

INTERVIEW

**Interview with Young Kyung Ko:
Venture Partner at The Invention Lab**

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Young Kyung Ko is a researcher, professor, and financial expert. She is currently a Venture Partner at The Invention Lab and Co-General Partner at SEA Next Unicorn Private Investment Fund. As a professor, Ko is affiliated with several academic institutions in South Korea, including the ASEAN Center, Korea University Asiatic Research Institute, and Jeonbuk National University Institute for Southeast Asian Studies. She obtained her Master's in Area Studies from Yonsei University and Ph.D. in Finance from Korea University. Ko has authored several books and made significant contributions to other books in the fields of business and finance. She is also a regular contributor to two major business publications, Chosun Economy and FORTUNE Korea, and has been featured in prominent YouTube channels such as 3PRO TV. Her latest book titled 7UPs in Asia, Business Cases and Growth Strategies in India and 6 ASEAN Countries documents major corporations in the ASEAN and Indian region and aims to increase awareness of the business landscape in developing countries.

YJIS: The introduction of your recently published book, “7UPs in Asia, Business Cases and Growth Strategies in India and 6 ASEAN Countries,” claims that “Many people agree that Asia will become the main axis of the world economy, but in the process, it will encounter an unexpected ambush.” Could you please elaborate on this?

YK: It is said that the nineteenth century was dominated by Europe as the world's economic leader and the twentieth century was led by the United States. The twenty-first century is now said to be “The Asian Century.” The Asian Century, called as such by McKinsey, Jim Rogers, Parag Khanna, and others, means that Asia is and will become the center of production, consumption, and investment. However, it is now facing and will encounter unexpected issues and challenges. The COVID-19 pandemic was an example of the challenges. We have never experienced this kind of catastrophe since the Black Death. Before the pandemic hit, the conflict between the US and China had been eroding

the stability of the global economy. As the Ukraine-Russia war broke out, it disrupted the entire supply chain for food, raw materials, and other industries such as semiconductors, EV, etc.

Furthermore, US's Pacific Partnership Strategy aims to counter (control or contain) China's growing influence in the region. However, China is getting closer to Russia. India's imports from Russia grew 4.4 times year-on-year in 2022, with Russia jumping from India's twenty-first to its sixth largest import destination. Further, China and Saudi Arabia agreed to expand their crude oil trade by discussing oil trade settlements in currencies other than the US dollar. Twenty years ago, no one could have imagined such a drastic change in the global economic system and geopolitics.

YJIS: South Korea's trade relations are undergoing substantial changes in recently. In the first quarter of 2023, South Korean interest in Vietnam's markets have plunged dramatically. In your opinion, is this the emergence of a new trend or a temporary response to (Vietnam's) regulatory changes? Could this be a sign of the end of the "Vietnam Rush"?

YK: More than 8000 Korean companies are doing business in Vietnam, a trend dubbed as the "Vietnam Rush." Korea had the largest trade surplus with Vietnam in 2023. However, the investment inflow dropped since then. There are three reasons, I think. First, the leading industries in FDI from Korea have changed. Many Korean companies in the manufacturing sector, such as Samsung, Hyosung, and LG, have already invested much in Vietnam, especially for the last two decades. Nowadays, Korean firms in the service and technology sectors enter Vietnam. In terms of size of investment amount, the service sector is smaller than the mega manufacturing projects.

Second, the change of external conditions affects the global strategy of firms. Large Korean firms such as Samsung Electronics, LG Energy Solution, and SK Hynix have increased their investment in the US due to the pressure and incentives from the US government—CHIPS Act, reshoring strategy, etc. If Samsung Electronics is heading to the US, its suppliers and partners should move together. When a company pours billions of dollars into one country to build a plant, it should manage the new business investment portfolio considering the financial constraints

and risks. On the other hand, to source raw materials for EV batteries, many firms invest in Indonesia. In brief, the US-China tension and an unstable supply chain drove Korean firms to gear up their investment in US and Indonesia, causing a decrease in interest on Vietnam.

Third, recently the global economy is slowing down, causing Korean firms to reduce or delay overseas investment or expansion. As the consumer market of Vietnam is growing, Vietnam is more likely to maintain its position of production base for export. Korean firms with a high sensitivity to risk (inflation, lower liquidity, higher interest rate, and lower growth rate) have started to tighten their budget and expenses to get through the global recession. We've learned how to thrive in a crisis and what to do before the crisis, in 1997 and in 2008.

In line with the changes in global economy and political paradigm, Korea and Vietnam are trying to adjust their policy and strategy, and so is the business/private sector. Korea-Vietnam relations are entering the next stage; it is not the end of the "Vietnam Rush." During President Yoon's summit visit, Korea-Vietnam relations were promoted to a comprehensive strategic partnership. President Yoon committed to an enhanced cooperation through measures such as increased official development assistance, economic security, rare material supply chain, etc.

YJIS: Besides Vietnam, which emerging markets (in the Indian and ASEAN region) do you believe hold the most potential for growth and investment in the near future, and why?

YK: Vietnam still has potential. It is said that Vietnam is the next China. However, every company needs to prepare a global perspective and strategy, which implies not focusing on only one country but having a broad coverage. Even though a company cannot drive many countries simultaneously, it should have a road map to scale up to a regional portfolio. Some Korean companies face challenges because they depend heavily on the Chinese market.

That's why Korean companies look to ASEAN and India. ASEAN has become Korea's key strategic partner—the second largest trade partner and investment region. Furthermore, I believe it is time to build a better partnership with India. Everyone recognizes that India is rising, with a high growth rate, increasing population, competency in IT, high

education fever, and vital geographical & geopolitical position. India will be the growth engine of the global economy just like China was.

YJIS: You mentioned that the rise of value alliances requires Korea to broaden its horizons while increasing geopolitical risks and uncertainties. What are the major opportunities and challenges Korea faces within the context of investments and alliances?

YK: Korea is one of the few countries to have high-end tech companies in the fields of semiconductors (most essential material for various industries and technology), EV batteries, bio/pharma as well as traditional manufacturing sectors such as steel, construction, ship building, etc. During the pandemic, Korea was less damaged thanks to its diversified business portfolio. Many countries would like to make better partnerships with Korea as China used to have substantial economic ties with Korea.

However, under the name of value alliance, the US is more likely to force Korea into a role at the center of the US strategic rivalry with China. Korean firms are losing the Chinese market and furthermore their business activities are being constrained. The trade deficit is getting larger, and the economic growth rate was forecasted to go down to 1.5 percent for 2023. Recently, the International Monetary Fund (IMF) has lowered its 2023 economic growth outlook for South Korea again to 1.4 percent. It might be said that a confrontation between US and China may benefit Korean firms by blocking Chinese companies into entering the US. However, the advantages are limited and not confirmed. China's Contemporary Amperex Technology Co. (CATL) has a partnership with Ford Motor Company in the US. Furthermore, Japan is one of key members of value alliances, and US and Japan have declared concrete cooperation ties in the semiconductor sector. But then more and more Chinese group tourists visit Japan daily. International politics and economic relations are not simple, but very complex. With that said, Korea needs to have a presence in broad markets with more partners to have a better leverage—economically and diplomatically.

YJIS: What are the key findings from the case studies in the book, or what are the key factors Korean businesses should consider when entering or expanding their presence in Indian and Southeast Asian markets?

YK: Korean firms have been exporting abroad and have established overseas branches as well as factories. However, they have short-term or less experience in global management compared to Japanese or European companies. I have met many directors of Korean companies across Southeast Asia. They studied various aspects of these host countries—language, history, political system, culture, tax law, etc. However, they did not learn much about the key business players in these countries.

Most business textbooks deal with cases of multinational or developed countries-based companies. They have never heard of Reliance in India nor the Charoen Pokphand (CP) group in Thailand. It is hard to find well organized stories and analyses of these local conglomerates because they are from developing countries (not from a big country like China). How do local big companies start their business and grow? What are their competitive strategies? The answers to these questions are critical to understand the economic development and business behavior in a host country. As a researcher, I like to provide information to people in the field.

YJIS: How do you see the future of Korea’s economic relations with emerging markets and what steps can be taken to strengthen these relationships, particularly from the government’s perspective? What advice would you give to policymakers in Korea to enhance their engagement with these emerging markets?

YK: The Korean government and companies cannot avoid strengthening economic relations with emerging markets. In the global economy, one country cannot stand alone, without natural resources. In particular, as Korea is getting older and smaller in population, we should work with partners, especially emerging countries which are developing faster.

Regarding the cooperation between South Korea and Indo-pacific countries, we should try to find mutual interests. For example, Indonesia prohibited the export of nickel ore as they wanted to improve their own industry with value-added increases and to boost onshoring. LG Energy Solutions and POSCO decided to invest in Indonesia to refine raw materials and processes, and manufacture EV batteries. They have partnerships with local mining companies and suppliers. Similarly, Hyundai Motors completed their factories in Indonesia and India,

targeting local consumers and exporting to neighboring countries. These investments and collaborations not only boost employment and exports, but also allows for technology transfers to local partners. IT can also be the regional value chain. We may cooperate in education, creative new industries, and digital and green transformations.

I would like to emphasize mutual interest. The Korean government often focuses on what Korea aims to do and needs; it is advised to change this view. The plan/roadmap must start with a question—what is it that the partner needs or wants, now and in 5 years. Thereafter, we should ask what is it that Korea needs and is able to do. Based on mutual interest, we could build long-term comprehensive relationships with substantial achievement.

YJIS: Do you have any other final thoughts and/or experiences which you would like to share with our readers?

YK: Technological development is fast; it changes society and business very quickly. Due to this, the aged can only provide good advice to young people within limits. I can only say, do not hesitate to take actions, but be patient where required. Experience tells you many things. Through experiences and studying, you should develop logical and critical thinking for making decisions: Why, how, when, where you start, quit, or change. Along with this, be patient – if you want to achieve excellent performance, you should make efforts and dedicate time. There is no shortcut to success.