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UPS INSIGHTS

Finding Opportunities in Challenging Times

By Mary Yeo, Managing Director, UPS Singapore

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Business leaders in Singapore and worldwide will start the year 2009 with the following concerns in mind: "How do I manage costs and where do I find business opportunities in these challenging times?"



After more than 20 years in the logistics industry and having been through numerous business cycles, I see opportunities that few companies have taken advantage of. The Singapore government has paved the way for businesses to enter in many markets with a competitive advantage through Free Trade Agreements (FTAs). Most businesses, especially small and medium enterprises (SMEs), have not taken full advantage of them.

During times of economic growth, companies focus on their current businesses without looking at new markets. In challenging times, companies need to utilise every advantage they can find, such as FTAs that open up many new markets.

International Enterprise (IE) Singapore and its global service partners provide businesses advisory support on how best to increase their export markets and handle business operations anywhere in the world. This includes finding the most efficient and cost-effective ways to transport goods across borders, manage inventory and ensure smooth trans-border custom clearance. The partners, with their deep knowledge and understanding of how enterprises work globally, can help SMEs execute their business plans successfully in new markets.

Risk-mitigation before entering new markets

Risks are inherent in expansion, but without risks, there can be no rewards. SMEs can mitigate risks through forward planning and finding proactive partners. Businesses which ignore risks are increasingly vulnerable to supply chain disruptions, especially as a result of tighter, leaner supply chains.¹ Before entering a new market, SMEs need to scrutinise their supply chains for vulnerabilities and develop contingency plans. Maintaining supply chain visibility also allows companies to identify a problem as soon as it occurs so that contingency plans can be activated immediately and operations be continued without disruption.

Leveraging on FTAs to enter new markets

At a time when businesses are working on cost management, FTAs provide tariff concessions that boost the competitiveness of Singapore-made products in overseas markets. This is a great opportunity for SMEs to effectively grow and diversify revenue streams on a global scale. With Singapore's network of 13 FTAs with 23 trading countries, including growing economies such as China, India and the Middle East, many companies are now building business models around FTA opportunities. I have worked with clients in the IT, electronics and healthcare industries who have taken the step to leverage on these opportunities. Yet there is still room for much more.

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Company: UPS
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According to IE, Singapore's domestic exports to FTA partner countries at present account for more than 60 percent of the nation's total domestic exports. There are still thousands of Singapore businesses who have yet to fully embrace the benefits of FTAs. With the aid and expertise of global partners, SMEs can and should pursue these opportunities now.

As a first step, SMEs should take advantage of the most popular and well-utilised agreement --- the ASEAN FTA (AFTA) which took effect in 2003 --- and become stronger regional players. Operating in these challenging times, SMEs expanding overseas can increase the resilience of their supply chain by developing trusted partnerships with logistics providers. Integrated logistics partners have the ability to provide supplier management services, enable excellent product visibility within the supply chain and implement a multi-modal strategy. They also allow for smooth trans-border movements of goods and quick implementation of alternative operating plans to get around bottlenecks.

Internal logistics can assist SMEs to enter China and India

With the knowledge and global expertise of internal logistics providers, SMEs seeking new markets can also explore opportunities in China and India. This provides a springboard for Singapore companies to penetrate and compete for business effectively in these countries.

The UPS Asia Business Monitor (ABM) 2008, an annual survey of more than 1,200 SME leaders across 12 markets, found that 71 percent want to capitalise on intra-Asia trade growth, believing it will bring them strong returns. With Gross Domestic Product (GDP) forecasted at an estimated 7 to 8 percent for both economies, opportunities abound for SMEs seeking opportunities in China and India.

In this current climate where companies give less priority to growth opportunities and focus more on cost cutting, businesses must be prudent in deciding how to cope with challenges of a global recession. While creating tighter and leaner supply chains help companies to better manage costs, it also exposes companies to an increased number of risks. Businesses must realise that success in the current global economy largely depends on building successful risk mitigation strategies, which can turn a resilient supply chain into a competitive advantage.

ASK UPS A QUESTION

1. Concluded in a survey by United Parcel Service (UPS) and the Economist Intelligence Unit released on 9 December.