

LETTER FROM THE EDITOR

Since the outbreak of currency crisis in 1997, some of the most frequently used English words in this Letter have been 'crisis,' 'restructuring,' and 'uncertainty'. After two years and a half, unfortunately, these words are still often witnessed in the media. Recently, economists at home and abroad have begun to cautiously talk about another crisis; or they worry about the potential risks ambushing the Korean economy.

Nevertheless, the background of this "deja-vu" apparently differs from what we have experienced in 1997. Despite the government's position that the fundamentals of the economy were solid, the current account deficits were recording 10 billion to 20 billion dollars during the mid 1990s. Major big business groups including Hanbo and Kia went broke in 1997. "Red light" situations of this kind are not taking place in these days. Common features between now and then, however, do exist. Some policy-makers still disregard signals from the markets, especially from abroad. In addition, turmoil in financial sector might persist unless prudent and transparent policy measures are immediately implemented. Policy-makers should realize not only that the Korean economy's domestic market is globalized enough to be affected by global financial markets, but also that observers around the economy are smart enough not to be deceived by groundless arguments of any player in the economy. On the contrary, observers tend to foresee the near future and thus inadvertently self-fulfill their worst scenario. In this regard, many economic historians would record the currency crisis in 1997 as the first occasion in which this self-fulfilling tendency threw a fatal blow to the Korean economy. Indeed, we are living in a world where the real facts as we perceive may not matter as much as our reputation and evaluation by outsiders.

The situation and the arguments surrounding Korea's macro economy these days are carefully addressed in the first two articles of this VIP Millennium report. They will help our readers to better understand the current status of Korea's macroeconomy. The first two articles in the Current Issues section delve into two very weakened sub-structures of the economy: the manufacturing sector and household portfolio investment. They could shed some light on how solid(or how vulnerable) the fundamental sub-structures of the economy have become. Next month's summit meeting between the two Korea's leaders is naturally a focus of this month's issue. The third article sketches the summit's meaning and economic implication. In addition to this article, this issue's HRI Forum section presents a brief summary of a seminar on the same topic. The next two articles are about newer strategic opportunities facing Korean businesses. The key words are alliances and holding company, respectively.

Articles of this month's issue possess one of two different natures: whistle-blowing and door-opening. As expressed in the subtitle of this publication, continuously reporting the challenges and opportunities facing the Korean economy is surely the mission of the editorial board. **VIP**