On Jan. 9, the Korea Trade-Investment Promotion Agency (KOTRA) hosted the 2018 Global Market Entry Seminar at InterContinental COEX Seoul. In the midst of growing protectionism, China’s “new normal” of slower growth and diversifying export markets, the event helped domestic companies find ways to expand their business operations overseas.

In particular, KOTRA emphasized that Korean businesses need to closely monitor the renegotiation of the Korea-U.S. FTA and the expansion of the Korea-China FTA to include services and investment. The seminar speakers also pointed out that it is essential to expand market entry into emerging economies including ASEAN, India and Central and South America.

Managing G2-related risks

The 2018 Global Market Entry Seminar highlighted the importance of considering two factors in devising strategies to enter the American market: the renegotiation of the Korea-U.S. FTA and President Trump’s ‘America First’ policy. In particular, Korean firms learned that they can avert protectionist measures by establishing corporations or manufacturing plants in the United States and participating in strategic M&As. They also were advised to take preemptive responses to the steel-making and chemicals sectors where the U.S. government and businesses are joining hands to ratchet up anti-dumping measures.

Thanks to eased tensions over the THAAD deployment, meanwhile, Korea and China are expected to maintain amicable trade relations this year. However, multiple challenges need to be addressed, including China lowering its growth target to 6.5 percent and tougher environmental policies which will likely reduce Korea’s exports of intermediate goods such as semiconductor and electronic parts. Another challenge is China’s push for the Manufacturing 2025 plan, in a bid to boost domestic production of parts and components and enhance technological capacity. While rising domestic demand in China will create plenty of new market opportunities in the e-commerce, elderly care and environment industries, companies need to thoroughly examine risks regarding customs, certification and environmental compliance.

A diversifying market

ASEAN and India, which are at the center of Korea’s New Eastern Policy, are expected to achieve economic growth of 5.2 percent and 7.4 percent, respectively. Such a remarkable growth is attributed to rapid urbanization as well as the growth of middle-class families. While their value as an alternative market to the United States and China will grow even more in 2018, Korean companies have yet to fully utilize the Korea-ASEAN FTA. Against this backdrop, KOTRA advised Korean firms to take full advantage of the country’s FTA network and sharpen their price competitiveness.

Economic recovery is also expected to continue in Russia and the CIS region, which are the focus of Korea’s New Northern Policy. Korean firms planning to enter this market need to respond to increasing large-scale retail chains in the region and the growing online retail market. Businesses can expand their investment portfolio by leveraging investment incentives provided in Russia’s TASED (Territories of Advanced Social and Economic Development) and free ports and receive assistance from KOTRA’s Korean Investor Support Center in Vladivostok.