

## LETTER FROM THE EDITOR

Going into the new year, Korea's real economy has seen a marked slowdown of growth in industrial production and domestic demand related indexes. Export growth has also diminished. These signs indicate that the economy is quickly entering a slowdown phase. In the financial market, anxiety still remains about corporate credit, in addition to uncertainty related to bank restructuring. Hence, the economic outlook for this year is not so bright.

However, the stock market has recovered to some extent, and some aspects of the credit crunch seem to be easing to give some rays of hope.

This issue of the VIP Millennium Report wraps up the past year and examines some of the important challenges facing the Korean economy in 2001. The Korean Macroeconomy section reviews the slowdown seen in the last months of 2000 and its implications for the future. The article also suggests a policy priority of preventing a hard-landing of the economy, by balancing the continuing restructuring with economic stabilization.

The Korean Financial Market section looks at the modest market recovery in early January. Increased activity was seen in the stock market, money market, and foreign exchange market. A number of relevant issues are discussed including the financial restructuring effort, activation of the junk bond market, and inducement of funds into the money market.

The three articles in the Current Issues section examine key topics that will affect the domestic economy in both the short and long run. Labor market prospects for the first quarter of 2001 is the focus of the first Current Issues article. The unemployment rate and number of unemployed are forecast considering cyclical, seasonal, and restructuring factors. The second article deals with a related topic: human resource strategy based on competence rather than seniority or hierarchy, which is still relatively new in Korea. The article discusses the application of such a strategy to Korean companies, and includes a number of examples among a few leading corporations. Implications of a competence-based strategy are examined in the article's last segment.

Prospects for the semiconductor industry, one of Korea's main export industries, are examined in the third article. The industry's performance in 2000 is reviewed, and forecasts are made for 2001 based on supply and demand conditions, looking at factors such as production capacity, demand from other industries, and the overall business cycle. **VIP**