

## LETTER FROM THE EDITOR

The Korean economy is currently in an uncertain situation. Looking at economic indicators, private investment showed a slight recovery and unemployment fell from 4% to 5% in the first quarter to 3%. In contrast, facility investment showed a decline after last December, exports started to fall in the second quarter of 2001, and prices have also shown an increasing trend. The prospects for the financial market are also murky. Although signs of a positive fund cycle continue, the short-term floating of funds is also a persistent issue. In addition, the corporate bond market may return to stagnation without policy support.

The time and speed of the future economic recovery will be determined by three factors: continued market-based structural reform, regulatory reform, and appropriate economic stimulus policies. The most important thing however, is policy consistency and timeliness, which will help rid market participants of their anxiety.

July's VIP Millennium Report examines these issues as well as other prominent topics in the economy. The Korean Macroeconomy section looks at the economy's continued slump, especially the export decline, due to external factors. Korea's dependence on foreign economies is examined, as well as the prospects for future exports of key products to various regions.

In the Korean Financial Market section, the gloomy financial markets due to the dim economic outlook are analyzed. The article also looks at government measures to bolster the financial sector. In addition, the continuing short-term floating of funds is analyzed.

The first article in the Current Issues section studies the introduction of real estate investment trusts and the resulting change in the construction industry. The implications of the new system on real estate developers and construction companies are described, and future prospects and suggestions are also given.

The recent participation of the Korea National Tourism Association along with Hyundai Asan in the Mt. Kumgang tour project is the topic of the second article. The positive and negative effects of the KNTA's participation are examined, and future tasks for a successful tour -in terms of profit as well as its implications for South-North economic cooperation in general- are suggested.

In the final article, the adoption of the performance-based wage system in Korean companies after the financial crisis is examined. Obstacles to adopting the new system are listed, and the prerequisites for a successful and fair application of the new system from a Korean corporate perspective are delineated. **VIP**