

LETTER FROM THE EDITOR

The Korean economy was put to the test in August when surprise adversities hit the market. However, the continuing remarkable economic recovery hopefully will equip Korea with the strength to face such moments of truth in the near future. July's manufacturing capacity utilization resumed its normal level of 81.0%, which is a sign of economic soundness. A substantial part of manufacturing production being inventory accumulation and the steep increase figure of consumption expenditure a technical rebound to last year's severe contraction, Korea's economy is able to subside inflationary concerns for the time being.

In fact, what is more important is whether or not the current recovery trend will be sustained to the year-end and the coming year. The financial markets switched from the "7% interest rate, abundant liquidity" to the "10% interest rate, stringent liquidity" status on account of Daewoo's credit crunch; this change will decelerate the recovery in the second half. Although exports continue the rising streak for months, soaring imports of capital goods and raw materials will curb 1999's current account to just over \$20 billion.

Against this backdrop, our September issue's **Current Issues** section first delves into the significance of current economic recovery in comparison with the situation in pre-crisis years of 1994 and 1995 and sheds light on what policy-makers should do and should not do.

The second article analyzes facility investment which is one of the twin leaders of economic recovery, consumer spending being the other. It shows where facility investment stands now and the desirable level of facility investment to bring

the economy on the normal track again.

The following article deals with privatization of public enterprises, which is part of the last area of sectoral restructuring, the public sector reform. Reasons for privatization measures running behind schedule and suggestions for effective privatization would assist policy-makers and market players in speeding up the process.

The relationship between public opinion and corporate management strategy is the subject of our next article, which holds important implications for Korean companies. Mechanisms forming the public opinion on Korean businesses will become a valuable reference to the corporate community which has to satisfy not only shareholders but also stakeholders in a broader sense.

The last article shows which industries would lead the Korean economy in the new millennium. Korean businesses can better prepare for competing by knowing which areas are considered promising by markets around the world.

When it comes to restructuring, the degree of completion varies by sector. Nevertheless, the important fact is that it is in the right direction. What is most needed at this time is to take a fresh perspective on the entire industrial structure. As seen through bitter experiences in the past, large exports boost the high growth but at the same time induce much more imports and thus worsen current account deficit. Thus, industries should be restructured such that the high economic growth will not hurt the current account as in the old days. Industrial restructuring is a way for Korea to respond to its immediate economic challenges and at the same time envision its long-term plans. **VIP**