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## Letter from the Editor

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As everyone knows, 1998 was not the kindest of years for Korea. Over the course of the year, Korea's economic landscape was dramatically altered. The banking sector has been fundamentally reshaped through the forced closures of failing banks, and the merging of some of the remaining players. Korean business groups have been trying to restructure themselves in various ways, including downsizing, selling off assets and business lines, merging or swapping certain subsidiaries, and working with creditor banks to come up with feasible rescue plans. The government structure was also realigned at the start of the Kim Dae-jung administration, and further changes are anticipated in the public sector, particularly with the privatization of public firms. And of course, the labor sector has gone through dramatic changes, with the introduction of lay-offs both in law and in practice.

Thankfully, though, the situation seems to be improving. The financial markets seem to have stabilized, and the immediate danger of a second currency crisis has passed. The foreign exchange rate has come down considerably down to the present 1200 won/dollar range, and interest rates have also tumbled sharply into the single-digit range. As of late the stock market has been booming. Other economic indicators such as industrial production and exports are showing either slowing rates of decline or even signs of increase. In fact, the major economic composite indexes suggest that the Korean economy will bottom out some time in March or April next year and start a true recovery in the second half.

At this point in time, it is a good idea to look back on the past year, and see what has gone right and what has gone wrong. Accordingly, the December issue of the *VIP Economy* examines the Korean economy over the past year under the IMF program, with the sub-theme,

"The Korean Economy in Transition."

The special section starts with an overview of the current economic situations in Korea and abroad and their outlook for 1999. The next two articles examine these two areas in greater detail. The first deals with Korea's macroeconomy in 1998 and the major policy issues for the upcoming year, while the second analyzes the major issues and trends in Korea's external economic environment in 1999. This is followed by a detailed summary and explanation of HRI's revised forecasts for Korea's economic indicators in 1999.

After this we take a look at Korea's restructuring efforts to date. The first article evaluates Korea's restructuring policies and progress in four categories—the public sector, the corporate sector, the financial sector, and the labor sector—and diagrams the tasks needed to supplement or build upon the progress achieved thus far. The next article provides a more detailed evaluation of business restructuring and necessary supplementary measures and actions. We conclude with an article on the dramatic change in corporate governance in Korean firms, and how this will affect firms in the future.

The January issue of the *VIP Economic Report* will continue with the special theme of this issue, but instead will focus more on longer-term policy issues under the sub-theme, "Toward a High-Efficiency Economy."

The Korean economy is still in a bleak situation, and there are still many tasks which need to be done before the Korean economy will be able to recover its health. Nonetheless, it appears that the worst will soon be over, and if the Korean government, businesses, laborers, and the public in general work together and press ahead with the necessary task of rebuilding the economy, then recovery will occur in the not-too-distant future. **VIP**