
Letter from the Editor

February 25 marked the start of a new era in Korea with the inauguration of the new Kim Dae-jung Administration. In his inaugural address (included in our **VIP Forum** section), the new President emphasized that his administration would be a "Government of the People," and stressed that during the course of his tenure, democracy and a market economy would be pursued in tandem. In the short time since then, he has already demonstrated that he intends to take a more democratic approach, particularly toward economic affairs, by trying to incorporate the views and perspectives of all of this economic-related ministers, secretaries and advisers.

Nonetheless, the tasks which lie before him are formidable. The financial situation still remains somewhat tenuous with the high interest rates, the high exchange rate, and the tight market liquidity. Unemployment continues to rise at an alarming rate, with as many as 10,000 people losing their jobs per day, and aggressive measures need to be taken to deal with this looming problem. In addition, there are several external factors which could negatively affect Korea's situation, such as the developments in Indonesia, Japan and China.

On the other hand, there have also been some encouraging signs. Korea recorded its fourth consecutive monthly trade surplus in February. Exports totalled \$11.4 billion while imports dropped to \$8.1 billion for a surplus of \$3.3 billion. Korea's total external liabilities, according to IMF standards, dropped \$3.2 billion from \$154.4 billion as of Dec. 31, 1997 to \$151.2 billion at the end of January this year. At the same time, Korea's useable foreign reserves rose to \$19.7 billion as of early March, much higher than the \$12.4 billion at the end of

January. In addition, latest reports are that more than 90% of Korea's short-term debts, valued at \$23 billion, will be rolled over in March.

In our **Current Issues** section, we start with an analysis of the possibility of a second financial crisis. While the situation has improved to a certain degree, it is clear that the danger is not yet fully over. Our next feature deals with the reform of the labor market, a crucial issue in Korea's economic restructuring. Layoffs have become a harsh but necessary reality in Korean society, and measures need to be developed to minimize the pains of unemployment. The third article takes a look at the prospects for the Korean M&A market, an area of growing interest and concern for foreigners and Koreans alike. The way is being paved for M&As both friendly and hostile which will undoubtedly accelerate the process of Korea's restructuring. For our **VIP Forum**, in addition to President Kim Dae-jung's inaugural address, we have the results of a survey of existing foreign businesses in Korea concerning their views and forecasts for the Korean business environment. The survey conducted jointly by HRI and the *Korea Economic Daily* indicates that foreigners are generally optimistic about the Kim Dae-jung Administration and the prospects of the Korean economy.

Once again, we have made a dramatic change to the appearance of the *VIP Economic Report*, in keeping with the spirit of making a "new leap forward" in the new Kim Dae-jung era. While the path will undoubtedly be filled with many obstacles, as long as Korea takes decisive action and makes the necessary reforms it will be able to emerge from this gloomy period as a stronger and more vibrant nation. **VIP**