



UK-SOUTH KOREA TRADE AGREEMENT

London Chamber of Commerce submission to the Department for International Trade consultation

January 2023

Context – London Chamber of Commerce and Industry and FTAs

London Chamber of Commerce and Industry (LCCI) is the capital's largest independent business advocacy organisation. We represent the interests of firms of all sizes, from micro-businesses and sole traders through to large, multi-national corporates, across all 33 London local authority areas – genuinely reflecting the broad spectrum of London business opinion.

LCCI is the leading non-governmental organisation which provides international trade business support services in London.

In addition, LCCI is the leading non-governmental organisations providing international trade documentation for businesses in the United Kingdom;

LCCI strongly supports the Government's *Global Britain* and *Levelling Up* ambitions and would like to emphasise the necessity of a strong, global London to both of these admirable initiatives.

Building Back Better and *Global Britain* will require the UK to establish new trading relationships with the EU and wider world- this has been brought into stark focus with the ongoing supply chain issues and cost of living crisis.

LCCI is positioned as the chamber for London as a Global city; the city plays an essential role in both the internationalisation of British businesses and the attraction of foreign firms to the UK. We support London in this role through the provision of trade documentation, trade advisory, and information services to our membership alongside a range of bilateral strategic partnerships with other chambers of commerce.

The LCCI International Strategy is centred around bilateral partnership agreements with chambers of commerce in the 35 leading global cities. These partnerships allow LCCI to support the internationalisation of London businesses while also providing an avenue for cooperation to increase trade and investment into the UK.

LCCI is an affiliated member of the British Chambers of Commerce and a member of the World Chambers Federation. These institutional partners provide LCCI with insight into the problems facing British and global trade as well as fora in which we represent British business.

LCCI engages with London-based diplomatic missions in order to represent London and British businesses and work with foreign counterparts to facilitate trade and



investment. We believe there is a strong opportunity for HMG to utilise LCCI's engagement as an additional tool for diplomacy and to support the work of DIT, the FCDO, and the Cabinet Office.

LCCI operates as the secretariat for the London as a Global City APPG. This group brings together parliamentarians and London business to promote awareness of the vital role London plays as the UK's global city and the policies needed to support this position. It also encourages investment in London's continued success for the benefit of Global Britain's reputation and competitiveness and has recently published its first report.

As the UK's largest trade documents issuer, LCCI supports British traders on a daily basis. We provide a range of international trade documents, including Certificates of Origin and Customs Declarations, available online, by phone and in person. The fast and accurate provision of these documents is essential to international trade. Furthermore, this engagement with business provides clear insights into the issues facing British traders.

Q8. Based on your selection above, why do you think the UK government should aim to keep these areas of the current UK- South Korea trading relationship the same?

The ease of trading with South Korea must be one of the overriding principles of this agreement if SMEs in the United Kingdom are to further benefit from the growing trading relationship between the two countries.

Therefore, from a trade documentation perspective, whilst accountability is critical, ease of access is a key issue to address the inevitable cost pressures that need to be factored into any B2B and B2C trading relationship.

Consequently, we would urge the Department for International Trade to give preference to EUR1 certificates rather than invoice certification. EUR1 certificates provide full accountability and enables customs authorities and businesses in both countries to record all requirements to meet preferential terms in the FTA.

Invoice certification, on the other hand, require a further level of bureaucracy which provides no added benefit to customs authorities and to the end business user. The businesses concerned would have already undertaken their due diligence including on payment terms whilst issues such as rules of origin (ROO) would not benefit from invoice certification whereby invoices that are certified by a Chamber of Commerce before goods are dispatched.

As ease of access is so critical to the success of the potential new FTA between the United Kingdom and the Republic of Korea, cumulation of origin must be preserved in the new FTA. With cumulation enabling a good trading relationship to take place



which allows originating products in the UK to be further processed or added to products originating in the Republic of Korea, just as if they had originated in the Republic of Korea, this enables much easier access to this lucrative market for British businesses.

At the same time, cumulation of origin also benefits businesses in the Republic of Korea by making it easier and more cost effective to take advantage of partnering and joint venture benefits between South Korean and British businesses.

Which areas not currently covered under the current terms of the FTA do you want the UK government to prioritise in trade talks with South Korea?

The FTA has most of the components that are beneficial for the UK. Though there was no mention of foreign divestment, support mechanisms could be embedded within the FTA which provides financial incentives for continued investment in British businesses. We accept that HM Treasury is already actively considering developing a business-friendly environment through such supply side measures such as the consideration being given towards improving R&D tax credits.

We would propose that with the Brexit freedoms now available to the UK, with the removal of state aid rules, that a flexible and innovative approach can now be adopted to using supply side reforms which are tied to this FTA to mitigate the risk of divestment.

We recognise the commitment from the Government for net zero objectives to be embedded within this FTA. This is critical if we are to meet the demands being placed on all stakeholders due directly to the climate emergency whilst recognising the robust environmental business base which now exists in London and across the United Kingdom.

We note the emphasis on good labour standards that we fully support. This should include women's economic empowerment. The Republic of Korea has in place the provisions of the 1995 Framework Act on Women's Development and we would call on equalities legislation in the United Kingdom and the Republic of Korea to be reflected in the final FTA in order for women entrepreneurs to be empowered and to further contribute to the strength of the UK and Republic of Korea economies.

With London as the global capital for fintech, there needs to be robust provisions in the FTA which mirror the provisions which benefit the digital economy and digital trade such as with the agreement with Singapore in June 2022 and with Ukraine in November 2022.

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?

There are some significant challenges and trade barriers that exist for UK business owners concerning trade with South Korea in terms of standardisation requirements, tariffs, licencing requirements and, most importantly, quotas. Other issues include pricing structures and restrictions in the provision of legal and professional services. It is therefore critical for the Government to continue to ensure that its negotiating mandate enables the world class expertise of legal and professional services in the UK to be able to serve and benefit the South Korean economy.

Provision of protection for investors should be a key feature in the FTA if capital and trade flows are to flourish between the two countries. This should include provisions whereby investors should be presented with the appropriate information enabling investors to meet investment objectives and ensure there is clear information regarding costs and other relevant charges.

Is your business trading innovative goods and services with South Korea, and how can trade talks support increased innovation?

This can happen by supporting policies incentivising investment in innovation within South Korea and the United Kingdom which are subsequently reflected in the FTA. Reducing trade barriers for innovative businesses would be beneficial for both countries. The FTA, by increasing access to markets, enables a virtuous cycle with increased investment consequently leading to greater innovation and productivity.