

LETTER FROM THE EDITOR

The most visible features of Korea's macroeconomy in the early months of 2000 have been continued growth, a brief return to a negative trade balance, and polarization of the stock market. With increasing facility investment, the real economy's growth is continually being reinforced. Besides this good news, however, there are also some worries. First is the possibility of current account deficits. January recorded a trade deficit of \$400 million, which continued until the last three days of February, when an astonishing export surge in the last three days of the month pulled the balance into surplus. A second cause for concern is trends in the financial market. Although financial indicators have remained stable, the stock market has undergone repeated fluctuations. Even more troubling has been the increasingly pronounced tendency of funds to flow from the Seoul stock exchange to the KOSDAQ.

Although information is still lacking, one can make a couple of tentative assessments about the meaning of these trends. There is a solid foundation for the economy's continued growth, although growth will be at a slower pace. While the main engine of growth last year was consumption, investment is becoming increasingly significant. On the other hand, it is uncertain whether or not the economic restructuring of the last two years will bring the intended results. January's trade deficit was a sign that the economy has not fully acquired an energy-saving and high value-added structure. In particular, the frustrating problem remains that the economy needs more imports of intermediary goods such as machinery in order to expand exports.

This month's VIP Millennium Report addresses each of these issues. In the first part of the Report, experts analyze the movements in the real economy and the financial market. In the Current Issues section, the meaning of the shrinking current account surplus is viewed not only from a macroeconomic angle but also from a structural viewpoint. The article also sheds some light on the possibility of a balanced current account and its sustainability. The second article describes what is needed to stabilize the financial market in the medium and long-term and introduces the policies for stimulating the bond market as well as by addressing the issues that lie ahead. The third and fourth articles deal with two hot and dynamic topics: the growth prospects of venture enterprises and e-businesses. In the two articles we can see several reasons for the recent polarization of the stock market. The last article describes a practical means of saving energy for Korean firms and the economy.

Last month was the second anniversary of the current government. The consensus from within and abroad is that the administration's actions were instrumental in overcoming the currency shortage and the ensuing economic crisis. The task for the next three years is to complete the restructuring process before we can enjoy the fruits of restructuring. The editors hope that this month's issue of the VIP Millennium Report will provide a compass and catalyst in this ongoing challenge. **VIP**