

# A renewed focus on cooperation

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This month's State Visit by President Park Geun-hye to mark 130 years of diplomatic relations between the United Kingdom and the Republic of Korea comes at a time when trade and investment ties between the two countries are stronger than ever.

The importance of maintaining those ties was highlighted by Foreign Secretary William Hague during a visit to Seoul in October: "This is about making sure our relations are fit for the 21st century, encouraging our cooperation in science, and in culture and in creative industries; making sure we are building on recent increases in trade and investment."

During his visit to Seoul, Mr Hague further emphasised South Korea's importance to the UK economy, noting: "We have set ourselves the target of exporting £1 trillion in British goods and services by 2020. South Korea is critical for us to reach that target, so we must deepen our commercial ties in everything from energy and high technology to education and financial services, working harder than ever before to attract South Korean investment to British shores."

Mr Hague's visit followed Deputy Prime Minister Nick Clegg's in March 2012, when he took advantage of the opportunity to announce that the UK had formally approved the EU Free Trade Agreement that came into effect the previous year. The most comprehensive FTA ever agreed between two parties, the deal will see 97 per cent of tariff barriers between South Korea and the EU eliminated within three years.

"The EU-South Korea Free Trade Agreement is a vital step toward achieving our vision, but we must ensure that we secure the highest possible economic benefit from that agreement. To do that, during President Park's State Visit to Britain she will be launching the UK-South Korea Joint Economic and Trade Committee, so that we can begin tackling the remaining trade barriers and assess how to create the best possible environment for two-way investment," said Mr Hague last month.

Companies from the United Kingdom have worked hard to take advantage of the opening up of the South Korean economy, and UK exports to South Korea have risen 21 per cent since 2003.

Bilateral trade between the two countries was worth £7.7 billion in goods alone in 2012, making Britain South Korea's second-largest European trading partner

after Germany. At the same time, South Korea was the single largest growth market for UK exports last year.

Tesco and Standard Chartered are among the largest foreign investors in South Korea, investing between £2-3 billion each.

Other major UK investors in South Korea include: HSBC, Prudential, Barclays, Fidelity Asset Management, Diageo, Burberry, Unilever, BAT, AMEC, Rolls-Royce, AstraZeneca, GSK, Edwards, Shell and BP.

## South Korea: A high growth market

The United Kingdom Trade and Investment Office (UKTI) has designated South Korea as a high-growth market with significant opportunities in aerospace, the creative industries, and ICT.

In addition, UKTI has identified other opportunities for UK companies in the automotive industry: South Korea has been the world's fifth-largest automotive producer for three consecutive years, with demand for auto supply, component and design companies, particularly in the development of low-carbon and electric vehicles.

One of the largest education markets in the world, South Korea is also a huge market for English-language training, including via e-learning.

South Korea currently imports 96 per cent of its primary energy needs, but is seeking to reduce significantly its dependency on oil and gas imports by generating power from renewable sources. Green Growth policies are creating demand for green technologies, particularly in reducing carbon emissions from industry and buildings.

The EU-South Korea FTA will allow UK law firms access to the South Korean market. There are particular opportunities for asset management companies to work alongside South Korean sovereign wealth funds, including the South Korean National Pension Service (the fourth largest in the world), and the South Korean Investment Corporation.

South Korea is a developed market for healthcare provision, offering niche opportunities in the supply of high-end equipment and telemedicine.

South Korea is also a sophisticated consumer goods market thanks to steadily increasing levels of disposable income. Most major luxury brands are represented, with many rating South Korea as one of their most

profitable markets. Major opportunities exist in fashion, and in food and drink.

### **UK open to Korean businesses**

Meanwhile, more than 200 South Korean companies have already set up in the UK. Furthermore, more than 50 per cent of South Korean investment in the EU in 2010 and 2011 was in the UK.

Many major South Korean companies have chosen to invest in the UK. There are currently around 170 South Korean firms doing business in Britain, with the largest investors being Doosan (which owns Doosan Babcock in Scotland and has offices across the UK), Samsung and LG Electronics (both have their European headquarters and design/R&D facilities located in the UK).

The South Korea National Pension Service, while not yet physically present in the UK, has spent over US\$1 billion on infrastructure assets in the country, including the HSBC Tower in London's Canary Wharf and a stake in Gatwick Airport.

At the forefront of the country's hunt for overseas assets have been state-run companies and public pension funds. State-run Korea National Oil Corp went on a buying spree of oil and gas assets in the US and Europe, buying UK's Dana Petroleum through a \$2.88bn takeover in September 2010.

Over the past two years the National Pension Service, the world's fourth-largest pension fund, has been an active buyer of western properties, snapping up landmark buildings in Europe and the US, including a shopping centre in Paris and a 12 per cent stake in the UK's Gatwick airport. The NPS has set up a \$4bn partnership programme with about 10 large Korean

companies including Posco and Samsung C&T, the conglomerate's construction and trading arm, to tap into overseas investment opportunities, especially in natural resources and energy sectors. Incheon Airport, South Korea's main gateway, is also considering buying a stake in a number of British airports.

South Korea and the United Kingdom's excellent trade relations are mirrored by the two countries' close collaboration on shared diplomatic and political goals. The United Kingdom and South Korea work closely together on the UN Security Council, for example, where South Korea took up its non-permanent seat in January.

Since the last visit to the United Kingdom by a South Korean president, Roh Moo-hyun, in 2004, trade between the United Kingdom and South Korea has increased significantly. During this time, South Korean companies have taken advantage of the United Kingdom's pro-investment climate, while bilateral cooperation has never been stronger and both countries are working together as partners across a wide spectrum of important international fields.

That said, there is still much to be done to increase awareness among British companies about the opportunities in South Korea, which is why initiatives such as Opportunity Korea, organised in conjunction with UKTI are helping overcome this barrier by assisting British businesses to learn about this astonishing country and to consider it as a destination for their products and services.

At the same time, both countries will continue to maintain the highest level of contact, further strengthening their historic relationship as we enter a century where Asia will be the centre of global focus. **■**

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Seoul's Gangnam district is home to many of Korea's leading companies