

LETTER FROM THE EDITOR

Recent economic performance shows that the economy is slowing down, with both production and domestic demand sharply declining. It seems that the economy is on the downturn of the business cycle with the bottom in sight, probably at the second half of this year. The good news is that credit crunch is slowly easing nowadays, helping the economy revitalize.

The Korean Macroeconomy section sheds some light on the recent economic slowdown. The declining growth rates of domestic demand as well as investment are examined. Recent trends of external transactions as well as price levels are also studied, to give an overall perspective on Korea's real economy.

In the Korean Financial Market section, recent financial trends are examined. The decline in interest rates, as well as the corrections in the domestic stock markets are analyzed in detail. In addition the economic implications of the government's controversial bond repayment guarantees for the corporate sector are examined.

The first article in this month's Current Issues studies the myriad factors that will affect the won's exchange rate against the dollar in 2001. After reviewing the won's performance in 2000, the article considers factors such as Korea's trade surplus, the inflow of foreign funds, the effects of the second phase of foreign exchange liberalization, as well as the values of the yen.

The possibility of Chinese-style reform and opening in North Korea is explored in the second article. The article examines the characteristics of Chinese reform and opening and poses a scenario for North Korea's cautious transition to a more capitalistic economy. Also, conditions for the country's success in economic opening are proposed.

The recently adopted mark-to-market bond valuation system is the focus of the third article. In addition to its rationale, infrastructure that is essential to the new system is discussed, such as market pricing agencies and bond indexes. The mixed effects of this emerging system are studied in the conclusion.

A program to boost the morale of employees during a period of restructuring is the topic of the final article. Consisting of six elements, the tic-toc program tries to inspire the excellence of workers in uncertain conditions. The article also cites cases of Korean firms that have adopted similar practices. **VIP**