

LETTER FROM THE EDITOR

Considering a number of factors, it seems that the Korean economy will enter the peak of its business cycle in the second half of 2000. This is reflected by slowed economic indicators in the second quarter, such as growth, industrial production, and wholesale and retail sales. Business confidence and consumer sentiment have also shown declines. It is important to properly diagnose the current macroeconomic conditions to create an appropriate policy. Since the economy is nearing its peak, the government should adopt a stabilizing policy while trying to calm down financial instability.

In the financial market, there is some anxiety about a lingering financial crunch. One of the main reasons seems to be an inconsistent policy approach to financial restructuring, which can be seen in measures such as recommending an unverified system of financial holding companies to the market. In addition, policy ineffectiveness can be blamed for the current financial instability. The government should prepare legal and institutional mechanisms in order to build a more efficient financial system.

The Current Issues section of this month's VIP Millennium Report deal with a number of recent topics. In a continuation of the Millennium Report's ongoing focus on North Korea, the first article suggests practical guidelines for companies planning to invest in the North. Suggested in the article are criteria for investment locations and industries, as well as recommended regions and industries. In addition, several possible forms of joint venture, which are the recommended form of investment, are outlined.

The topic of the second article is M&As in the Korean IT industry, of which stock swapping is the most popular means. Korea's stock swapping practices are different from that of other countries, however. The article looks at reasons why the stock swapping system operates as it does, and suggests ways to improve the environment for M&As.

In the third article, the focus is on Korea's outside director system, which was introduced as part of the government's corporate restructuring measures after the 1997 financial crisis. The article examines details of the outside director regulations as mentioned in the Securities and Exchange Law, and their adoption by both large conglomerates and listed firms in general.

The final article analyzes the correlation between IT investment and firm performance in Korea. The impact of IT investment on performance actually has not been proven and various studies give conflicting evidence. Using the Data Envelopment Analysis approach, the article tries to shed some light on the nature of this relationship for Korean companies. **VIP**