

LETTER FROM THE EDITOR

Temperature is rising as we enter summer season. Along with this summer heat wave, an optimistic view on the second half economic recovery of Korea is heating up as well. There are a couple of reasons for this. First reason is the fact that the growth rate for the last quarter of year 2001 was quite poor (1.9%). Secondly, there is a new potential for a dramatic growth, created by a successful hosting of the World Cup tournament. These reasons seem to validate an overall optimism for economic recovery. Nevertheless, if Korea and its people lower the guard on international and domestic risk factors, these potential for recovery may soon fade and disappear without giving any result.

There are several factors that can put Korean economy at risk. Internationally, there is a general uncertainty of worldwide economic recovery. Currently, there are theories abound that economies of US, Japan and South America are going to be in crisis. On top of this, if another war breaks out between US and Iraq, there will be another oil price shock and the worldwide economic recovery will come to a grinding halt. Domestically, a confusion in the banking sector, overheated election campaigns, PL law, a new regulation for five day workweek, and privatization of public enterprises are putting Korean economy's stability at risk.

If these risk factors are addressed by a plan that is both detailed and forward looking, then there is no doubt that Korean economy is on its way to a brisk recovery. Korean government has to come up with policy actions that will stabilize major sectors of the economy and capture all the enthusiasm and opportunities presented by hosting the World Cup tournament.

Naturally, this issue of VIP Millennium Report focuses on the economic impact of the World Cup tournament. Macroeconomy and Financial Market section shows industrial trend in Korea just prior to the start of World Cup. The Policy Trend section discusses the economical impact and significance of the World Cup tournament. It also suggests several policy actions that political leaders must consider in order to reap all the benefits of hosting such a major event. The Current Issues section presents a couple of World Cup related articles. The first article discusses changes that were made in macroeconomical outlook of Korea, post World Cup tournament. While there are several clearly visible problems that have to be dealt with, overall macroeconomical outlook is quite positive. The second article is about the 'RED economy.' It gives an overview of the traditional Korean spirits and minds while discussing the economic linkage between the World Cup and Korea's 'RED' spirit that were showcased worldwide during the World Cup tournament.

Team Korea's incredible performance during the World Cup is still fresh in people's mind. Just like its soccer team, Korea as a nation has plenty of potential. When everyone in Korea unites as a whole, just as they did during the World Cup, this potential will be realized and they can indeed become 'a nice surprise to the world.'

Editor's Note: Starting from this issue, VIP Millennium Report will be published quarterly. **VIP**