

<p>Title:</p> <p style="text-align: center;">Impact Assessment New International Data Transfers Adequacy Decision - Republic of Korea</p> <p>IA No: RPC Reference No: RPC-DCMS-5221(1) Lead department or agency: Department for Digital, Culture, Media & Sport Other departments or agencies:</p>	<p style="text-align: center;">Impact Assessment (IA)</p> <p>Date: 11/07/2022</p> <hr/> <p>Stage:Final</p> <hr/> <p>Source of intervention: Domestic</p> <hr/> <p>Type of measure: Secondary</p> <hr/> <p>Contact for enquiries:data-adequacy-queries@dcms.gov.uk</p>
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Summary: Intervention and Options

RPC Opinion:
FIT FOR PURPOSE

Cost of Preferred Option (2019 prices, 2020 present value)

Total Net Present Social Value	Business Net Present Value	Net Cost to Business per Year	Business Impact Target Status
£120.5m	£120.5m	-£10.4m	Qualifying

What is the problem under consideration? Why is government action or intervention necessary?

1. The free flow of data underpins our everyday activities and experiences as well as our modern economies. As a world leader in digital, the UK champions free trade and a rules-based international system. Enabling international data transfers requires the free and secure exchange across borders.
2. The Data Protection Act 2018 (section 17A) gives the Secretary of State the power to specify a country as providing an adequate level of protection for transfers of personal data from the United Kingdom to that country.
3. Data adequacy is a status granted by the UK to countries which provide high standards of protection for personal data. It is the most straightforward mechanism for transferring personal data overseas and can also provide greater certainty and confidence in the regulatory landscape of another country. When a country is found 'adequate', UK-based organisations can transfer personal data to that country without restriction. In practice, this means organisations (of any size) will not be required to put in place contractual safeguards, which come at a cost to organisations (burden).

4. A positive adequacy decision will also involve preserving trust and confidence that all citizens' data rights, when transferring personal data to those countries, will be upheld.
5. There is no way in which the market itself, or any stakeholder(s), would be able to introduce their own country-wide adequacy decision. Whilst it is possible for businesses and organisations to put in place safeguards and contractual mechanisms to allow for the transfer of personal data, achieving the same intended outcome, an adequacy decision will relieve business and organisations of that burden. This will specifically benefit SMEs and the research sector. The policy should reduce transaction costs and information asymmetries due to the practical changes in compliance costs but also through the information signal that a country's data protection is adequate.

What are the policy objectives of the action or intervention and the intended effects?

- a. The primary policy objective is to reduce barriers and burdens (cost and resource) to organisations transferring personal data internationally.
- b. The Government is committed to providing trust and confidence that all citizens' data rights are upheld when personal data is transferred to other countries.
- c. To significantly increase the number of 'adequate' countries, via robust assessments, to which organisations and Government can transfer personal data.
- d. Promote global interoperability of data protection frameworks to offset the risk of deeper global fragmentation on data issues.
- e. Proactively influence the global narrative on international data transfers.

Signed by the responsible:

Rob Fontana-
Reval

Date: 01/08/2022

1.0 Policy Rationale

Introduction

6. It was agreed that following the submission and RPC approval of the Rest of the World Adequacy Umbrella Impact Assessment, 'individual country IAs' would be submitted in each case as necessary.
7. Not all individual country assessments will meet the threshold necessary for submission of an IA to the RPC as some will result in impacts below the de minimis threshold and will be subject to proportionate analysis within the department. Countries are being assessed in a priority order that means the majority of the total benefits relate to a relatively small number of larger economies that will be assessed first.
8. An assessment of the Republic of Korea (RoK)'s relevant legal framework and practice bound by the Personal Information Protection Act (PIPA) is coming to a conclusion, following which a recommendation will be made to the Secretary of State to grant adequacy. Regulations will then be laid in accordance with section 17A of the Data Protection Act 2018.
9. The recommendation to grant adequacy makes clear that the RoK's standards are sufficiently high to allow UK personal data to be sent safely without additional compliance activities reducing

burdens on UK businesses to undertake activities to ensure data is protected on a case-by-case basis.

10. This IA estimates the benefits for UK organisations following a positive adequacy decision for RoK. These benefits are the reduction in compliance costs from putting in place standard data protection clauses, such as the International Data Transfer Agreements (IDTA) and EU Standard Contractual Clauses (SCCs) that were incorporated into UK law by way of transitional provisions¹, and an estimate of the potential indirect increase in trade as a result. Wider impacts, qualitative benefits and costs are also explored. Small familiarisation costs are estimated which represent the wage costs of reading any new guidance on what businesses no longer need to do.
11. A full discussion of the methodology of estimation is detailed below.

Data Adequacy

12. Data adequacy is a status granted by the UK to countries or jurisdictions which provide high standards of protection for personal data. It is the most straightforward mechanism for transferring personal data and can also provide greater certainty and confidence in the regulatory landscape of another country. When a country is found 'adequate', UK-based organisations can transfer personal data to that country without restrictions or safeguards.
13. The UK government has prioritised a number of countries for initial assessments of their adequacy; **Australia, Colombia, Dubai International Financial Centre, Republic of Korea, Singapore** and the **United States of America**. Longer term priority partners are: **Brazil, India, Indonesia, and Kenya**.

Legislation

14. Following the end of the Transition Period of the UK Exit from the European Union on 31 December 2020, sections 17A of the Data Protection Act 2018 conferred powers on the Secretary of State to make UK Data Adequacy Regulations, in relation to general processing of personal data.
15. This legislation empowers the Secretary of State to assess countries (in part or in full) and territories or sectors within countries for adequacy, with the Home Secretary responsible for decisions on law enforcement. Sectoral adequacy decisions may be important if country-wide adequacy is not appropriate.
16. Once the Secretary of State considers that a country ensures an adequate level of protection of personal data, having taken into account the elements set out in Article 45(2) of the UK GDPR, , the Secretary of State may make regulations to specify a country as providing an adequate level of protection and lay these in Parliament. Once laid in Parliament, the UK Adequacy Regulations are subject to the 'negative resolution' procedure.

¹ From 21 March 2022, the ICO's IDTA took effect as a replacement for the EU SCCs. Transitional Provisions also entered into force on 21 March 2022, disappling Paragraph 7 of Part 3 in Schedule 21 of the Data Protection Act 2018, to the extent necessary to give effect to the following: Contracts concluded on or before 21 September 2022 on the basis of any Transitional Standard Clauses shall continue to provide appropriate safeguards for the purpose of Article 46(1) of the UK GDPR until 21 March 2024, provided that the processing operations that are the subject matter of the contract remain unchanged and reliance on those clauses ensures that the transfer of personal data is subject to appropriate safeguards. For the purposes of this analysis, the old SCCs and the IDTAs are treated as equivalent in terms of how they function and how much they cost to implement. The evidence base underpinning the analysis is based on evidence regarding the old SCCs. DCMS is currently undertaking an evaluation of the change to verify this assumption.

2.0 Assessment

17. The UK's test for adequacy ensures the level of protection under the UK GDPR is not undermined. To determine this, the overall effect of a third country's data protection laws is considered, including implementation, enforcement, and supervision.
18. When understanding how a third country protects personal data the following factors - amongst other things - are taken into account:
 - a. The rule of law, respect for human rights and fundamental freedoms;
 - b. The existence and effective functioning of an independent regulator; and
 - c. Relevant international commitments.
19. A respectful and considerate approach is taken, noting that necessary and proportionate interference with the right to privacy can be justified in order to protect the public and is compatible with high standards of privacy.

The procedure

20. **Gatekeeping**: consideration of whether to commence an adequacy assessment in regards to a country, by reference to policy factors reflecting UK interests, trade and diplomatic relationship between the UK and the third country. This is alongside an initial, high-level overview of the data protection rules in the third country and the existence of bodies that independently oversee compliance.
21. **Assessment**: collection of evidence and analysis through technical meetings with a country or jurisdiction relating to the level of data protection both in legislation and in practice.

Assessment

RoK's Data Protection Framework

22. The Republic of Korea has a general and comprehensive data protection statute, the **Personal Information Protection Act ("PIPA")**. The PIPA is supplemented by the Enforcement Decree of The Personal Information Protection Act ("PIPA Enforcement Decree"), which provides guidance on the interpretation of PIPA. The PIPA applies to anyone who processes personal data in the Republic of Korea, except for certain processing activities.
23. The Supplementary Rules (Notifications), adopted by the Personal Information Protection Commission ("the PIPC") provides further obligations and guidance on the interpretation and application of the PIPA; and are legally binding.
24. In addition to the PIPA, the Credit Information Use and Protection of Act ("the CIA") and the Enforcement Decree of the Credit Information Use and Protection Act ("CIA Enforcement Decree") apply to specific organisations in the financial sector when they process personal credit information.

Why the RoK was prioritised

25. A UK adequacy decision for the Republic of Korea would support bilateral cooperation on digital and tech issues and benefit UK organisations with a Korean presence.

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26. Given the value of current data-dependent trade between the UK and Korea is worth £1.8 billion annually, adequacy regulations and robust trade commitments would enable a stable environment for future data flows, and reduce barriers to trade between the two countries. Adequacy regulations for the RoK will assist the UK in realising its ambitions set out publicly to be a more pragmatic and business-friendly data partner to key like-minded countries.
27. The RoK operates a comprehensive data protection framework that has many parallels with the principles and rights contained in the DPA 2018 and UK GDPR. Further reforms last year have strengthened protections for personal data transferred to RoK.
28. The UK and RoK have built a strong digital partnership through a number of relevant senior bilateral/multilateral dialogues. Further collaboration through data flows would enhance this partnership.
29. The RoK has a highly developed and profitable financial services sector including the third largest insurance and banking markets in Asia. The stability of the banking sector is underpinned by strong fundamentals and active regulation. There are already 200 South Korean companies with a presence in the UK, and 15 listed on the London Stock Exchange².

The assessment process

30. Officials worked with external UK based and in-country legal counsel to collect and analyse information relating to the RoK's data protection framework, among other things.
31. Substantive technical adequacy talks have been underway since September 2021 and have now concluded. DCMS has been engaging with the PIPC to undertake a technical assessment of RoK's data protection laws and practices, among other things.
32. The assessment has been made based on the evidence, reassurances and analysis conducted by the DCMS assessment team and PIPC and the Financial Services Commission (FSC), accompanied by external legal advice.
33. After collecting all the relevant information, DCMS assessors have conducted an internal analysis of the data laws and practices that underpin RoK's Data Protection Legislation, working in tandem with DCMS Legal, external legal counsel and the Information Commissioner's Office.

Assessment findings

34. That PIPA provides for an adequate level of protection of personal data for data transferred on the basis of that adequacy decision, taking into account the factors listed in Section 17A Data Protection Act 2018.

Assessment recommendation

35. That the DCMS Secretary of State should lay regulations in Parliament that specifies RoK as adequate.

Anything else that may be relevant in relation to the Assessment

36. The Regulations permit all transfers to persons subject to the PIPA. This includes transfers to persons in the Republic of Korea who may also be subject to the CIA in relation to personal credit information.

² <https://bcck.or.kr/bcck/sectors/finance/>

3.0 Problem under consideration

37. Through adequacy the UK makes the case for removing unnecessary barriers to personal data flows. The UK currently does not have adequacy regulations in place for the Republic of Korea (RoK).
38. In absence of adequacy, businesses are required to put in safeguards and undertake compliance activities that add compliance and legal costs to data sharing and trading. If the regulatory costs are greater than potential profits, businesses will choose not to trade. These barriers may lead to unnecessary costs to trade, reducing the volume as well as number of traders with the RoK.
39. Assessment of business-level productivity data in the UK shows that even when differences in business characteristics are accounted for, businesses trading internationally have higher productivity than those that do not. Trade liberalisation can boost productivity of businesses that currently do not export as well as increase productivity of those that currently do³. This may indicate that cost barriers to trade are restricting businesses, especially the smallest in productivity growth⁴.
40. When costs are prohibitive, businesses may choose not to send data internationally. Similarly, the uncertainty and complexities of engaging with legal tools could therefore be seen as a non-tariff barrier to trade, and detrimental to businesses' productivity especially the smallest businesses who may be disproportionately affected by legal and compliance costs.
41. The RoK is ranked as a priority country to achieve adequacy with the UK. In 2020, the UK's exports to the RoK totaled £7.2bn, making up 1% of the UK's total exports. The UK exported £2.4bn worth of services in 2021, 73% (£1.6bn) of which is estimated to be data-enabled. This figure has been relatively consistent since 2016, despite overall exports growing over this time period. This highlights the importance for the frictionless exchange of data between the UK and the RoK, as this could stimulate growth in the trade of services between the economies. The UK's exports to the RoK with the highest trade value are Other Business Services (£681m) and Financial Services (£489m), both data-enabled sectors.
42. On December 17th 2021, The European Commission found the RoK's data protection level to be adequate under GDPR. As the UK and the EU have adequacy, this is a strong indicator that the RoK will hold robust enough data protection levels for the UK. If the UK fails to find the RoK adequate, this could risk a decline in trade with the RoK, as the RoK possesses a free trade agreement with the EU as well as with the UK, and thus the EU could be seen as more competitive than the UK.

4.0 Description of options considered

43. In this IA, two options are considered:
 - **Option 0 - Do-nothing:** data transfers between the UK and third countries require alternative transfer mechanisms, namely International Data Transfer Agreements (IDTA) (formerly EU Standard Contractual Clauses, EU SCCs), before restricted data transfers are permitted. To

³ See [Melitz and Redding \(2021\)](#) for a recent discussion on the interaction of trade, productivity, innovation and competition.

⁴ [Business-level labour productivity measures from the Annual Business Survey, UK: 1998 to 2019, ONS 2022](#)

enable certain types of trade, data transfer is required which involves time and legal costs. Some businesses currently cannot trade as compliance costs are higher than the potential profits made from trade. Not to include adequacy under regulations would continue to expose businesses and organisations to the costs of alternative transfer mechanisms and prohibit smaller businesses from exploring opportunities overseas.

- **Option 1 - Grant adequacy status:** adequacy regulations reduce the requirement for alternative transfer mechanisms such as IDTAs, thereby removing barriers to transfer personal data to RoK.

5.0 Cost & Benefits

Summary

44. The assessment follows Green Book principles. A net present value for the case of the UK granting the RoK data adequacy has been converted to 2019 prices and 2020 present value with a 10-year appraisal period and 3.5% discount rate. The best estimate having a total net present social value of £120.5m with a sensitivity range of between £114.8m and £154.7m.
45. It is estimated that 7,107 businesses are directly impacted by the change with the 93% of the impacted businesses being small or micro. Not estimated is the number of businesses impacted indirectly by the reduction of non-tariff trade barriers.
46. The estimate of the benefits comprises two elements:
 - a. The removal of the cost to businesses of implementing standard data protection clauses.
 - b. The realisation of additional revenue that is currently suppressed due to this cost acting as a non-tariff barrier.
47. The estimate of the monetised cost consists of small familiarisation costs to businesses from understanding what requirements adequacy removes.
48. The standard data protection clause costs in the quantitative benefits section of this impact assessment relies on a method based on the proportion of total data-dependent trade the RoK is responsible for apportioned to the estimates calculated in the Umbrella Rest of the World (RoW) Adequacy IA. The UK Business Data Survey (UKBDS) has not been used in the calculations due to the sample sizes being too small for robust analysis using this data source.
49. The focus of the analysis is UK businesses that either send or receive data to RoK businesses as well as those UK businesses who are currently dissuaded from trading with the RoK due to the compliance barriers. Trade benefits estimate the amount of trade that is currently suppressed due to compliance and legal costs (from the requirement of standard data protection clauses). One aim of the policy is to increase the number of businesses that trade with the RoK with the lowering of trading costs.
50. The total annual costs of standard data protection clauses put in place by UK firms for the specific purpose of sending data to the RoK has been estimated. The removal of standard data protection clauses in the case of the RoK adequacy will free up this cost for UK-RoK traders, allowing firms to allocate their financial resources elsewhere, such as expansion or research and development.
51. A 5-year contract cycle is assumed for standard data protection clauses as calculated in the Umbrella IA. It is assumed that every 5 years, businesses will need to replace the standard data protection clauses they have in place either through needing to update contracts to keep them

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relevant or to put in place for new and changing business relationships. Any current standard data protection clauses are assumed to be sunk costs and would have eventually been replaced in the future. As a result, the annual standard data protection clause impact is constant in each year (undiscounted) representing the counterfactual in which a fifth of standard data protection clauses would have been replaced in each year.

52. Given uncertainty in underlying parameters and survey evidence, sensitivity analysis is undertaken and ranges are presented. One specific issue is that survey evidence is from before or during the UK's exit from the EU in early 2020. However, we do not believe the data-dependency of UK exporters for rest-of-world countries will necessarily change because of EU exit which is the main parameter of interest as evidence is based on rest-of-world evidence. Similarly, data-enabled trade is similar across both the EU and rest-of-world (84% vs 86%) indicating changing trade patterns likely have not affected the overall data-dependency of rest-of-world traders especially in the short to medium term.
53. Similarly, it is likely COVID has increased the data-dependency of trade, meaning results may be conservative. Latest trade data is used to reflect the changes in the UK's trading relationships. RoK-specific estimates of data-dependence are slightly higher than the rest-of-world average at 15%.⁵
54. Reducing frictional costs to trade to the UK first by removing standard data protection clause costs will bolster trade between the UK and the RoK. The standard data protection clause costs have been calculated to suppress an estimated amount of potential trade between UK-RoK firms. With the removal of standard data protection clauses, trade becomes less costly.

Table 1: Data adequacy model results summary (£m)

Impact	Best	Low	High
Benefits			
Removal of standard data protection clause costs	£11.0m	£11.0m	£12.4m
Trade Suppression, annual	£3.8m	£3.1m	£6.6m
Total Benefits	£14.8m	£14.1m	£19.0m
<u>Costs</u>			
Familiarisation Cost, one-off	£0.021m	£0.021m	£0.023m

⁵ For the best and low standard data protection clause benefit and familiarisation cost estimates 15% data-dependency is assumed alongside higher data-dependencies where country-specific parameters exist such as the 18% used for the US. Perversely, assuming a low data-dependency across all countries of 14% increases the estimate for the RoK as the US is such a large proportion of total data-dependent trade.

55. The combined benefits of reduction in standard data protection clause costs (£11.0m) and increases in export trade (£3.8m) gives an estimated total annual benefit to UK businesses of £14.8 million.
56. A small familiarisation cost would incur on businesses, as they familiarise themselves with the new lack of requirements. This cost has been modelled as a small change in guidance. These costs have been estimated as a one-off cost of £0.021m (or £21,000). No other quantitative costs have been estimated.

Monetised Costs

Familiarisation Costs (Direct Cost)

57. With the granting of adequacy, a cost would be incurred by UK businesses establishing what they no longer need to do. This is measured in administration costs. We assume that the guidance would be at a similar level of reading difficulty to the ICO's data sharing code, and therefore have used a similar Flesch reading ease score of 40, which corresponds to a reading speed of 9 pages per hour. The wage assumptions vary by business size reflected that small and medium-sized enterprises senior officials would read the guidance rather than data protection officers and that micro-sized businesses do not have dedicated resources so wage costs are lower. All wage estimates are uplifted by 22% for non-wage labour costs. The hourly unit cost of this work was estimated to be £26.85 using median hourly occupational earnings estimates from ASHE.⁶ For micro-sized firms (zero employee firms) we have updated our wage assumptions by applying median annual earning estimates of the self-employed from DWP's Family Resources Survey and estimating the hourly unit cost of this work at £11.20.⁷ The self-employed wage assumption is used as a simplification to reflect the average wage of a micro-sized firm with zero employees. We have assumed 2 pages of new guidance.
58. The quantified familiarisation cost has been estimated at around £0.021m or £21,000.

Non-Monetised Costs

Other Familiarisation

59. The assumption regarding monetised familiarisation costs is that a single responsible employee in a business reads up on the new requirements. There may be other dissemination and training costs. Similarly, the majority of affected businesses are small and micro businesses so a single individual is likely fully responsible for data transfers within that business. While the individual responsible will likely fully familiarise themselves with the implications of the regulatory change, as the change is both a removal of requirements and simple to communicate, we expect any additional training and dissemination costs to be negligible. These potential costs have not been monetised.

Costs to Government

60. There are small costs to the government and the regulator in putting in place secondary legislation and drafting guidance. These have not been quantified but include the wage costs of

⁶ ONS Annual Survey of Hours and Earnings ([2021](#))

⁷ DWP Family Resources Survey ([2020](#))

policy officials, analysts and legal professionals. A significant portion of these costs are already sunk.

Security

61. There is a balance between trade openness and security that has not been extensively researched and is the subject of continued discussion amongst data protection and privacy experts. Most analysis available focuses on the issues around free trade benefits and the impact of protectionist policies more broadly, rather than the tradeoff of “data openness” and security specifically. The gatekeeping and assessment process encompasses this in part through an assessment of data protection law and regulatory power.

Online Privacy

62. Additional transfer of data may lead to increased risk of online harms and loss of privacy. The assessment process accounts for both data protection laws in countries but also the effectiveness of enforcement such as the presence of a regulator. The purpose of undertaking a technical adequacy assessment is to ensure that the level of protection under the UK GDPR is not undermined when data is transferred to the RoK. Therefore, risks are mitigated.

Monetised Benefits

Standard Data Protection Clause Benefits (Direct Benefit)

63. As the number of data-dependent UK businesses is a small part of the business population, it is difficult to sample these businesses in more detail through the DCMS’ UKBDS. As a result, an alternative method is used to estimate the standard data protection clause benefits.
64. Using the total standard data protection clause benefits estimated in the RoW Adequacy Umbrella IA, we apportion based on the amount of data-dependent trade attributed to the RoK as a proportion of all data-dependent trade within the list of countries possible for adequacy. A YouGov Survey, commissioned by DCMS, conducted in 2019, provided an estimate of the percentage of UK-RoK exporters who are data-dependent. The calculated data dependency rate was 15%. The figures from this survey are marginally higher than the 14% found in the International Transfer Tools Survey used in the Umbrella IA. We apply the 14% data dependency figure used in the Umbrella IA for all other countries to estimate their data-dependent trade. Trade data used is the latest ONS release.⁸
65. UK-RoK exports are worth £8.5bn of which 15% is data dependent or £1.3bn. RoK data-dependent trade makes up about 3.3% of the total data-dependent trade within the possible adequacy country list. This ratio is applied to the top-down figure calculated in the RoW Adequacy Umbrella IA of £336.2m.⁹ As a result, the alternative standard data protection clause cost estimate is calculated at £11.0m.

⁸ <https://www.ons.gov.uk/businessindustryandtrade/internationaltrade/datasets/ukttotaltradeallcountriesnonseasonallyadjusted>

⁹ See RoW Adequacy Umbrella IA for full details of methodology. The estimate differs from the original £360m estimate in the RoW Adequacy Umbrella IA as Business Population Estimates, ONS trade data, adequacy list and country-specific data-dependencies (where available) have been updated to the latest available. 2021 Business Population Estimates show a decline in the smallest registered businesses. DCMS analysts will continue to update underlying data as individual country IAs are produced.

$$\text{Data-Dependency \%} \times \text{RoK Trade} = \text{Data-Dependent RoK Trade}$$

$$\text{Data-Dependency \%} \times \text{Trade for RoW Adequate Countries} = \text{Total Data-Dependent Trade}$$

Export Revenue Gain (Suppressed Trade) (Indirect Benefit)

66. To estimate the export revenue gain, the *UK Business Impacts Model*¹⁰ is used, which is used to estimate the value of EU Adequacy. This assessment does not consider this impact in its scope but uses assumptions, such as the standard data protection clause costs derived for that analysis, and uses the outputs, such as the estimated trade suppression ratio, to support this analysis.
67. A ratio of 0.3% was estimated as the direct amount of suppressed trade within that model and is applied here. It should be noted that the underlying analysis in the UK Business Impacts Model does not cover the smallest businesses who may benefit most as standard data protection clause costs may proportionally be a more significant cost to these businesses. As a result, this ratio and the estimated benefits may be conservative.
68. To estimate the second benefit, the inverse of this suppression factor is applied to the value of current data-dependent RoK exports, on the assumption that trade is already suppressed in the same manner. Therefore, the following formula is applied to the export value. This formula 'inflates' the current export value up to 100% from its presumably suppressed value, and takes the difference between that and the suppressed value.

$$d \frac{1}{1 - s} - d$$

where:

Data-dependent RoK exports¹¹, $d = \text{£}8.5\text{bn} * 14.8\% = \text{£}1.3\text{bn}$

The data-dependency value of 14.8% is taken from the YouGov Data Dependency Survey.¹²

Suppression factor, $s = 0.0030$ (high=0.005; low=0.0026)

69. As a result, we estimate a trade suppression on exports to the RoK of £3.8m.
70. The number of businesses affected is not estimated as it is an indirect benefit. A combination of both those that currently trade and expand as well as those currently dissuaded from exporting at all are in the affected businesses.

¹⁰ The UK Business Impacts Model has been independently quality assured three times: when it was first completed in early 2019, after being updated toward the end of 2019 and most recently following updates made for the final Data Reform IA analysis. The final results have been used in numerous papers and submissions, including the published Data Reform IA pre-consultation analysis.

¹¹ Services from [UK trade in services: all countries, non-seasonally adjusted](#) and goods from [Trade in goods: all countries, seasonally adjusted](#), for 2020.

¹² The data-dependency percentages, i.e. the proportion of businesses, by sector and size category, that depend on transfers of personal data for their important primary or secondary business functions, are taken from analysis of survey data and are considered to be statistically robust.

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71. The low scenario uses a lower assumed data-dependency of 14% from the Rest-of-World average from the International Transfer Tools Survey to account for parameter uncertainty as well as a lower trade suppression ratio. The high scenario assumes a higher suppression ratio of 0.5%.
72. A range of ratios is estimated to account for uncertainty from the UK Business Impacts Model. These are used to produce a range of export revenue increase figures. Table 2 below presents the range of estimates from £3.1m to £6.6m.

Table 2: UK Export Revenue Increases

Scenario	Best	Low	High
Assumptions			
Trade Suppression Ratio	0.3%	0.03%	0.5%
Assumed Data-Dependency	15%	14%	15%
Export Benefits			
Benefit	£3.8m	£3.1m	£6.6m

Total Benefits

73. Combining the suppressed trade with the upper and lower bound standard data protection clause costs estimates, UK businesses could see an annual impact of £14.8m in the best scenario. The sensitivity testing indicates a range of £14.1m and £19.0m.

Non-Monetised Benefits

Indirect Supplier Benefits

74. Other, strictly domestic businesses utilise services crucial to their business from businesses that rely on cross-border transfers. There may be additional indirect benefits for businesses who do not undertake cross-border transfers in terms of productivity as services improve due to easier cross-border transfers of data. One example may be research and development benefits from sharing data internationally that lead to the development of a service. The strictly domestic business then uses the improved service that leads to an improvement in productivity.

Import Benefits

75. Due to the need for detailed survey data to estimate the benefits, the focus of the trade suppression benefits is exports. However, we would also expect an increase in imports as UK importers would similarly benefit from free flow of data with the RoK. With greater access to international data and cooperation with trading partners in the RoK, UK importers will have easier access to data potentially allowing firms to cut costs and expand trade with the RoK. The gravity modelling explored in the trade section below estimates the medium-term impact on imports indicating a potential increase larger than the export benefits.

Adequacy Reciprocation

76. Adequacy decisions are unilateral. Some countries have mechanisms to reciprocate and make the UK similarly adequate. If the Republic of Korea were to reciprocate through an adequacy decision, the benefits have not been calculated.
77. The RoK has had adequacy with the EU since December 2021. An adequacy decision with the RoK could ease onward trade within the wider set of adequate jurisdictions leading to added supply chain benefits.

Free Trade Agreement

78. In 2024 the UK and the RoK will have a joint review of their mutual duty drawbacks from the 2019 Free Trade Agreement. With the review in 2024, a unilateral or bi-lateral adequacy agreement will bolster diplomatic and business relations, which would be a more favourable scenario for negotiating pullbacks on quotas on highly data dependent goods and services. This will likely be more beneficial to the UK, as telecommunications and financial services are highly data dependent and contribute significant proportions to the UK economy.

Net Present Value

79. The net present value for the UK granting the RoK data adequacy has been calculated using 2022 prices and 2023 as its present value (when benefits/costs begin) with a 10-year appraisal period and 3.5% discount rate with an assumed background 3% of business growth. The net present value calculator has been set to estimate the value of this policy over the next 10 years. The impact has been converted to 2019 prices and 2020 present value with a best estimate of having a total net present social value of £120.5m. The calculation gave a low estimate of £114.8m and a high estimate of £154.7m.
80. Standard data protection clause benefits and familiarisation costs are a direct business impact. Trade suppression benefits are an indirect business cost.
81. The net direct cost to business per year is estimated at -£10.4m with a BIT score of -£52.0m.
82. The familiarisation cost to businesses has a best, low and high estimate of -£0.019m, -£0.019m and -£0.023m respectively. These direct costs to businesses are the same as the initial estimates, as they are one-off transition costs.

6.0 Wider Impacts:

Small and Micro Business Assessment

83. The sample sizes from underlying surveys do not allow disaggregated results. However, the standard data protection clause benefits can be disaggregated by business size. Trade data and suppression ratios are not disaggregated enough to robustly break down the trade impacts.
84. There are no exceptions based on business size of needing to use standard data protection clauses when sending personal data to the RoK.
85. The proportion of UK businesses that are traders and send or receive data from the RoK by business size is calculated from the YouGov Survey. We apply these percentages to the total standard data protection clause benefits calculated above.

Table 3: Small and Micro Business Assessment

Small and Micro Business Assessment	0	Micro (1 to 9)	Small (10 to 49)	Medium-sized (50 to 249)	Large (250+)	Total
Affected Business, Best Estimate	2155	3524	937	311	180	7107
Standard Data Protection Clause Benefits, Best Estimate	3.3	5.5	1.5	0.5	0.3	11.0
Familiarisation Costs, Best Estimate	6263	10242	2723	903	522	20,652
Percentage of Benefits	30.3%	49.6%	13.2%	4.4%	2.5%	100%

86. The number of affected businesses by the removal of needing to place standard data protection clauses for RoK data transfers is estimated at 7,107 in total. Each business benefits from an average £1771 standard data protection clause benefit and incurs a very small £3 familiarisation cost.
87. The table above indicates the majority of the benefits fall on the smallest businesses with the vast majority (93%) falling on small and micro businesses.

Competition

88. Securing and enhancing inbound and outbound flows of data between the UK and the RoK, through seeking reciprocal arrangements for the transfer of data will bring new opportunities for innovation, collaboration and trade, especially in data-intensive sectors like high-value manufacturing, scientific research, financial services, and artificial intelligence. The greatest benefits of international data flows will be realised when data can flow freely and securely in both directions.
89. The policy should increase the number of UK-based exporters to the RoK as well as increase overall trade with the RoK increasing competition in relevant markets.
90. Currently an imperfect information problem exists in which businesses have to undertake compliance activities to ensure data protection of recipients of UK data is of sufficient quality on a case by case basis. Businesses might lack the required information needed about their business partners and are unable, or unequipped, to observe and understand their data practices in detail. This problem compounds when data might not be the primary focus of one of the businesses in any transaction but merely its enabler, creating large additional costs to build expertise and do these evaluations. This is a particular problem for smaller firms that might lack the resources and the data processing frameworks that larger firms often have in place, raising further barriers to trade. By awarding adequacy, the government and regulators are reducing this asymmetry by assessing the RoK more generally, reducing the burden on businesses.

Equalities

91. As part of the gatekeeping and assessment process, adequacy assessments take into account, amongst other things, the rule of law, respect for human rights and fundamental freedoms, and the existence and effective functioning of a regulator in the third country.

92. No additional assessment of the policy's impact on protected characteristics has been undertaken as impacts are mostly on businesses with no disproportionate impact on those with protected characteristics initially identified.

Trade

93. As described above, the measure will increase exports as currently a proportion of trade is suppressed due to the barrier that using standard data protection clauses creates. The impact is likely to impact the smallest businesses the most. As a result, we would expect a more competitive market as businesses enter the market. Due to the methodology of the trade suppression benefits, only impacts on exports have been estimated. There would also be an impact on imports.
94. DCMS have used a gravity modelling approach to estimate the medium-term impact of trade of awarding priority countries adequacy. The analysis was originally produced for the Data Protection and Digital Information (DPDI) Bill IA and full details of the modelling can be found in the Gravity Modelling Annex published alongside. Full detail of the underlying model can be found in DIT's published Services Trade Modelling Working Paper.¹³ DCMS analysis found an impact of £7.4m to £12.1m depending on the level of reciprocation by priority partners. Similarly, imports could increase by even more of between £27.1m to £27.5m. The main affected sectors are financial services, other business services and transport. These results are not presented in the NPV as the impact is uncertain in regards to timing. These trade impacts are larger but not dissimilar to the impacts found above as the macro approach captures indirect effects from liberalising trade policy opposed to the more direct micro approach calculated above.

7.0 Monitoring and Evaluation Plan:

95. We will carry out proportionate monitoring and evaluation activities throughout the next 3-5 years to determine whether the impacts identified in the IA have materialised and what drivers have contributed or limited these. An evaluation report will be produced with the findings of this analysis within 3-5 years of implementation. The evaluation will be led by DCMS analysts. The survey will be undertaken assessing the programme as a whole with, where possible, identifying specific country effects.
96. The methodology for this will include:
- a. Quantitative and qualitative surveys and interviews of businesses, using research instruments designed and commissioned for this evaluation or in parallel with other research projects.
 - b. Other survey evidence from existing sources, to track metrics which indicate relevant factors.
97. A survey will be undertaken on the UK business population identifying those that currently use digitised data, and trade with the RoK. It may not be possible to identify enough businesses robustly as only just over 7000 businesses in the UK business population are estimated to be directly affected by this measure. As a result, findings may have to be presented as the RoK's

¹³ [Services trade modelling Working Paper](#), DIT 2021

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contribution to the overall programme if not possible to proportionately sample enough businesses.

98. UK businesses will likely answer questions on:
 - a. Whether they are aware of the changes in requirements.
 - b. Whether familiarisation or other costs have been incurred as a result of the changes.
 - c. What benefits they see resulting from the changes.
 - d. Whether they think the adequacy decisions contribute to their trade in that country.
99. We will commission another survey in a few years (likely 2025) to track changes in this type of business. A set of detailed qualitative business interviews will also be undertaken to undertake a process evaluation (how the policy is implemented). We will likely use the quantitative survey above to find companies to interview.
100. DCMS aims to continue conducting the UKBDS. This provides nationally representative figures for many key assumptions in this IA, including:
 - a. The proportion of businesses sharing data internationally.
 - b. Which countries that data is being shared with.
 - c. The size of these businesses.
 - d. The legal mechanisms these organisations use to share the data.
101. The analysis comes with the caveat that there may be other influences on changes in those activities. It is unlikely that causal impacts of the policy change will be directly estimated given the underlying drivers of changing trade with the RoK such as EU exit and continued underlying growth in data-enabled and data-dependent trade.
102. The monitoring and evaluation should make it possible to further refine this analysis including underlying parameters.
103. The relief of suppressed trade to the RoK will be evaluated by monitoring the UK's annual exports figures the RoK following the implementation of RoK adequacy. Indicators used to evaluate the relevant changes will be:
 - a. Total increase in value of exports to the RoK.
 - b. Changes in the proportion of data enabled and data dependent goods and services being traded.
 - c. The change in value of data enabled and data dependent exports.
104. These bespoke surveys and interviews will be complemented by reviewing and analysing changes in third-party academic and grey literature, which will provide context on the success of the policy.