



EU – Korea FTA: 100 Opportunities for UK Companies in or with Korea

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1. The EU-Korea FTA
2. The Assignment
3. The Report
4. The Way Forward



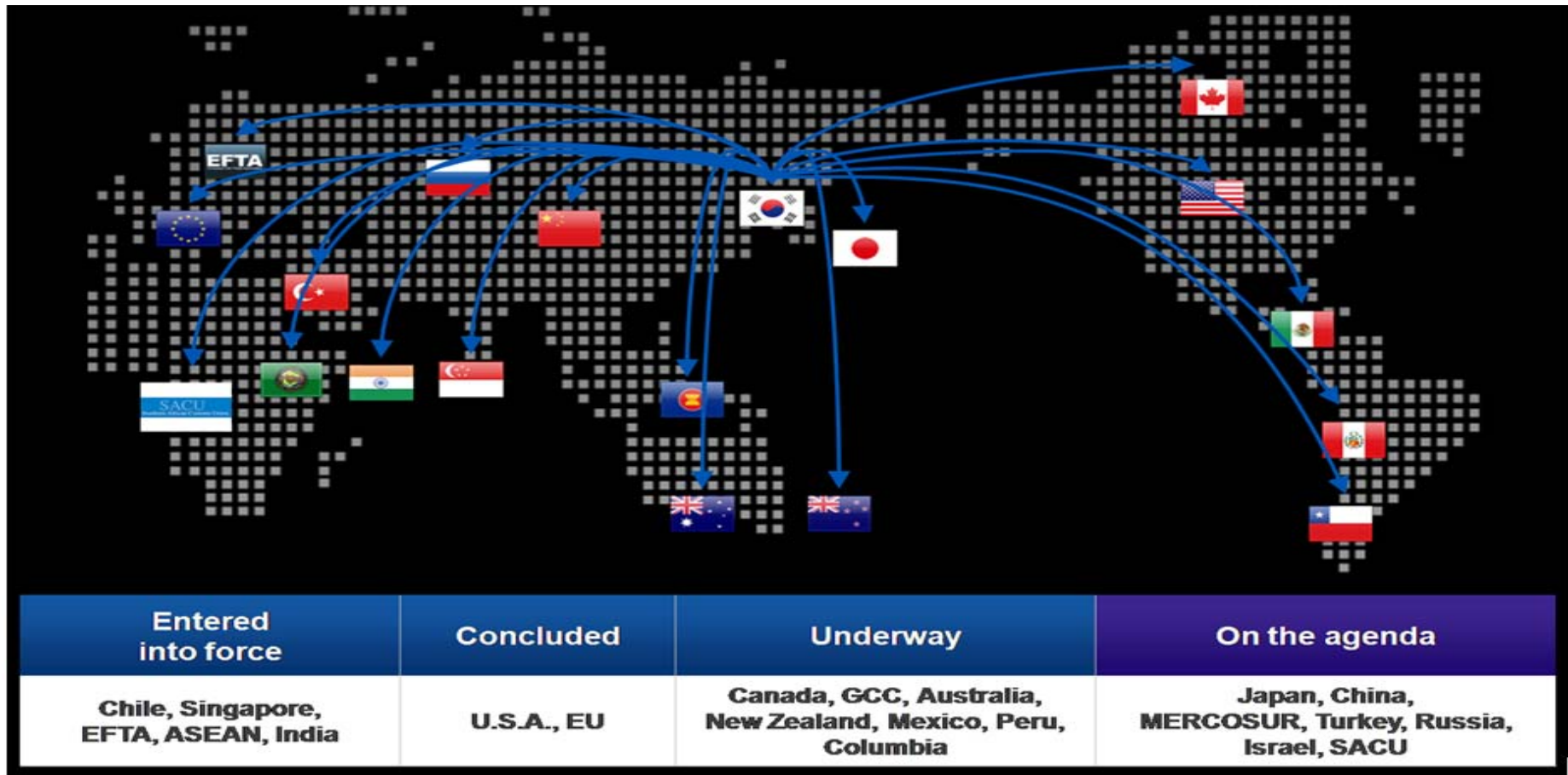
The EU-Korea FTA

Tariff Reductions

- This FTA is the most ambitious level of duty elimination ever achieved by the EU on a bilateral FTA
- This FTA will fully eliminate duties on 97% of trade in all goods over a 5-year time frame (accounting for 70% of the trade between the EU and Korea)
- This FTA will eliminate £405 million worth of Korean import duties annually for EU exporters
- This FTA is expected to provide up to £17 Billion in new trade in goods and services for EU exporters

Non-Tariff Barriers Addressed

- Accepts International standards
- Increases Intellectual Property Protection
- Offers efficient & effective dispute resolution mechanisms
- Increases transparency & predictability
- Protects Geographical Indications



Source: Invest Korea

Proactive Defense

- Competition: Korea is expanding its network of FTAs. The timing allows European firms to benefit.
- Korea-US FTA (KORUS): EU exporters are concerned about a loss of their competitive position in Korea due to KORUS. If EU – Korea FTA precedes KORUS, EU likely to have the first mover advantage.

Indirect Benefits

- **Build Awareness:** The FTA will create awareness of Korea in the minds of EU (and UK) businesses and cultivate positive perceptions of the UK by Korean consumers.
- **Joint Collaboration:** The FTA encourages R&D initiatives and cultural cooperation.

UK – Specific Benefits

- Exchange rates: The relative weakness of the GB Pound against the Euro will offer the UK an advantage over the Euro zone at the critical initial stages of the FTA.
- Language: English is the international language of business.
- Image: The UK has a relatively positive image among Koreans.



The Assignment

**Identify *specific* opportunities for UK companies
likely to emerge from the FTA,
focusing on SMEs and new to market companies.**

Convert *concept* into *actions*:

- SMEs need to understand the opportunities that are created by this complicated legal document
- SMEs need to understand HOW to take advantage of these opportunities

Put Korea on the Radar:

- Convenient location between Japan and China
- 50 million people
- GDP of £610 billion
- 13th / 14th largest economy
- Access Sophisticated, Affluent Korean Consumers
- Take Advantage of Disciplined, Well-Educated Korean Workforce

- Reviewed 100's of secondary sources reviewed (FTA and FTA commentary).
- Identified actual CHANGES resulting from the FTA
- Interviewed nearly 100 individuals in UK, EU and Korea
 - Government officials
 - Trade association personnel
 - Businesspeople
- Elicited suggestions leading to this report on

100 Opportunities for UK Companies in Korea



The Report

Advanced Engineering
Chemicals
Creative Industries
Defense
Education & Skills
Energy
Financial & Other Business Services
Food & Drink
ICT
Infrastructure
Life Sciences
Marine

UK	+	Korea	=	Abundance of Opportunities	Research Focus
UK Strength	+	Korea Strength	=	Many Strong Opportunities	<ul style="list-style-type: none"> • ICT • Life Sciences • Advanced Engineering • Education • Creative Industries & Design • Travel & Transportation
UK Strength	+	Korea Weakness	=	Opportunities	<ul style="list-style-type: none"> • Financial Services • Other Business Services • Whisky • Processed Foods
UK Weakness	+	Korea Strength	=	Opportunities	<ul style="list-style-type: none"> • Online Gaming
UK Weakness	+	Korea Weakness	=	LIMITED OPPORTUNITIES	

INDUSTRY OVERVIEWS

Identifies the industry in which opportunities fall & Contact Point at UKTI											
INDUSTRY OVERVIEW											
INDUSTRY SECTOR	<table border="1"> <tr> <td style="background-color: #ffccff;">Background Information</td> <td> <ul style="list-style-type: none"> • Overview of the industry • Size • Trends • Key factors likely to influence the impact of the FTA </td> </tr> <tr> <td style="background-color: #ffccff;">Challenges & Key Barriers To Trade</td> <td> <ul style="list-style-type: none"> • Current (pre FTA) challenges that hamper UK companies from participating in the industry. • The challenges may or may not disappear once the FTA goes into effect. </td> </tr> <tr> <td style="background-color: #ffccff;">Changes from the FTA</td> <td> <ul style="list-style-type: none"> • Changes outlined in the EU-Korea FTA using the General Agreement on Tariffs and Trade (GATT) and General Agreement on Trade in Services (GATS) commitments as the baseline. </td> </tr> <tr> <td style="background-color: #ffccff;">FTA Reference</td> <td> <ul style="list-style-type: none"> • References to specific chapters and annexes where more information on the industry can be found in the actual EU-Korea FTA text </td> </tr> <tr> <td style="background-color: #ffccff;">Supplemental Resources</td> <td> <ul style="list-style-type: none"> • Sources of information on the industry which would be helpful to companies that wish to consider capitalizing on the opportunities in this industry. </td> </tr> </table>	Background Information	<ul style="list-style-type: none"> • Overview of the industry • Size • Trends • Key factors likely to influence the impact of the FTA 	Challenges & Key Barriers To Trade	<ul style="list-style-type: none"> • Current (pre FTA) challenges that hamper UK companies from participating in the industry. • The challenges may or may not disappear once the FTA goes into effect. 	Changes from the FTA	<ul style="list-style-type: none"> • Changes outlined in the EU-Korea FTA using the General Agreement on Tariffs and Trade (GATT) and General Agreement on Trade in Services (GATS) commitments as the baseline. 	FTA Reference	<ul style="list-style-type: none"> • References to specific chapters and annexes where more information on the industry can be found in the actual EU-Korea FTA text 	Supplemental Resources	<ul style="list-style-type: none"> • Sources of information on the industry which would be helpful to companies that wish to consider capitalizing on the opportunities in this industry.
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BANKING & FINANCIAL UKTI Contact; Jiwon Hahn (email: jiwon.hahn@fco.gov.uk)	
INDUSTRY OVERVIEW	
Background Information	<ul style="list-style-type: none"> •UK exports to South Korea (2007) = £281 million •South Korea’s exports of financial services to the UK are growing, so an FTA could create opportunities for South Korean providers, however, this statistic may be misleading. The growth of financial service exports to the UK could be the result of foreign owned banks selling services back to their parent.
Challenges & Key Barriers to Trade	<ul style="list-style-type: none"> •Restricted cross-border supply of financial services and barriers between banking, securities and insurance. •Regulations/licensing unevenly applied and with additional supervision of foreign firms. •Provisions on small cap funds and direct selling. •Foreign branches are “recommended” to allocate 25% of loans to SMEs. •Minimum operating funds of 3 billion KRW (approx. £1.5 million) maintained in South Korea and capitalise each branch. •Foreign exchange limits on foreign branches (20% of capital). •Limits on foreign ownership of South Korean financial information companies •Limits on some forms of lending

Changes from the FTA

- South Korea committed to ensure regulatory reforms in the financial services sector, such as:
 1. Relaxing rules on foreign currency reserves
 2. Bancassurance reform
 3. More regularized and transparent regulatory procedures
 4. Adoption of a negative list approach to financial sector regulation
 5. Cross border integration of data processing, and
 6. Levelling the playing field between private insurers and South Korea Post and cooperatives selling insurance services.
- South Korea will be bound to honour activities in the financial sector that have in practice already been open.
- Financial services that have been unilaterally opened cannot face restrictions in the future as South Korea is now bound by the FTA.
- Should a financial services company face legal restrictions, they can appeal to the EC to intercede with the South Korean government to honour the market opening provisions.
- UK financial service suppliers will have full rights to:
 1. Establish or acquire financial service suppliers in South Korea to supply a complete range of financial services;
 2. Establish branches of UK banks, insurance companies, and asset managers; and
 3. Have rights to supply cross-border a specified list of financial services, including:
 - Portfolio management services for investment funds in South Korea.
 - Offshore advisory and auxiliary services (credit rating, credit reference & investigation, fund administration, indirect investment vehicle appraisal, bond appraisal for securities issued in South Korea)
 - Transfer of financial data processing software of financial services permitted within 2 years.
- Still Restricted:
 1. Interbank brokerage
 2. Securities market limited to South Korea Exchange
 3. Futures, options and forward contracts must be through licensed futures company.
 4. Depository and transfer of securities limited to Korea Securities Depository

FTA Reference	<ul style="list-style-type: none"> •Annex 7-A (List of Commitments) •Annex 7-D (Annex on the Additional Commitment on Financial Services)
Supplemental Resources	<ul style="list-style-type: none"> •Financial News (http://www.fnnews.com/) •Financial Service Commission (http://www.fsc.go.kr/) •Financial Supervisory Service (http://www.fss.or.kr/) •General Insurance Association of Korea (http://www.knia.or.kr/) •Korea Federation of Banks (http://www.kfb.or.kr/) •Korea Financial Investment Association (http://www.kofia.or.kr/) •Korea Investors Service (http://www.kisrating.com) •Korea Ratings (http://www.Korearatings.com) •Maeil Business Newspaper (http://www.mk.co.kr/) •Ministry of Strategy and Finance (http://www.mosf.go.kr/) •National Information & Credit Evaluation (http://www.nice.co.kr/) •Seoul Credit Rating & Information Inc. (http://www.sci.co.kr/) •The Credit Finance Association (http://www.crefia.or.kr/) •The Korea Economic Daily (http://www.hankyung.com/)

POWER UKTI Contact; Youngran Lee (email: youngran.lee@fco.gov.uk)	
INDUSTRY OVERVIEW	
Background Information	<ul style="list-style-type: none"> •South Korea’s renewable energy usage rate stands very low at 2.2 percent of the energy requirements, which ranks 25th among the 30 OECD countries. •In 2008, South Korea announced the new “Low Carbon, Green Growth” plan. •According to the plan, South Korea will increase its energy efficiency level substantially 47% by 2030 compared with 2006 levels. •The government will increase the portion of electric power generated by nuclear to 41% from the current 26%. •South Korea plans to substantially increase the use of renewable energy sources in its energy mix to 11% from the current 2.4%. •South Korea hopes to achieve energy independence in 2050.
Challenges & Key Barriers to Trade	<ul style="list-style-type: none"> •UK technology is not yet proven on a large scale and South Koreans are uncomfortable with unproven technologies. •Thermal systems are not well known in South Korea. There could be market resistance. •The UK is not perceived as strong in solar. •Competition over ownership of technology is possible. •South Korean companies are sceptical of university capabilities. •The UK does not have a major nuclear player.
Changes from the FTA	<ul style="list-style-type: none"> •South Korea has committed to meeting environmental targets and is encouraging commercial cooperation to achieve it

POWER UKTI Contact; Youngran Lee (email: youngran.lee@fco.gov.uk)	
INDUSTRY OVERVIEW	
FTA Reference	<ul style="list-style-type: none"> •Annex 7-A (List of Commitments) •Annex 7-A-4 (South Korea – Commitments) •Chapter 9 (Government Procurement) •Annex 9 (BOT Contracts / Public Works Concessions) •Chapter 10 (Intellectual Property Rights) •Annex 13-D (Cooperation on Trade and Sustainable Development) •Understanding on regulations relating to zoning, urban planning and environmental protection
Supplemental Resources	<ul style="list-style-type: none"> •Korea Green Business/IT Association (http://www.greenbiz.or.kr) •Korea New & Renewable Energy Association (http://www.knrea.or.kr/main.asp) •Korea Energy Management Corporation (http://www.kemco.or.kr/) •Ministry of Environment (http://www.me.go.kr/) •New & renewable Energy Centre (http://www.energy.or.kr/) •The Eco Journal (http://www.ecojournal.co.kr/) •The Environment Time (http://www.env-news.co.kr/)

TRADE OPPORTUNITIES

#. Title of the specific TRADE opportunity				
Key Words & Industry Classification(s)	<ul style="list-style-type: none"> Key search words to help summarise the opportunity and navigate through the report 		Investment Mode	Suggested way UK company can capitalise on the opportunity: <ul style="list-style-type: none"> Trade, Investment, Off shore supply
Overview of Opportunity	Description of the opportunity			
Item	Change (Tariff)		Timing	HS Code
	Now	Later		
Name of the item	Tariff prior to implementation of the FTA	Tariff in effect after FTA is implemented	When the change comes into effect. Can range from immediately to 2, 3, 5, 7 or more years from implementation.	HS code for the item

SERVICE OPPORTUNITIES

#. Title of the SERVICE opportunity			
Key Words & Industry Classification(s)	•Key search words to help summarize the opportunity and navigate through the report	Investment Mode	Suggested way UK company can capitalise on the opportunity: •Investment •R&D •Provision of service
Change	•Description of the change introduced by the FTA	Timing	•When the change takes effect
Overview of Opportunity	•Description of the opportunity		

32. UK **Financial Advisory Services** in Korea

61. UK **Cross-Border Satellite Broadcasting** into South Korea

12. UK **Silicon** Exports to Korea

58. Joint Development of **Online Gaming** Projects in Korea

78. **Environmental Consulting** in Korea

49. UK **Cheese** Exports to Korea

96. UK **Medical Devices Exports** to South Korea

1. UK **Niche / Boutique Car Exports** to Korea

90. Development of **Oncology and Urology treatments**

66. UK **Lighting Equipment** Exports to Korea

HYPERLINKED TABLE OF CONTENTS

Financial and other Professional Services	Accounting	28. UK Accounting Services in South Korea
		29. UK Training Services for Accounting in South Korea
	Banking & Financial	30. UK Real Estate Services in South Korea
		31. UK Financial Advisory Services in South Korea
		32. UK Rating Companies in South Korea
		33. Manage Assets in South Korea from Overseas
		34. UK Companies can Outsource Management of South Korean Funds to Local (South Korean) Firms
	Insurance	35. UK Supplemental Medical Insurance for Individuals in South Korea
		36. UK Reinsurance Services in South Korea
		37. UK Life Insurance Services in South Korea
		38. Diversified Annuity Products from the UK in South Korea
		39. UK Hedge Funds Permitted in South Korea
	Legal	40. UK Attorneys Permitted to Advise in South Korea
41. UK Barristers Permitted to Advise in South Korea		
42. Legal Representation by UK Firms on International Issues in South Korea		
43. Representation by UK Law Firms in International Arbitration in South Korea		
44. UK Law Firms Offer Domestic (and International) Legal Services through Joint Ventures		
Food and Drink	Agricultural & Food Products	45. UK Exports of Agricultural & Food Items to South Korea to beat KORUS
		46. UK Fruit Exports to South Korea
		47. UK Fisheries Exports to South Korea
		48. UK Cheese Exports to South Korea
		49. UK Processed Foods Exports to South Korea
	Drinks	50. UK Tobacco Exports to South Korea
		51. UK Tea Exports to South Korea
		52. UK Coffee Exports to South Korea
		53. UK Scotch Whisky Exports to South Korea
		54. UK Single Malt Whisky Exports to South Korea
ICT	Software & ICT	55. UK Wine Exports to South Korea
		56. UK Beer Exports to South Korea
		57. Joint Development of Gaming Projects in South Korea
		58. South Korean Skill Base to Develop Gaming Technology in the UK
	Telecom	59. Establishment of an R&D headquarters in the UK
		60. UK Integrated Logistics Systems in South Korea
		61. UK Cross-Border Satellite Broadcasting into South Korea
		62. UK Science-Based Content for South Korean TV

96. UK Medical Devices Exports to South Korea

Key Words & Industry Classification(s)	•Medical Equipment	Investment Mode	•Trade		
Overview of Opportunity	•There is strong demand in South Korea for these imported medical devices.				
Item	Details	Change (Tariff)		Timing	HS Code
		Now	Later		
Radiotherapy/imaging equipment	•There is strong demand in South Korea for these imported medical devices.	8%	0%	0 – 5 years	90181
Orthopaedic equipment		0%	0%	N/A	9021100000
Dental products		8%	0%	3 years (most)	9022
Medical equipment like electro-cardiographs	•In KORUS, these products are subject to duty elimination over 10 years. •For the EU-South Korea FTA, at year 5 or year 7. •This product is commercially important to the EU.	8%	0%	5 years	9018111000
Ultrasonic scanners		8%	0%	5 years	9018120000
Magnetic resonance equipment		8%	0%	5 years	9018130000
Endoscopes		8%	0%	5 years	9018909030

82. UK Skin Care Products for the Elderly Exports to South Korea

Key Words & Industry Classification(s)	<ul style="list-style-type: none"> Chemicals Cosmetics Consumer Goods Skin Care 	Type of activity	<ul style="list-style-type: none"> Trade 	
Overview of Opportunity	<ul style="list-style-type: none"> South Korea has a rapidly aging population that is increasingly affluent and increasingly concerned about appearance. Demand for skin and body care products for the elderly is growing very rapidly. In fact the entire “silver” industry is growing rapidly. Experts forecast that by 2018, the silver population will exceed 14% of the total national population. UK companies should be aware that South Korean physiology is different from westerners. 			
Item	Change (Tariff)		Timing	HS Code
	Now	Later		
Skin Care	8%	0%	5 years	3304991000

46. UK Exports of Agricultural & Food Items to South Korea to beat KORUS

Key Words & Industry Classification(s)	•Agricultural Products •Food	Type of activity	•Trade		
Overview of Opportunity	<ul style="list-style-type: none"> •The EU-South Korea FTA is expected to go into effect long before KORUS. •The US International Trade Commission (ITA) produced a study on the impact of an EU-South Korea FTA without a KORUS FTA. These products were shown to present an immediate window of opportunity for UK exporters. •Although unlikely, it is possible that KORUS could pass before the EU-South Korea FTA. 				
Item	Details (ITA estimate for the percentage and value that US exports would decline in the event that the EU-South Korea FTA goes through and the KORUS FTA does not.	Change in Tariff as a result of FTA implementation			HS Code
		Now	Later	Timing	
Meat products	62% (or £31.3 million)	22.5%	0%	10 years	021099
Food products	31% (or £136.2 million)	30%	0%	5 - 7 years	2007
Cereal grains	5% (or £17 million)	800.3%	0%	15 years	10089000 00
		8%	0%	5 years	12130000 00

46. UK Exports of Agricultural & Food Items to South Korea to beat KORUS

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		Now	Later	Timing	
Dairy products	57% (or £11 million)	8%	0%	Immediately	8421291000
Crops	11% (or £8.4 million)	8%	0%	Immediately	6602003000
Beverages	10% (or £3 million)	8 - 50%	0%	Varies from 0 - 15 years	220 / 200980
Tobacco Products		40%	0%	10 - 15 years	2402 / 2403
Vegetable Oils	10% (or £913,000)	5 - 36%	0%	0 - 12 years	151
Sesame oil	10% (or £913,000)	630% or 12,060won/kgwhi chever is greater	0%	18 years	1515500000

46. UK Exports of Agricultural & Food Items to South Korea to beat KORUS

Item	Details (ITA estimate for the percentage and value that US exports would decline in the event that the EU-South Korea FTA goes through and the KORUS FTA does not.	Change in Tariff as a result of FTA implementation			HS Code
		Now	Later	Timing	
Cattle	5% (or £213,000)	40 – 89.1%	0%	Varies from 0 - 15 years	01021
Sheep		5%	0%	Immediately	4302199010
Goats		8%	0%	10 years	010420
Sugar	6% (or £73,000)	3%	Agricultural Safeguard Measures	Immediately	121291000

5. R&D Collaboration in South Korea to Commercialize Electric Vehicles

Key Words & Industry Classification(s)	<ul style="list-style-type: none"> Automotive Engineering Green Energy 	Type of activity	<ul style="list-style-type: none"> Investment R&D
Change	<ul style="list-style-type: none"> South Korea is committed to green industries. EU and South Korea have agreed to cooperate in this area. 	Timing	<ul style="list-style-type: none"> Immediately
Overview of Opportunity	<ul style="list-style-type: none"> South Korea is developing electric vehicles and has several small, start-up companies manufacturing electric vehicles. Cooperating with an advanced EV development company would provide a production / commercialization platform for the UK company and competitive advantage in an increasingly crowded field for the South Korean company. South Korean companies may feel that they do not need any help. Picking the winning contender in a crowded field is difficult. 		

61. UK Cross-Border Satellite Broadcasting into South Korea

Key Words & Industry Classification(s)	<ul style="list-style-type: none"> • Telecom • Satellite Broadcasting 	Investment Mode	<ul style="list-style-type: none"> • Provision of services in South Korea
Change	<ul style="list-style-type: none"> • Companies will be permitted to broadcast satellites directly across borders without needing to connect with a local operator. 	Timing	<ul style="list-style-type: none"> • Immediately / 2 years*
Overview of Opportunity	<ul style="list-style-type: none"> • “KORUS Plus” • All TV will be digitized by 2012. • First movers in digitized content and products will have competitive advantage. 		

*South Korea will relax foreign ownership requirements after 2 years (as with KORUS) allowing 100% ownership of the total voting shares of a facilities-based supplier.

79. UK Treatment of Non-Industrial Waste Water in South Korea

Key Words & Industry Classification(s)	<ul style="list-style-type: none"> Environmental 	Type of activity	<ul style="list-style-type: none"> Investment
Change	<ul style="list-style-type: none"> Foreign companies are permitted to treat non-industrial waste water in South Korea. “KORUS Plus” 	Timing	<ul style="list-style-type: none"> Immediately
Overview of Opportunity	<ul style="list-style-type: none"> UK companies will be permitted to manage industrial solid waste and waste water. This could be a “foot in the door” to the municipal waste disposal market in the future. UK has expertise in technology, construction and operating waste to energy Technology for waste to energy could be applied to South Korea. 		



The Way Forward

Typical Challenges to Doing Business in Korea	Addressed by EU-Korea FTA
High Tariffs	<input checked="" type="checkbox"/>
Safety standards	<input checked="" type="checkbox"/>
Compliance certification	<input checked="" type="checkbox"/>
Non-transparent	<input checked="" type="checkbox"/>
Discriminatory pricing	<input checked="" type="checkbox"/>
Geographical indications	<input checked="" type="checkbox"/>
Labelling requirements	<input checked="" type="checkbox"/>
Language & cultural barrier	<input checked="" type="checkbox"/>
AWARENESS!	<input checked="" type="checkbox"/>

- While the FTA opens many doors, foreign companies may still face obstacles with business activities in Korea.
- Working groups have been established to address ongoing issues.
- Continual vigilance will be required.

- Build awareness of Korea
- Seek out opportunities
- Take advantage of UKTI / IRC - ready to assist
- Visit Korea
- Succeed in Korea!

Market Entry & Expansion Services



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