalisation under FTA (including TRQs)	1	0
Excluded under FTA	67	1

Under the UK's Most Favoured Nation (MFN) tariff schedule 44% of tariff lines are already subject to a zero MFN tariff. The Agreement liberalises a further 5,829 tariff lines covering £2.1 billion in UK imports from Korea. The remaining 40 lines are not liberalised at all under the existing agreement, however, based on average trade flows over the period, these lines only account for around £1 million in annual Korean imports from the UK.

Table 6: Breakdown of tariff lines in the UK's MFN schedule and UK-South Korea FTA schedule

Tariff line type	Number of lines (UK Global Tariff, 2021)	UK imports from Korea under these tariff lines (2017-19 average, £m)
MFN zero	4,616	1,999
MFN non-zero but preferential rate zero	5,829	2,111
Partial liberalisation under FTA (including TRQs)	0	0
Excluded under FTA	40	0

In comparison to trading at MFN rates, the Agreement is estimated to reduce annual duties by £274 million on Korean imports from the UK once all staging is completed in 2031, and £166 million on UK imports from South Korea. These figures assume that available preferences are fully utilised by exporters and importers.

The products where the largest annual duty reductions are estimated (assuming full utilisation of the FTA) on UK imports from South Korea are:

- Vehicles other than railway or tramway rolling (HS87) - £125 million
- Plastics (HS39) - £12 million
- Rubber (HS40) - £4 million

The products where the largest annual duty reductions are estimated on Korean imports from the UK are:

- Vehicles other than railway or tramway rolling (HS87)- £59 million
- Nuclear reactors, boilers, machinery and mechanical appliances (HS84) - £50 million
- Mineral fuels, mineral oils and products of their distillation (HS27) - £43 million

Utilisation of the agreement

The values provided above assume that utilisation of preferential tariffs is 100%, which is not true in practice. The average preference utilisation rate for UK exports to South Korea in 2019 was 76%.¹⁶ This means that 76% of UK exports that were eligible for preferential treatment were exported to South Korea under preferential terms, with the remainder exported under MFN terms. Utilisation rates have the potential to be increased in sectors such as chemical products and machinery and mechanical appliances, which make up a high share of UK exports to Korea and utilisation is lower than the average (at 55% and 57% respectively).

The average preference utilisation rate for UK imports from South Korea in 2019 was 92%. Utilisation could be increased in sectors such as machinery and mechanical appliances, which account for a significant share of UK imports from Korea but where utilisation is lower than average (81%).

Utilisation rates vary greatly across sectors and agreements, and are likely affected by agreement-specific factors such as rules of origin requirements for goods and the profile of businesses which export those goods.

¹⁶ European Commission, DG Trade calculations

Rules of Origin

In trade agreements, rules of origin (RoO) are used to determine the economic nationality of a good. In order to benefit from the preferential tariff rates under the Agreement, goods must “originate” in either the UK or South Korea. Goods must, for example, be “wholly obtained” or “sufficiently worked and processed”.¹⁷

To provide maximum continuity for business, the UK-South Korea Trade Agreement provides that until 1 January 2024 EU materials can be recognised (i.e. cumulated) in exports between the UK and South Korea. Furthermore, EU processing can be recognised (i.e. cumulated) in UK exports to South Korea. The UK–South Korea agreement commits both Parties to review this approach to cumulation within two years of entry into force of the agreement (by 1 January 2023).

Origin Quotas allow a volume of specific product lines to be exported under a more lenient rule of origin. The UK-South Korea agreement includes origin quotas for a range of goods.¹⁸

Customs and Trade Facilitation

Customs and Trade Facilitation provisions allow for the efficient transport of goods across national borders whilst seeking to minimise the financial, administrative and operational burden on traders. The Agreement aims, amongst other things, to simplify customs processes at the border, reduce clearance times for the release of goods and promote customs cooperation.

The Trade Facilitation Index (TFI) estimated by the OECD for the UK and South Korea, covers 11 indicators. Each indicator, such as automation of processes, required documents, fees and charges, is scored from 0 to 2, where 2 represents the best performance that can be achieved.

The best performing sections for trade facilitation for South Korea are governance and impartiality (2.00), advance rulings (2.00), involvement of the trade community (2.00), automation (2.00) and documents (2.00). The worst-performing sections being appeal procedures (1.31) and the streamlining of customs procedures including pre-arrival processing, post clearance audit and Authorised Economic Operator (AEO) programme (1.63).

Non-Tariff Measures

Technical barriers to trade (TBT) provisions in trade agreements cover aspects relating to technical regulations, standards, and conformity assessment (testing) for goods. They play an important role in reducing non-tariff barriers for businesses. The Agreement commits the Parties to ensure regulations, including on labelling, are not unnecessarily trade restrictive, and to exchange information to help make testing a product against each other’s rules easier. There are also commitments in the electronic goods and automotive annex to base regulations on international standards and to provide notification of measures in accordance with the TBT chapter.

Sanitary and Phytosanitary (SPS) provisions in trade agreements concern the application of food safety and animal and plant health regulations. The SPS chapter in the Agreement maintains the Parties’ right to take necessary measures to address risks to food safety, animal or plant life or health. Those measures must be transparent, science-based and should not be put in place to create unnecessary and unjustifiable SPS-related trade restrictions.

¹⁷ These and other rules are fully described here - <https://www.gov.uk/guidance/check-your-goods-meet-the-rules-of-origin>

¹⁸ Full details of the origin quotas can be found in the Parliamentary report which accompanies the UK–South Korea agreement - https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/830134/UK-South_Korea_trade_agreement.pdf

Services

Services chapters and corresponding annexes in trade agreements set out the treatment and the level of access to the domestic market granted to that trade partner's service suppliers and services. Commitments build upon the level of access and the treatment granted between all WTO members, whilst protecting governments' right to regulate their domestic markets.

The Agreement ensures that service suppliers are not subject to quantitative restrictions such as quotas, are not treated less favourably than domestic service suppliers, and are not treated less favourably than non-parties. The agreement also contains specific provisions on regulatory transparency.

The agreement provides legal certainty for professionals who temporarily enter the UK or South Korea to do business and provides a framework for the mutual recognition of professional qualifications. It also contains additional sector-specific facilitative provisions related to international maritime transport services and postal and courier services.

With regards to Financial Services, the Agreement allows financial institutions and investors in the UK and South Korea to benefit from fair, equal access to each other's markets in specific sectors like certain insurance and banking services.

The Agreement secures less market access for services than in the Korea-US FTA (KORUS). Negotiations offer the opportunity to improve the treatment and level of market access for UK and Korean businesses, building on our existing annual bilateral trade in services worth £3.6 billion in 2021.

E-commerce

The e-commerce provisions in the Agreement provide a foundation for cooperation on important digital trade issues but are limited compared to both countries' more recent trade agreement precedent. The digital economy is increasingly central to the global economy, representing as much as \$11 trillion or 15.5% of global GDP in 2019¹⁹. In 2020, the UK exported £243 billion of digitally-delivered services, or 82.1% of our total service exports²⁰, and so digital trade represents a potential area of opportunity in the upcoming FTA negotiation.

Investment

Investment provisions seek to improve market access for businesses by removing barriers to establishing a commercial presence abroad.

The Agreement does not contain an investment chapter. However, there is a provision to start reviewing the investment legal framework within 2 years of Entry into Force, in line with the wider review clause.

Government Procurement

Government procurement commitments in FTAs provide enforceable rules and standards for a transparent and non-discriminatory framework on government procurement. They also liberalise specific procurement markets between the parties to an individual FTA and provide enforceable market access commitments. The UK-Korea Trade Agreement incorporates all the existing obligations that the countries owe to each other by virtue of the UK's membership of the 1994 WTO Government Procurement Agreement (GPA), as well as offering additional market access in procurement by:

¹⁹ UNCTAD Digital Economy Report 2019

²⁰ ONS Exports of services by country, by modes of supply: 2020

- Build-operate-transfer (BOT) contracts. These contracts grant a private entity the ability to finance, build and operate a government owned works over a specified amount of time with the ability to profit from the project. After that period the project is returned to the public entity that originally granted the concession.
- South Korea is currently excluded from the UKs high-speed rail market in the GPA access schedule. Therefore, it was agreed via an exchange of letters that both sides would review their procurement offers in this area with a view to achieving a balanced market access. This commitment will be considered in these negotiations.

Intellectual Property

The Intellectual Property (IP) provisions in the Agreement incorporate standards relating to the protection and enforcement of IP rights, including on copyright, trade marks, geographical indications, designs, patents, and plant variety rights. The Agreement also requires that the Parties effectively and adequately implement international IP treaties both countries are party to, including the 1995 WTO TRIPS Agreement. The chapter further encourages cooperation between the Parties, and also establishes an IP Dialogue through which the Parties can address topics relevant to the protection and enforcement of IP rights covered by the Chapter.

Competition, State Owned Enterprises (SOEs) and Subsidies

Chapters or articles in free trade agreements relating to competition, SOEs and subsidies help to ensure open and fair competition exists for both parties. Key provisions seek to prevent the distortion of trade and investment through unfair practices or advantages, as well as improve transparency. These provisions seek to establish a regulatory environment to ensure a level playing field for businesses.

The Agreement's competition chapter includes provisions that require both Parties to maintain a fair and transparent competition environment and commits the Parties to take action against anti-competitive business practices. The chapter also requires that competition law is applied to public enterprises with special or exclusive rights such as the right to act as a distributor for the purchase or sale of a good. Further provisions ensure government subsidies are transparent and put a mechanism and apply additional prohibitions to better address certain types of trade distorting subsidies currently not addressed at the WTO.

Trade Remedies

Trade remedies provide a safety net for domestic industry against injury caused by dumped or subsidised goods or unexpected surges of imports. The Agreement includes measures to ensure transparency and proportionality in trade remedy investigations and also contains provisions enabling the parties to apply bilateral safeguard measures or agricultural safeguard measures to each other's imports when certain conditions are met. Additionally, the Agreement establishes a Working Group on Trade Remedy Cooperation as a forum for the exchange of information and discussions related to trade remedies.

Dispute Settlement

Dispute Settlement refers to the formal state-to-state mechanism for resolving disputes where one or more parties consider that there has been a breach of obligations under the relevant international trade agreement, and it has not been possible to resolve the dispute informally. The economic benefits of trade agreements can only be realised if they are faithfully implemented and complied with. A dispute settlement mechanism in an agreement signals the parties' intention to abide by the agreement, provides an effective mechanism for enforcing commitments, and for resolving any disputes that may arise in the future.

Chapter 14 of the Agreement sets out the formal procedure for the Parties to follow in the event of a dispute about the interpretation or application of the agreement.

Labour and Environment

The UK has long supported the promotion of our values globally. We want to ensure economic growth goes hand-in-hand with labour and environmental protections.

The Agreement includes a chapter on trade and sustainable development, which mandates the signatories to commit to cooperate on trade-related environmental and labour issues of common interest and confirms that trade should promote sustainable development in all its dimensions.

The Agreement also establishes a Committee on Trade and Sustainable Development to ensure that both sides meet their commitment that economic growth will support their mutual social and environmental goals. It also puts in place mechanisms to ensure that the Parties implement the provisions in practice, including by engaging civil society on the implementation of the trade and sustainable development chapter.

4-Workers and the environment

Just as FTAs present opportunities and challenges for businesses, they also generate opportunities and challenges for the workers of those businesses. They can also affect the dynamism of the labour market more widely.

Workers can benefit from FTAs through a variety of channels:

- Where FTAs boost productivity within firms and sectors, and across the economy more widely, this is likely to generate increases in the employment opportunities and real wages of workers;
- Where FTAs lower consumer prices, this is likely to benefit workers in the form of higher real wages, meaning that they can purchase more even at the same wage.

Trade liberalisation can also affect the structure of the economy over time. Workers may move between jobs and sectors, as changes in the pattern of trade lead to some sectors expanding and some sectors declining. The UK has one of the most dynamic and flexible labour markets in the world, which helps to facilitate adjustment and reduce transitional costs for workers.

Modern, dynamic economies are continually reshaping in line with global developments which drive a continual process of worker and job transition in the labour market. It is possible that lower barriers and greater import competition resulting from an FTA could accelerate this ongoing process.

Potential wider social impacts of an FTA

As described above, FTAs can affect employment prospects, wages and wider working conditions in specific sectors or for specific professions or skill levels. The characteristics of workers can sometimes differ across sectors, professions and skill levels. It is therefore possible that these changes could affect various social groups differently and influence the distribution of income. The regional location of workers in different sectors and professions may also vary. This means that different areas or regions within a country may be affected differently by an FTA.

Potential impacts of an FTA on the environment

The economic changes resulting from FTAs have the potential to affect some aspects of the environment including, for example, greenhouse gas emissions, air pollution, water quality and land use.

The indirect impacts on the environment may occur as enhanced trade induces the economy to grow (a 'scale' effect affecting pollution for example) and as economic activity shifts between sectors with different levels of emissions (a 'composition' effect). FTAs can also positively impact the environment as increased trade leads to the transfer of new, potentially more environmentally friendly, technologies and production methods (a 'technique' effect).

The impact of FTAs on the environment will depend upon the design of an agreement and the economies of the countries involved. The UK Government is committed to maintaining high standards of environmental protection in trade agreements. The Government will assess the potential environmental impacts in more detailed studies before and after negotiations take place with new partner countries.

5-Drafting a consultation response

As with all other FTAs, the Government is committed to negotiating an agreement which delivers benefits to stakeholders across the whole of the UK. The responses to this consultation will inform our policy making and negotiating positions for engaging with Korea, and so it is important to us that you respond and set out your priorities for the shape of a future enhanced FTA.

Prior to submitting your response, we encourage you to talk to a range of experts in your business/organisation to understand the fullest picture of current trading priorities. A PDF version of the full set of questions is available before you complete the online questionnaire.

When responding, we would advise you to think about what you would want to see in an FTA that is designed for the future. Tell us which areas you think provide the most opportunities, and where we can secure provisions to help you overcome any barriers you are currently experiencing whilst trading and investing with South Korea.

When responding to the consultation you may find some questions are more applicable to you/your business/organisation than others. Aim to answer these questions accurately, and in as much detail as possible. This may include suggestions on what you would like to see included in certain chapters, or examples of where other agreements have strong provisions that we could look to replicate. Where it is relevant, we welcome the inclusion of figures or data to illustrate the examples you give in your response. Remember that more detailed answers will help us to best understand your needs.

6-Conclusion

FTAs have the potential to deliver substantial economic benefits to signatories, including increased trade and investment. This is driven by reducing trade costs, reducing uncertainty in the rules of trade, creating a level playing field for businesses across partner countries and increasing productivity.

South Korea is an important Indo-Pacific partner for the United Kingdom and further deepening our bilateral trade and investment relationship through an enhanced FTA could generate benefits to both our economies.

This consultation will inform an evidence-based approach to decision-making and inform future assessments of the impacts of an enhanced FTA with South Korea. We are interested in better understanding your views on areas such as key opportunities to explore as well as current challenges to trade and investment in South Korea.

The United Kingdom Government has committed to publishing scoping assessments before entering into negotiations with partner countries for new FTAs, and to publishing an impact assessment prior to implementation.

7-Glossary

Anti-dumping duty - Under WTO rules, countries can counteract the practice of ‘dumping’ by imposing additional duties on imported goods found to be ‘dumped’ and causing injury to domestic producers.

Bilateral agreement - An agreement negotiated between two sides.

Countervailing Measure (CVM) - Additional duties that WTO rules authorise countries to impose on imported goods to offset state subsidies received in the country of export after having conducted a domestic investigation and establishing that the subsidised imports are causing injury to the domestic industry.

Customs authority - A government body that administers laws and regulations relating to goods crossing a border, particularly import, export, movement and storage of goods.

This can be by:

- 1) Collecting duties and taxes.
- 2) Controlling import & export of restricted goods, e.g. animals, and weapons.

In the United Kingdom, Customs functions are undertaken by HM Revenue & Customs and Border Force.

Customs duty - A charge imposed by a country on the import or export of goods.

Customs procedures - Processes and procedures applied by customs authorities to control the export, import and transit of goods. Their improvement and simplification may lower costs and facilitate trade.

Dumping - Dumping occurs when goods are exported at a price less than their ‘normal value’, generally meaning they are exported for less than they are sold in the domestic market or are sold in export markets below the cost of production. WTO rules authorise action to counteract the practice of dumping when dumped imports are shown to cause injury to domestic producers.

Foreign Direct Investment (FDI) - Investment by an entity in a foreign operation, or establishment of a new operation in another country.

Free Trade Agreement (FTA) - A treaty among two or more countries to form a free trade area. This means having zero tariffs (or reduced tariffs) and reducing other regulatory restrictions on trade in substantially all goods and/or services.

Gross Domestic Product (GDP) - Gross domestic product (GDP) is the standard measure of the value added created through the production of goods and services in a country during a certain period.

Intellectual Property (IP) - Creations of the mind, such as inventions, literary and artistic works, designs, and symbols, names and images used in commerce. These creations are protected by law by a variety of intellectual property rights such as patents, copyright, trade marks, design rights and geographical indications.

Market access - Conditions set by governments to control which goods or services can or cannot enter their domestic market.

Most Favoured Nation (MFN) - A non-discrimination principle enshrined in many WTO rules that prohibits a WTO member from treating some WTO members more favourably than others. The MFN

obligation requires each WTO member, in its trade with all other WTO members, to give the best (“most-favoured”) treatment that it accords in trade with any other WTO member. If, for example, a country lowers tariffs on goods from Indonesia, it must also do so on similar goods from Argentina. Exceptions to the MFN principle exist under WTO law, such as in the form of Customs Unions, Free Trade Agreements, Generalized System of Preferences and certain trade remedies.

FTAs often contain their own MFN commitments between the treaty partners.

National Treatment - A non-discrimination principle enshrined in many WTO rules that prohibits a WTO member from treating imported goods or foreign services and services suppliers less favourably than domestic goods or services and services suppliers in its domestic market. The national treatment obligation helps ensure imported goods and services are not unfairly disadvantaged compared with their domestic counterparts. Such obligations may also be included in FTAs between the country parties.

Non-Tariff Barriers (NTBs) or Non-Tariff Measures (NTMs) - Any policy that restricts exports or imports other than a simple tariff.

Quantitative Restrictions (QRs) - Specific limits on the quantity or value of goods that can be imported (or exported) during a specific time period.

Regional Trade Agreement (RTA) - In the WTO, these refer to reciprocal trade agreements between two or more partners to liberalise tariffs and services. They include free trade areas and customs unions and economic integration agreements on services.

Rules of Origin (RoO) - Rules used to determine where goods are “from”, for example, where they have been produced or had substantial work done to them. This is used in determining appropriate tariff rates, access to preferential trade arrangements or application of trade sanctions.

Safeguard Measures - Actions taken to protect a specific industry from an unexpected build-up of imports. They are generally governed by Article 19 of GATT and the Agreement on Safeguards.

Sanitary and Phytosanitary Measures (SPS) - Measures to ensure that food is safe for consumers, and to prevent the spread of pests or diseases among animals and plants.

Services Trade Restrictiveness Index (STRI) - STRIs are composite indices taking values between zero and one, zero representing an open market and one a market completely closed to foreign services providers.

Small- and Medium-sized Enterprises - In the United Kingdom this covers businesses with fewer than 250 employees.

Supply chain - The sequence of processes involved in the production and distribution of a good.

Tariff Rate Quota (TRQ) - The application of a higher tariff or tax on certain goods once an agreed quota (amount) of imports is reached.

Tariffs - Refers to customs duties on imports of goods, levied either as a percentage of value or on the basis of a formula (e.g. 10 per cent or £7 per 100 kg).

Technical Barriers to Trade (TBT) - These are regulations, standards, testing and certification procedures applied to imports and exports which could obstruct trade. The WTO’s TBT Agreement aims to ensure that these do not create unnecessary obstacles to trade.

Trade liberalisation - The removal or reduction of restrictions or barriers to trade.

Trade remedies - Measures which allow WTO members to operate a safety net and protect domestic industry from injury caused by unfair trading practices or from injury caused by surges in imports. They are taken in response to subsidies, dumping and import surges. These usually take the form of additional duties on those imports.

WTO - The World Trade Organization.

The Department for International Trade (DIT) helps businesses export, drives inward and outward investment, negotiates market access and trade deals, and champions free trade.

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