

South Korea Trade Priorities



UK food and drink is a success story that sits at the heart of our country's social and cultural fabric. Our industry is creative, innovative and diverse, providing consumers with unrivalled choice and variety throughout the year, and with both nourishment and pleasure. Our products are found in every household across the UK and – more and more – in households across the world.

South Korea is an important trading partner for many food and drink manufacturers. It is a valuable market for exports of high-quality value-added products worth **£254.0 million** in 2022, up 38.7% since 2021. It is also a supplier of ingredients, raw materials and finished products with imports worth **£89.4 million** in 2022, up 29.6% from 2021.

The UK and South Korea should aim to update and replace the existing agreement to better reflect the interests and needs of businesses on both sides. This presents an opportunity to customise the trade deal to the specific priorities, strengths and trading patterns of UK manufacturers. Through increased trade, our industry is uniquely placed to drive growth and job creation in all UK regions.

Following extensive engagement with our members, we have set out in this paper our priorities for a new UK-South Korea trade agreement.



Top five products (2022)			
Exports		Imports	
Whisky	£125.4m	Pasta	£35.2m
Molluscs	£25.8m	Fish fillets	£10.8m
Beer	£13.0m	Jam	£9.0m
Spirits	£11.6m	Tinned vegetables	£6.0m
Coffee	£10.7m	Soft drinks	£4.9m

Ten priorities for UK government

- 1** The UK should not agree to any loss of existing **preferential access** for food and drink products, and where tariffs continue to apply, further tariff liberalisation should be targeted. The UK and EU have similar interests in terms of exports to South Korea, so improving the UK's competitive position in South Korea with regard to the EU can help to deliver significant future export growth.
- 2** The agreement should deliver improved **business-friendly Rules of Origin** based on the model agreed in the UK-New Zealand FTA. The use of 'wholly obtained' rules should be kept to a minimum and detailed and complicated ingredient restrictions in the existing deal should be removed. In some instances, where processing in the UK does not change the tariff classification, an RVC rule may also be beneficial.
- 3** **Generous tolerance provisions and Product-Specific Rules** are needed to ensure UK producers of value-added products can access preferential tariffs. Manufacturers should have the freedom to source imported inputs for use in manufactured products that complement their use of domestically sourced ingredients.
- 4** A mechanism should be included in the Rules of Origin to enable the future establishment of **full diagonal cumulation** between the UK, South Korea and other shared preferential trade partners, such as Australia and Canada, where all parties are willing to do so.
- 5** More efficient **border and customs processes** should be targeted, ensuring that the UK government's 'Borders 2025' work links in closely with key trade partners including South Korea to expedite movements of goods in both directions.
- 6** South Korea is noted for its restrictive **standards, labelling and regulations**, and where possible efforts should be taken to address these barriers. The procedure for applying for pre-clearance should be simplified, to allow trusted exporters an easier experience when registering with the South Korea Ministry of Food and Drug Safety.
- 7** To **encourage innovation**, the deal should ensure both parties agree to an open, risk-based and permissive sample import system that facilitates collaboration between UK and South Korean producers, R&D centres and customers.
- 8** The food and drink sector is brand-rich and makes heavy use of intangible assets and innovation. The **intellectual property (IP) rights** that protect this innovation should be championed and defended through robust commitments in a revised trade deal, including for the protection of UK Geographical Indications (GIs).
- 9** Given South Korea's strength in robotics and automation, import tariffs on machinery and other industrial goods that are required by food and drink manufacturers should be **eliminated wherever possible**, especially on materials and machinery that lead the way in **green technologies**.
- 10** DBT should create a **dedicated online trade portal** that provides access to key information that enables SMEs to effectively export to or import from South Korea and other markets. Gov.uk lags significantly behind the clarity and business-friendly communications provided by our key trade partners.

Our trade priorities

1. Tariffs and quotas

The UK should **aim for the highest possible tariff liberalisation** to help boost exports to South Korea, targeting sectors where liberalisation was not achieved in the existing agreement or where existing commitments could be more ambitious.

There is significant untapped potential to increase UK exports to South Korea for example by expediting tariff reductions that are currently subject to long staging periods, for example:

- Green tea (40% tariff within TRQ of 7.8t, 189.2% tariff outside TRQ). Set to become tariff free in 2029.

Surges in trade flows can present a risk for producers, so it is important to include a robust, effective and predictable safeguard clause. Phased tariff reductions and the use of tariff rate quotas (TRQs) may be required for some vulnerable sectors. However, such protection should be subject to regular review to ensure it is justified, based on the tests set out in our [Trade and Investment Strategy for Food and Drink](#) (pages 15-16).

Tariff liberalisation for imports is equally important for many UK producers. Imports are a necessary part of how the UK feeds itself and crucial for UK manufacturing and supply chains. Imported goods allow access to a wider choice of products and ingredients that are not produced in the UK, extend the growing season for seasonal products and can provide a competitive spur to domestic production in some cases to ensure fair prices for producers and consumers.

There are wider opportunities for the UK and South Korea to reduce tariff barriers on industrial goods, including machinery, tools and other non-agrifood inputs that are needed in food and drink manufacturing. A strong focus should be placed on green technologies and the role that UK-South Korea collaboration can play in driving growth in food and drink manufacturing while reducing environmental impacts. Reducing tariffs on industrial and green goods can help support necessary UK investment in automation and more efficient and environmentally friendly technologies that will boost UK productivity.

UK government should **maintain the tariff on imports of milled and semi milled rice**. This import tariff must be retained to ensure the UK's thriving rice milling sector, worth almost £1 billion to the UK economy, can continue to

operate and supply the highest quality products to UK consumers and to other markets around the world. UK rice mills provide **vital food security** for the UK and this tariff is essential to ensure fair competition, support UK producers and preserve jobs.

While a reduction in tariffs could increase the competitiveness of UK goods, it remains a priority for our industry to ensure that new UK preferential trade agreements **do not undermine existing UK market access via other trade deals**, including with our closest and most valuable export market, the EU.

Where trade liberalisation cannot be achieved, the UK should favour the use of simple ad valorem tariffs, though recognising that in some cases specific tariffs may be preferable. The government should work in close partnership with industry to determine the correct types of tariffs that are required for individual products. Compound tariffs and TRQs remain a barrier for exporters due to their comparative administrative complexity.

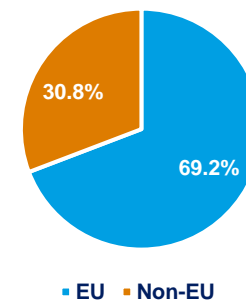
2. Rules of origin

Rules of origin for South Korea are particularly burdensome, with restrictive PSRs which do not provide flexibility for manufacturers that depend on imported ingredients and raw materials.

Failure to meet these rules, results in prohibitively high MFN tariff rates that effectivity block trade. For example, MFN rates for processed prawns (20%), cheese (36%), green tea (513.6%), prepared fruit and nuts (30%) and whey (49.5%). It is therefore important that the UK looks at product specific rules on a product-by-product basis to increase the number of UK-manufactured products that are eligible for preferential access.

The general provisions could also be **simplified and less open to interpretation** that presents significant risk for businesses given the high MFN tariff rates business could otherwise face. For example, clarity around what constitutes 'simple' processing in the insufficient production clause would be helpful for UK exporters.

UK food and drink imports (2022)



The need for non-UK inputs isn't going to change and given its proximity, the EU will always remain a key source of inputs used in UK manufacturing. UK government should recognise the important impacts of existing extended cumulation provisions to UK manufacturing and should ensure that this is maintained or that new rules of origin deliver at least the same flexibility to support UK manufacturing. As the UK concludes new trade deals, new opportunities will inevitably arise for producers to source essential imports from non-EU suppliers instead of the EU, so the provisions in an updated agreement should help facilitate this increased flexibility.

Where the UK adopts preferential tariffs, these should be subject to clear and simple origin requirements to ensure they are well targeted. Rules of origin should encourage supply chain and production integration and value-added activity within and between the UK and South Korea.

It is vital that they are also designed to be **simple to manage and sufficiently flexible** to ensure they do not become an obstacle to supply chain diversification and effective global sourcing. A new UK-South Korea trade deal should contain simple and robust rules that protect targeted trade privileges but also allow diversified global sourcing by manufacturers.

The rules of origin should not act as a barrier to trade with the use of 'wholly obtained' rules and detailed exceptions as seen in the UK-EU Trade and Cooperation Agreement (TCA). As set out in our [publication](#) on rules of origin, a suite of options exists to enable this flexibility, including:

- **product-specific rules** that are based on a simple and straightforward change of tariff heading;
- more generous provisions on **tolerance** e.g. the 15% value or weight option included in the UK-New Zealand FTA; and
- a joint exemption for all content originating from **Least Developed Countries** (LDCs).

They should provide clear scope for **cumulation** between the parties, supported by only limited restrictions in terms of minimum transformation for goods being moved multiple times between the parties. Where appropriate and possible, the UK should seek to ensure provisions to allow **full diagonal cumulation** with shared preferential trading partners, such as Australia and Canada.

Rules of origin **documentation requirements** should be simple and intuitive for food and drink traders, and assistance with rules of origin documentation requirements should be incorporated into an online support facility developed by the UK government to support traders.



We would welcome further simplifications for rules of origin application in the UK, including allowing alternatives to formal certificates of origin, exempting low-value shipments and allowing designations to cover multiple shipments for trusted traders.

3. Standards and regulations

South Korea imposes restrictive and at times, unrealistic standards and regulations that block trade because compliance is impossible for traders. The UK should work closely with South Korea to try to find solutions where standards act as practical barriers to trade, for example through the development of a shared trusted trader system that reduces the burdens of checks faced by exporters from the UK and South Korea.

There are other barriers where South Korea's maximum residue limits (MRL) are set at levels that do not align with global safety standards. South Korea has a system through which the UK can apply for pre-clearance for certain products. This allows South Korean authorities to inspect sites to determine suitability and this enables products to enter South Korea faster and more easily. Inspections should occur less frequently where traders have a good history of compliance and this system could be expanded to include more agri-food products.

South Korea requires large volumes of documentation and in-depth information which goes beyond requirements for most other markets. This documentary complexity adds significant additional cost and is a critical barrier to SMEs with limited resources, given the typically low margins of food and drink. When registering products with the Ministry of Food and Drug Safety (MFDS) in South Korea, a large amount of information is required which can be difficult for exporters. It has been possible to register some products without this information, but the process is long and seems overly burdensome given these requirements are not imposed in most other international markets. In an updated trade deal, it would be good to simplify and shorten the MFDS registration process.

Food and drink are highly regulated goods and subject to both product and production standards. This enables the UK to maintain some of the highest food standards in the world. **We should insist on high standards in our key trading partners**, while recognising their right to regulate food and drink transparently, proportionately, and soundly in any way compatible with their international obligations. The UK rightly demands autonomy in setting the detail of food regulation, and it must accept the same in others.

It must also be recognised that these high standards will always add a layer of complexity to international trade in food and drink. In some cases, they can make international trade prohibitively difficult for businesses. **The UK should consistently seek innovative ways to reduce the impact of non-tariff barriers on trade, without compromising standards**. A defining feature of UK trade policy on food regulation should be a practical readiness to see that different formal approaches to food standards can produce the same high outcomes.

We think an effective way to achieve this would be by **creating systems of mutual reliance on food and drink regulation**. We recognise that the sensitivity of regulation means this presents some important challenges. However, given the reach of tariff elimination, addressing the question of regulation is the single most important and effective way to further support cross-border supply and distribution of food and drink in and out of the UK.

No outcome of a revised trade deal should risk undermining the UK food and drink sector's high standards of food safety and animal welfare, or we risk the loss of consumer confidence in UK food and drink.

Liberalising access to the UK market for food and drink should be linked to a clear expectation that trading partners will be committed to a set of baseline standards for food and drink production closely aligned to those of the UK, including animal welfare, labour standards and environmental sustainability. While importers must meet UK domestic food and drink standards for products, standards for production are often beyond the scope of domestic market regulation in the UK. The establishment of preferential trading frameworks is an important opportunity to address these. The UK should:

- Consider **developing a 'Trade and food standards' chapter** containing commitments on animal welfare and food manufacturing and processing standards that mirror the commitments in trade and labour chapters. As

with labour commitments, these commitments should include non-derogation provisions and obligations to enforce domestic standards that bind trading partners effectively and consistently to enforce their domestic standards on animal welfare and food manufacturing practices, and not to provide derogations from general standards to encourage or incentivise trade or investment.

Where possible, trading partners should also commit to non-regression from their existing standards of animal welfare and food production. Such commitments could in principle be linked to explicit substantive standards that are mutually acceptable to the parties, such as relevant ISO and FAO Codex Alimentarius standards. These obligations should be linked only to traded goods and should be subject to clear arbitration mechanisms or to the dispute resolution mechanisms of the FTA itself.

- Include clear commitments **to ongoing structured dialogue on issues related to food and drink production standards**, including animal welfare, land and water use, labour standards and good manufacturing practice.

Both the UK and South Korea enforce high food and drink production standards and it is essential that a trade agreement ensures that future regulatory changes do not undermine trade. Businesses on both sides would benefit from an early warning system through which both parties provide as much notice as possible to each other of intended changes to requirements to ensure businesses are consulted and have sufficient time to adapt to ensure their continued compliance.

Where possible, the UK and South Korea should aim to secure **Mutual Recognition Agreements (MRAs)** on product regulations to help unlock practical elements of regulatory relief, brand protection or expedited compliance for exporters and importers.

4. Customs and trade facilitation

Much of our trade is in perishable goods and long transport times followed by unnecessary border delays presents problems for businesses moving short shelf-life products when they reach South Korea.

An agreement with South Korea should **secure opportunities to improve the practical movement of foods between both countries**, while ensuring protections for food safety and biosecurity are not undermined. The UK should push for provisions like the UK-Australia and UK-New Zealand FTAs which aim to release perishable goods from the border in under six hours.



Further measures to allow streamlining of goods through customs and borders would be welcomed, especially with perishable agri-food products. Ambitious provisions such as **document digitalisation, as seen in the new UK-Singapore Digital Economy Agreement** and simplifications employed in each of the UK's agreements with Australia and New Zealand can help to improve trade facilitation and ensure goods are cleared and released more efficiently.

▶▶ The UK's 'Borders 2025' work should link in closely with South Korea to expedite the flow of perishable goods. The UK should work closely with South Korea and other important trade partners to streamline and standardise global customs processes where possible, with the aim of introducing compatible customs single windows and removing the need for both export and import declarations.

UK government should **look to create joint customs offices and integrated Single Windows with South Korea** to maximise cooperation between agencies, and only require a single declaration covering the required customs and safety and security data.

The UK and South Korea should aim to cooperate to streamline SPS processes as much as possible with the aim of minimising bureaucratic burdens imposed on business and delays imposed on short shelf-life products due to physical checks at the border.

5. Innovation

We would like to see the inclusion of an ambitious innovation chapter. The UK is a global centre of innovation in food and drink manufacturing. A partnership approach is key to successful innovation, not least to ensure new products and technologies meet the needs of customers and consumers.

Businesses face significant barriers and complexity importing and exporting product samples. The innovation chapter should help to ensure that both parties agree to **ensure an open, risk-based and permissive sample import system that facilitates innovation and collaboration between UK and South Korean producers, R&D centres and customers.**

As a global leader in environmental policy, a new trade agreement with South Korea should reflect the UK's climate ambitions. Provisions around working with South Korea to lower emissions should be included.

Innovation in green technologies and research should also be included. The UK and South Korea, as advanced economies, should look to foster closer cooperation when it comes to green innovation within food and drink manufacturing, helping the UK and South Korea further reduce environmental impacts.

6. Intellectual property

The UK food and drink sector is brand-rich and makes heavy use of intangible assets and innovation. As such, the IP rights that protect this innovation should be robustly championed and defended. UK geographical indications (GIs) are a unique source of brand value derived from long heritage traditions and the IP they recognise should be assertively defended in all UK markets, both in legal regimes and in the commitments negotiated in FTAs.

The UK should seek more ambitious outcomes in terms of the protection of UK GIs in a new trade deal with South Korea, with the **aim of securing recognition and protections for all registered UK GIs** and ensuring a simplified and transparent process to support the future recognition of new GIs in both countries, as seen in the UK-Japan trade agreement.

Protection for trademarks, trade secrets and other forms of IP are an essential part of promoting the value of UK food and drink exports. Both protection and

enforcement of IP is critical – and the latter is often neglected such that the IP loses its value.

IP protection in the UK should not be watered down as a consequence of any FTA. Government should instead seek to promote UK brands and related forms of IP through an IP diplomacy strategy and liaison with IP attaché networks in export markets. Government and industry should work in partnership to help companies better understand how to effectively enforce their IP rights.

7. Small and medium-sized enterprises (SMEs)

The provisions on SME support in the existing trade agreement with South Korea do not go far enough in terms of practical support. Government urgently needs to improve the quality of its digital offer and the way in which it communicates with SMEs as Gov.uk is not fit-for-purpose to disseminate complex information on trade to time-pressed small businesses.

We would like to see the development of **a one-stop-shop that provides ease of access to essential trade information for SMEs**, including those looking into trading with South Korea but also for South Korean businesses exploring opportunities to trade with UK businesses and invest in the UK. We would like to see a website similar to the Australian trade portal which gives a breakdown of clear trade information for individual markets.



This could be housed on the Great.gov.uk website, bringing together key information on processes, procedures, taxes, tariffs, rules of origin, barriers to trade and business opportunities. This could help improve businesses' understanding and utilisation of preferential trade agreements.

8. Trade and labour



All trade agreements signed by UK government should include a robust commitment with ongoing monitoring to ensure that they do not in any way contribute to lower labour standards within the UK or abroad.

The UK should maintain its duties as a leader on the protection of human rights, ensuring that all trade agreements include robust provisions requiring signatories to uphold human rights. The UK should include a robust

obligation for both parties to uphold human rights as set out in the 30 articles of the UN's Universal Declaration of Human Rights.

9. Trade and environment

The UK should seek to put in place more ambitious provisions than the trade and environment chapter in the continuity trade deal. The new agreement should more closely reflect the UK's zero carbon commitments and should aim to put in place **shared targets to reduce carbon emissions**.



The UK's preference should always be for preferential trading with partners that can meet high domestic sustainability frameworks for food and farming, active management of deforestation and unsustainable water use.

Given South Korea's strength in robotics and automation, import tariffs on machinery and other industrial goods that are required by food and drink manufacturers should be eliminated wherever possible, especially on materials and machinery that lead the way in green technologies. The food and drink industry can lower emissions and help deliver the UK's net zero carbon commitments as it transitions to automated technological solutions, utilising more sustainable and lower energy machinery. Cutting tariffs on these goods can help support this investment by UK manufacturers.