

Business and Trade Committee

Oral evidence: Export-led growth, HC 289

Tuesday 19 March 2024

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Members present: Liam Byrne (Chair); Douglas Chapman; Antony Higginbotham; Ian Lavery; Anthony Mangnall; Julie Marson; Andy McDonald; Mark Pawsey.

Questions 107 - 131

Witnesses

I: Lucinda Walker, Executive Director, British Chamber of Commerce in Korea.

Examination of witness

Witness: Lucinda Walker.

Q107 Chair: Welcome to today's session of the House of Commons Select Committee on Business and Trade, where we are looking at the opportunities to grow exports around the world as part of our inquiry on export-led growth.

I am delighted that we are joined this morning by Lucinda Walker, the executive director of the British Chamber of Commerce in Korea, who we had the pleasure of meeting during our visit to South Korea. Lucinda, thank you so much for joining us.

Do you want to just kick us off by saying a word about the current trends in trade between the UK and South Korea?

Lucinda Walker: Thank you very much for giving me the opportunity to be a witness for this inquiry. As at the end of 2022, the trade between Korea and the UK was worth £18 billion. Korea is the UK's 21st largest trading partner. We see strong trade across the board between the UK and Korea.

The BCKK, which is a membership organisation, has good representation from SMEs and major financial organisations. We are strong in pharma, automotives and the burgeoning sector of renewable energy.

There is a dynamic partnership between Korea and the UK, which was made even greater with the state visit to the UK by President Yoon in November of last year. Korea and the UK celebrated their 140th diplomatic anniversary last year. That makes the UK one of Korea's oldest diplomatic partners. It is a strong future-facing relationship but also an old one with a lot of history. That is reflected within trade and services as well.

Q108 Chair: Do you think the UK has a clear view about which export sectors have the most potential in that UK-Korea trade future?

Lucinda Walker: Yes, I do. If you look at the top-three exports from the UK to Korea, third place is clothing; second place is cars and the automotive sector; and first place is crude oil, which in 2022 represented 39% of the UK's exports to South Korea.

On the flipside of that, the Downing Street accord, which was signed by the UK Prime Minister and President Yoon as part of the state visit, had a significant focus on clean energy. There was a clean energy partnership as part of that and the announcement of £1 billion of trade from UK to Korea for offshore wind. Of the £21 billion of investment from Korea to the UK, a large part was going on clean energy. That is an area where we see real growth and Government support in the UK.

In terms of priorities, the clean energy focus is really encouraging. That is a clear message that we get from the British embassy here and from UK



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Government representatives when they visit Korea. The free trade agreement that is being upgraded at the moment is a good supporter of that as well.

Q109 **Chair:** So you think there is a clear view about the sectors that will benefit from future trade.

Lucinda Walker: Yes, I do.

Q110 **Chair:** In the Downing Street accord, which we talked a lot about when we were visiting with you, there is a lot of good language about agreements on green energy and indeed on defence. When we were visiting, we also saw an extraordinary amount of potential in the creative industries and the digital space.

Do we have the right strategic trade policy? Are we creating the right platforms for co-operation in those three sectors? It feels like, working together, we have a real opportunity to help shape the rules of the game and to drive UK exports further and faster.

Lucinda Walker: I would like to answer your question in two parts. The first part is about the digital chapter of the free trade agreement. There are some digital points, as you mentioned.

I have been told that the digital chapter will be an important part of the free trade agreement. As of now, we do not really have a clear digital chapter. The way South Korean law works is that things are not possible unless it is explicitly said in law. That can be quite a barrier to companies trading here because it is just not clear, under some of the rules, what they are allowed to do.

In particular, we see concerns around data and data barriers. There are not many UK fintech unicorns in Korea. A digital chapter in the free trade agreement will really help take that in the right direction. My members have requested that that is a big focus of the free trade agreement.

In terms of the creative industries and culture, that is such a good question because it is something that we see Korea being really strong in. Koreans still really associate the UK with cultural content, such as Harry Potter or Shakespeare. Education is something that Koreans really focus on in the UK.

The UK embassy in Korea does not have a specialist team for the creative industries or for education. That is something that I would like to see change. There is an opportunity there. It has specialist teams in other areas. The chamber tries to provide support in the creative industries and education fields. There is an area for improvement around the creative industries and education, but the UK has a strong track record and there is still a good association here in Korea with those industries.

Q111 **Chair:** We heard from your defence partners when we were there that the UK does not currently have a shared platform under development in



the way that we have with, say, Japan and Italy in the Tempest programme or with AUKUS, for example, around nuclear submarines. Is there a need to create shared platforms in defence to help drive that aspect of our export sales?

Lucinda Walker: I am not an expert on what the UK has with Japan and Australia, so I would be reluctant to do a direct read-across to Korea. What I can comment on is that in the Downing Street accord there was a section devoted to defence. We and our members were briefed that the UK Government have offered to Korea not only to promote UK exports but also to collaborate in and promote Korean defence exports that include parts of UK defence systems, thus boosting both Korea and the UK.

That is seen by our members as really quite innovative and forward-thinking, and as a great way to collaborate, not treating Korea as a partner and a client but as someone with whom they collaborate and an equal. If the UK Government continue that approach, there is real potential in Korea for defence as well.

Q112 **Chair:** The last question for me is about soft power. We saw very vividly how important soft power can be in creating a positive climate for trade. We did hear from some people that we were not necessarily investing enough in or choreographing effectively enough the soft power potential that the UK has in Korea. Would you agree with that?

Lucinda Walker: There is scope for more. I am not here to judge what the UK can spend out of a finite budget. I want more and more for Korea.

If one looks at the British Council, 95% of its employees are looking at its commercial English language and testing offer in South Korea. There are very few resources available to work on cultural projects. It has done a lot with the few resources it has. The National Gallery was in Korea last year. That was a huge success. The fact that it was such a huge success even though there were so few resources behind it means there is potential for more of the UK's cultural goods to come and take centre stage in Korea. That will benefit trade and investment.

My members say that people value them as UK companies because they see them as having trust, integrity, heritage and intelligence. That is something that is backed up by culture, not just by IP and what they deliver in terms of goods and services. Yes, I would like to see more investment on culture. In turn, that will benefit trade and investment.

Q113 **Anthony Mangnall:** Lucinda, it is good to see you again. Thank you for looking after us when we were out with you in South Korea last year. Can I just pick up where the Chair left off around digital? Forgive me because this is a bit more of a technical point. How many people in Korea look at the UK-Singapore digital economy agreement and say, "This is a good thing and we would like to see something similar implemented in a free trade agreement between the UK and Korea"? Is that too detailed? Is



anybody looking at that at present?

Lucinda Walker: Honestly, I do think it is too detailed. The larger organisations here will have chief information and security officers; they will have chief technical officers. They know they are competing against Korean local partners who are very strong in digital. While they may not be well versed in the UK-Singapore digital partnership, they certainly want better rules for cross-border data exchange. That would be a priority. That feedback would have been given for the free trade agreements.

Q114 **Anthony Mangnall:** I flag it because we talk about it being a benchmark for what we would like to see in other trade agreements. I suspect it will serve as the foundation for where we go next.

We had a number of meetings while we were out there. We were asking a number of businesses about the challenges they have in doing business with the UK. I imagine you get the brunt of that and you occasionally hear complaints from Korean businesses wanting to do business in the UK. It would be helpful if you could just highlight some of those.

Perhaps you could also tell us what the main barriers are for UK businesses exporting to South Korea. What are the challenges in the few areas you have already mentioned? What do they struggle with when trying to do business in Korea?

Lucinda Walker: In terms of Korean businesses wanting to do business in the UK, as a British chamber we do not see too much of that. That is really because our focus is on British companies wanting to do business in Korea. We tend not to see so much of the Korean side of it. I am aware that there is increased interest in it, especially since the UK state visit. Just the other day we were contacted by a division of Samsung that is looking to find UK partners. There is certainly interest.

In terms of the top three barriers, the first, as I have touched on, is the liberalisation of data localisation measures. In practice, Korea has quite strong requirements on needing local servers in Korea and restrictions on UK companies using cloud services, particularly for personal and confidential data. As a result, there are not very many UK fintech unicorns in the market here. For the UK companies that are here, particularly the big financial ones, it is challenging to interact with the rest of their group systems. Certainly, data localisation measures would benefit across the board.

The second barrier would be standardisation of both testing and qualifications. Korea has very specific testing measures, especially for things like children's clothes, electronics or automotive. You cannot rely on testing that has been done in the UK, the US or the EU. It needs to be tested again by a Korean testing house to Korean testing standards. The responsibility for that needs to be taken by a Korean company. That is a barrier for many companies. It results in less variety of automotive



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models in the market because of the amount of specialised testing that they have to go through.

For qualifications, it is all quite based on the US system rather than the UK system. You will see some barriers around the amount of time it takes lawyers to qualify in order to be recognised in the Korean market.

It may not be very high in terms of the volume of trade, but whisky is certainly an important area for my members. We are so proud of how well whisky is doing in Korea at the moment. Korea is really strong in luxury and premium. Whisky sales are off the charts, but it is not possible under Korean law to sell whisky or other spirits online and have it delivered to your house. If the Korean Government were to relax that, it would really open up the market for British whisky distillers and other alcohol companies.

I would put in a special plea for British beef to be imported into Korea. There are still very strong restrictions on that. Those would be my top areas of what makes it challenging here.

Q115 Anthony Mangnall: My follow-up was going to be to ask you how the UK Government can overcome that. The simple answer is through a free trade agreement. I will leave it at that.

Lucinda Walker: Yes, exactly. We need a good free trade agreement.

Q116 Mark Pawsey: Again, thank you for your hospitality when we were over there. We saw goodwill towards UK businesses and people wanting to deal with us more. Where are the main opportunities going to come from? You have told us about certain sectors. You spoke about financial, pharma, automotive, renewable energy and then luxury goods. Do we grow our trade by introducing new products and services into Korea or by supplying goods to Koreans that are currently supplied by others?

Lucinda Walker: That is a good question. Where you really see British companies having success in the Korean market, especially in goods, if I can focus on goods, is supplying a very specific good that is not being used or produced in Korea at the moment.

Q117 Mark Pawsey: Does not that mean creating a market?

Lucinda Walker: Yes, it means answering a specific need. The reason I am saying this is that the local competitors in Korea are very good. They are very strong. For a company, it can be a waste of time and energy to come in and try to compete with them.

It was great to see in the Downing Street accord the amount of money that is being focused on innovation and on research and development. As a great example, there is a UK company, which came out of UCL, that is making hydrogen fuel cells. That has been bought and licensed by a big Korean conglomerate, which has built a factory here. The innovation that is coming out of the UK and the focus on science, technology and R&D is



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leading to very specific things that can be of use in the Korean market. That is where the Government should be concentrating its efforts.

Q118 **Mark Pawsey:** Would you say to a company seeking to enter that it has to come in at the same price or below a domestic supplier? Is there a cachet to British products that entitles a British producer to attract a premium?

Lucinda Walker: They have to know the value of their product, what value it is going to have for the Korean market and what the need for it is in the Korean market. The price point is very important. If Koreans felt they were being taken advantage of, even because of the British premium or British heritage, that would not create an environment of trust.

The embassy here has organised quite a lot of good delegations over to Korea. For the Interbattery conference a couple of weeks ago, 18 British companies came out to explore the Korean market and meet with Korean partners.

Q119 **Mark Pawsey:** These are companies that have not previously sold into the Korean market.

Lucinda Walker: That is correct. It was companies coming out and meeting partners and other international players that were here for the trade show. They were learning about the market and learning what their niche could be, supported by the Government so they could have a bit of a soft landing, do the research and then enter appropriately. Things like that are very helpful.

Q120 **Julie Marson:** It is nice to see you, Lucinda. I was not on the Committee during the time of that visit so I did not have the benefit of that, but it is good to see you.

As you point out, the UK clearly has a historic and important relationship with Korea. What do you and your members think are the risks that lay in wait for the trading relationship between our two countries?

Lucinda Walker: That is a good question. In certain areas, there is a concern about IP. Korea is seen as a fast follower. Particularly in sectors such as defence, there is a sense that Korean clients are going to be good clients for our products now, but in five years' time they will be making the products themselves. There are concerns around that in the Korean market.

The regulatory environment is also quite tough. Companies often enter Korea with quite a lot of excitement and then get bogged down in the regulatory challenges. They find it quite hard. In a sense, it is not that big a market when you compare it to somewhere like Japan or China. They then need to invest in order to make sure they have the right sales strategy.



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Korean consumers are really demanding. If they do not get fast customer service or fast deliveries, a product that was a huge trend can become an embarrassment or be attacked by Korean consumers online.

Certainly, companies need to be very well prepared when they come into the market. They need to have the right local partners. I always advise that they should also not just work with the distributor but consider setting up a sales office to understand the market and their marketing strategy.

The Department for Business and Trade team here has a lot of experience and a lot of connections. It is there to support. Together with that team, we try our best to support British companies in the market here.

Q121 Julie Marson: What about geopolitical risk? Do you see anything on the horizon? Is that something that is on your agenda?

Lucinda Walker: Despite living 40 kilometres from the border, I am not a North Korean specialist. Funnily enough, it is not something that my members are bringing up a lot. There is not a large discussion. It is often the international press that makes more of North Korea-South Korea relations than we see in the market here. On a daily basis, the threat of North Korea is not something that looms large.

Nevertheless, we are between Japan and China. We are near areas of tension with Taiwan. There is some concern about what North Korea will do. It is something that companies need to be aware of and have good advice on. Certainly, cyber is a concern here due to North Korean hackers. That is something that companies need to take seriously. There are probably other areas of the world where geopolitical risk is more of a concern for companies.

Q122 Ian Lavery: Under the current rollover free trade agreement with the UK, why is it that about a quarter of UK exports are not taking advantage of the tariff cuts available?

Lucinda Walker: You are talking about the preferred utilisation rates. Only 76% of UK companies are using the preferential tariffs versus 92% of Korean exporters going to the UK. That is certainly of interest. Unfortunately, I do not have a detailed answer to why that is.

It is interesting that 85% of British companies that export to Korea are SMEs. In the mandate for the Government's FTA negotiations with South Korea, there was a commitment that the Government would better engage with SMEs for accessibility to the FTA. One could assume that, because there are so many SMEs importing, there is a bit of lack of awareness or it is not so accessible for SMEs.

It is not something that my members are bringing to me. They are not saying they are having difficulty with it. There are a couple of members who say they are not eligible for some of the preferential treatment. That might be due to rules of origin. My favourite alcohol exporters are



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bottling in a hub in Singapore. They consolidate and bottle in a hub, which means they lose the right to some of the preferential tariffs because they stop being seen as a UK export at that point. We have a couple of concerns about them, but, yes, it is maybe because so many of the UK exporters are SMEs.

Q123 Ian Lavery: Are the UK Government doing enough to assist exporters to take advantage of the current scheme? Is there more that they could do?

Lucinda Walker: Once the FTA has been negotiated, a really important thing is going to be how the UK Government communicate any changes to the terms of the FTA and the new chapters of the FTA. I would like to see lots of briefings and roadshows. I know the trade commissioner has roadshows planned in the UK, and Korea is going to be part of that. Specifically on the FTA, I would like to see a lot of briefing and information on that. The chamber stands ready to help and to be a part of that.

Q124 Ian Lavery: Do rules of origin have a big impact on exports to South Korea under the current agreement?

Lucinda Walker: I have heard that it has come up for one or two members. A couple of members have concerns about it, where they have a footprint that has been impacted by Brexit. Those are very clearly communicated to the British embassy. The British embassy has been communicating with them during the course of the free trade agreement negotiations and the end of eligibility. I have not heard any additional concerns once they have started having conversations with the British embassy.

Q125 Douglas Chapman: It is good to see you, Lucinda. I am glad it is just 7.30 in Seoul at the moment so we are not getting you up in the middle of the night to come and join us.

I am just thinking about the renegotiation of the trade agreement and the reset of that. As far as your members are concerned, what are the three big things that they want to see within that new agreement? From the chamber's point of view, is there anything that you would be disappointed not to get from the renegotiation?

Lucinda Walker: I would be disappointed if they are not able to start selling whisky online as part of the renegotiation.

Douglas Chapman: Yes, we have got the whisky and beef message very clearly. Thanks very much for that.

Lucinda Walker: We need a really comprehensive digital chapter that looks at how data can be passed cross-border. That would be a priority.

There are some things around labelling. Korea has quite idiosyncratic rules around labelling. For certain products, particularly foods and beverages, the labels have to be printed in Korean. You cannot just put stickers on. That sounds like a small thing, but, if a company that wants



to export into Korea has to start printing labels specifically for Korea, it can make it almost economically impossible. Something around that would be very helpful.

As I mentioned, testing would be another important area for me and for my members.

Q126 Douglas Chapman: Earlier, you highlighted the creative sector and education. Is there anything else that we could be doing more of? Could we make access to the market easier with the new agreement?

Lucinda Walker: Education in Korea is very interesting. There are a limited number of international schools. There are British schools here, but there are a limited number of international schools in total. Most international schools are not permitted to take Korean nationals as students. They can take Korean nationals as students only if they have lived abroad for over three years. That means we do not see so many British international schools here. There are also quite strong rules about taking money out of the country.

It may not be possible to address that under a free trade agreement, but I would certainly like the British Government to talk to the Korean Government about the importance of an international education, the importance of students being able to choose to study overseas and come back to Korea, and the opportunities for British educational organisations to enter the market.

Q127 Douglas Chapman: You mentioned the 18 companies that came out for the trade show. Just to follow on from Ian's point, maybe I missed it, but was that group mostly SMEs or was it the larger companies, the usual suspects that you would expect to be represented at larger trade shows?

Secondly, you mentioned the British Council. That was something that came out clearly during our visit to Seoul. How much store would you put in that cultural presentation of the UK in your market? If there were a recommendation within our report, for example, that said we needed to put more emphasis and energy into that area, would you welcome that? That is probably a bit of a loaded question, but I would appreciate your views.

Lucinda Walker: To the first question with regard to the trade show, yes, there were SMEs there. In fact, one of the companies I met with was quite a new start-up. A variety of companies were part of it.

I do not know specifically whether it did this for that trade show, but the Department of Business and Trade in Korea is increasingly reaching out to companies that are already here in Korea to see whether they can support them as part of trade shows. There is a real variety of companies that are coming out. It is not just the usual suspects; it is SMEs and start-ups as well.



On the second part of your question around the British Council, as you said, it is challenging. When British cultural performing arts organisations come out to Korea, the British organisations that are here should be informed about that in advance. They should have the opportunity to do media around that, to do events at the embassy, to do receptions and to make the most of having this wonderful talent out in Korea.

At the moment, certainly speaking on behalf of the chamber, it sometimes feels like we find out by accident. There is the opportunity to do more around that. Yes, we need greater Government support around performing arts coming out to Korea. Letting us know about the plan would be helpful. The British companies here can then get behind that, support them and invite their clients. It can all be part of celebrating Britain here in Korea.

Douglas Chapman: That is very useful. Thank you.

Q128 **Chair:** It is very useful. I have a couple of final questions, Lucinda, if I may. Korea has a very low birth rate at the moment. What does that tell us about the future potential of Korea as an export market for the UK?

Lucinda Walker: That is such a big question. The birth rate is the million dollar question in Korea at the moment. Increasingly, people are saying that it is an economic question.

What does it tell us? It tells us that Korea is interested in AI. From a defence perspective, there is a concern about Korea not having enough soldiers in national service and so looking for AI solutions.

Korea has a large manufacturing sector. With the declining birth rate, it may also start to look at a more service-based economy or something that is less labour intensive. It is a really interesting question and a tragic dilemma for Korea at the moment.

Q129 **Chair:** You are a chamber and a membership organisation. Most of your revenue comes from your members. We have been looking at export support services and the models that different countries adopt. Some countries put a lot of state funding into export support services like those run by the chamber. Other countries rely purely on membership fees.

Is there a better model than the model you have today or is your current model absolutely perfect? Should we consider supporting exports by putting in public money to organisations like yours, for example?

Lucinda Walker: As you said, the chamber used to have a contract with the UK Government. We were one of the chambers that took that up in the past to provide export support services. Not only did we provide five hours of complimentary service to any British company that came to us, but we would convert that into projects and do additional projects. It was before my time at the chamber, but by all reports it was hugely successful and resulted in strong numbers.



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The chamber is a much smaller organisation than it was when it had that contract. I would like to see that come back. I thought it was effective. The chamber has a really good network. We have a wide variety of members; we are really strongly connected to partners here. Certainly, retail, food and beverage and education are areas we could really do more on and support.

The danger would be that we double up what the Department for Business and Trade is already doing in Korea. If there is already a specialist team in a country, it does not make sense to outsource support to a chamber as well. I would like to see sector-driven support. There is already the expertise, the knowledge and the connections within the embassy for certain sectors, but they cannot support every sector.

The model that would make sense for me would be to support the chamber to support those sectors that the local team here is not already supporting, which the chamber could provide support to instead. That would be a really effective use of public funds. When companies come to us at the moment, we have to charge them all the time. If we had some funding, we could do more.

Chair: That is a really helpful conclusion. I know the clock is against us and it is getting late in Seoul, but we have a minute or two for Anthony Mangnall to ask the last question.

Q130 Anthony Mangnall: If it is all right, I wanted to quickly ask about the last bit of what you were suggesting. Do you have data on all the British businesses operating in Korea that have taken advantage of the Government platform schemes and initiatives to help with exports? We tend to rely on the data we get from the Department, whereas it would be more helpful if we could get data from you guys and what your members are saying in terms of taking the opportunity that is in front of them, if at all.

Lucinda Walker: We certainly have data on our members, the size of our members and initiatives that we have done. We do not have data on stuff that has happened external to us. In fact, the Korean Government have a list of all British-registered companies.

Q131 Anthony Mangnall: I am specifically asking whether some of your businesses, for instance, have benefited from UK Export Finance. What percentage of British businesses would that be? That is what I am trying to ascertain. If you go on to the Department for Business and Trade website at the moment, there are probably about 40 schemes and initiatives that are all designed to try to help growth and export. I am not really sure how many of them are being used.

I am really sorry to add to your workload, but it would be really useful, if that is possible at all, if you could provide us with the data on whether your members have taken advantage of any of those schemes, all of them or some of them just so we have a picture of whether they are



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working.

Lucinda Walker: I do not have that data to hand, but I can certainly ask our members and come back to you on it.

Chair: That is really kind. Lucinda, thank you so much for your evidence today. Thank you once again for being such a great partner for us when we were in Seoul. We really appreciate that. If you have any further reflections after today's session about the recommendations you would like to see in our conclusions to Government, we would love to hear them.

For now, thank you so much for joining us. That concludes this panel.