

LETTER FROM THE EDITOR

While the Korean economy continues its strong fundamental performance, it has recently been faced with several domestic and external factors that may bring trouble. These issues are examined in this month's Korean Macroeconomy and Financial Market sections.

The Korean Macroeconomy section looks at indicators such as growth, production, sales and investment, and trade, to find that the economy is still experiencing a rising trend driven by solid export performance and capital investment. However, a peak in the business cycle seems to be in sight, probably at the end of the year or early 2001. Macroeconomic performance will also be negatively affected by the record high oil prices and Ford's abandonment of its bid for Daewoo Motors.

The Financial Market section gives a perspective on the domestic bourse, interest rates, and foreign exchange rates. Although the stock market took a tumble in late August and September, the article points out some reasons for optimism. As for the money market, it seems that a gradual hike of the call rate is inevitable, while in the foreign exchange market, the won/dollar rate is expected to decline further.

The four articles in the Current Issues section help give a rounded view of the economy. The first article tries to determine whether Korea's recent high growth and low inflation are attributable to a "new economy" such as the one seen in the US. This is checked by finding whether the information technology has improved productivity through the overall economy. In addition, the possibility of long-term high growth is investigated.

The information and technology (IT) industry, a key element of a "new economy", is the focus of the second article. The article analyzes the development of Korea's IT industry and its economic effects. Statistics such as the industry's specific gravity in GDP, its contribution to economic growth, or the proportion of IT investment out of facility investment are included.

The third article looks at two measures introduced to supplement the ongoing corporate workouts. The pre-packaged bankruptcy (PB) proceedings and the corporate restructuring vehicle (CRV) system. A CRV is similar to a paper company that manages the assets of a workout firm. PB is a system that allows creditors to submit company liquidation plans to court before handing in credit reports or due diligence. Considering both the existing system and the new system, the prospects for corporate turnaround systems are explored.

In the last article, the bi-directional exodus between the conglomerates and venture businesses is analyzed. After the financial crisis, the Korean economy has developed greater flexibility of the labor market, and one of the reasons has been hiring by high-tech venture companies in 1999. In the last several months however, skilled workers have been leaving venture firms because of tight capital in the venture sector. The impact of this reverse migration will be examined, along with more long term prospects for the labor market.

In October, the ASEM convention is scheduled to be held in Seoul. So our October issue will be a special edition dealing with topics related to Asia-Europe economic cooperation. **VIP**