
Letter from the Editor

Fall has clearly arrived in Korea, but as Chusok, the Korean thanksgiving came and went by, some might have been wondering how much we should be thankful and how much we should worry about the future. The economic data for the first half of the year confirmed most people's worst fears, and many analysts have readjusted downward their predictions for Korea's GDP growth for the second half of this year and even next year. The current account deficit is skyrocketing to unprecedented heights, and Korean exports continue to be bogged down. Few would disagree with the fact that Korea is saddled with a high-cost/low-efficiency economic structure, and unless some fundamental changes are undertaken, the chances of Korea becoming a leading economy in the 21st century are looking increasingly bleak.

The recent infiltration by a North Korean mini-submarine and more than twenty armed soldiers also reminds us that danger is always lurking just around the corner, at least on the Korean Peninsula. Of course, ideally we would like to work hand in hand with North Korea toward a peaceful unification by promoting interaction and cooperation in a variety of fields, but incidents such as the recent provocation are enough to try anybody's patience.

North Korea remains as enigmatic as ever. On the one hand, some progress has been made in the light-water reactor project with the signing of more protocols with the Korean Peninsula Energy Development Organization (KEDO). Yet North Korea's recent snub of the South Korean government through its invitations to the investment forum for the Rajin-Sonbong Free Trade and Economic Zone and South Korea's subsequent boycott show that there is still a great deal of room for improvement in intra-Korean relations.

Nonetheless, the Rajin-Sonbong area remains an area of great interest to South Koreans, both in

terms of the opportunity for investment and cooperation and also the international implications. In this issue of the *VIP Economic Report*, we have an in-depth analysis of the current status of the Rajin-Sonbong zone for those of who may have heard much but know little of the actual details of the place.

For our other features, we take a look at Korea's financial and telecommunications markets, two areas which have been the subject of much controversy in recent months. As Korea continues its drive to become a member of the OECD, opening the financial markets remains a major point of contention in the domestic and international arenas. Some are arguing the wisdom of market opening given Korea's current economic woes, while others are arguing that this is absolutely essential and should be undertaken sooner rather than later.

The telecommunications sector is another area in which Korea is receiving pressure from the advanced countries for liberalization. This sector is particularly critical in light of the explosive growth of the global telecommunications industry and the need for Korea's telecommunications industry to grow and develop if it wishes to be a leader in the 21st-century information society.

In spite of all of the negative factors, Korea still has great potential to make that next leap forward and become a truly advanced economy. While the path ahead is admittedly daunting, the obstacles we face are no more formidable than those we faced in getting to where we are today. The key to this is maximizing our potential by taking advantage of every available opportunity and showing courage, foresight and perseverance. Entering the OECD, rushing into the information age, and most of all, unifying with our brethren in the North represent formidable challenges, yet if we succeed in all of these, we will be that much more prosperous and rewarded. 