

CORPORATE AFFAIRS

The Korea Society fosters dialogue and cooperation between American and Korean business leaders by arranging opportunities for frank and interactive discussions of current issues affecting the economic and political partnership between the United States and Korea.

Issues to Watch in 1999

NEW YORK, January 21 – Amb. Donald P. Gregg highlighted some current trends in U.S.-Korea relations in the first Business Roundtable luncheon of the year. On the economic front, he noted signs of a more upbeat attitude among Korean business leaders and suggested that the LG-Hyundai deal currently being negotiated warranted close monitoring due to its significant potential to set the standard for the restructuring of the large *chaebol*. He also suggested that the changing attitudes among the smaller *chaebol* should be viewed as the first fruits of the “work-out” which the ROK government has been urging upon the *chaebol*. On the political front, Gregg provided an update on the implementation of the terms of the Agreed Framework by both North Korea and the U.S. and called attention to some areas of concern, especially in the attitudes of some members of the U.S. Congress. He concluded his remarks with a critical review of the overly partisan climate in both the ROK and the U.S., which he suggested will continue to pose serious challenges for the consistent pursuit of a policy of engagement with the DPRK.

The Korean Economy in 1999: Enjoying the Rewards of a Tough Policy in 1998

NEW YORK, February 11 – Mr. Jeffrey R. Shafer, managing director of Salomon Smith Barney, Inc. & vice chairman of Salomon Smith Barney International, led a Business Roundtable discussion on the financial and economic changes brought about in Korea over the last year. Noting that Korea is enjoying the fruits of a successful financial stabilization due to the striking changes currently underway, Shafer stressed that the achievement of this success is due primarily to the Koreans themselves. Specifically, he accorded high marks to President Kim Dae-jung, the ROK National Assembly, officials of the Ministry of Finance and the Bank of Korea for their commitment to implement the necessary reforms. But most of all, he said, the credit for the successes of the last year belongs to the Korean people, at home and abroad, who bought bonds, supplied gold to the government and accepted sacrifices in wages and consumption. While acknowledging the concerns that restructuring efforts will cease with the achievement of economic recovery, he affirmed his personal conviction that the efforts will be sustained saying: “Koreans will not stall but press forward, despite some pockets of resistance.”

An Update on Current Trends in Korea

NEW YORK, February 23 – Amb. Donald P. Gregg gave a briefing on current trends in Korea during a Chairman’s Special Events series luncheon for corporate leaders. Drawing on his discussions and observations during a recent visit to Korea, Gregg focused his remarks on the current outlook for the long-term recovery of the Korean economy, prospects for improved relations with North Korea, and the latest developments in the Four-Party talks.

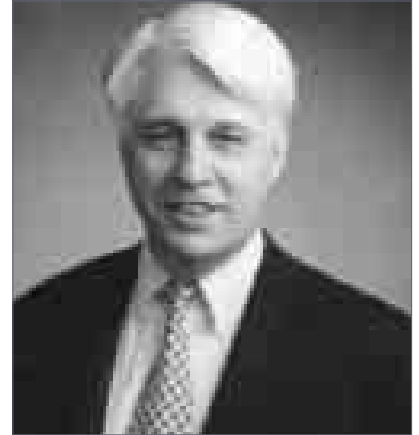
Some Current Trends in U.S.-Korea Relations

WASHINGTON, March 8 – In this program launching the Business Roundtable series in Washington, Amb. Donald P. Gregg spoke about the implications of current economic and political trends in Korea for the future of U.S.-Korea relations.

The Changing Climate for Foreign Investment in Korea: 1969-1999

NEW YORK, March 25 – Mr. Oliver N. Greeves, vice president and regional executive-Asia Pacific, Metropolitan Life Insurance, led a Business Roundtable discussion on the cli-

mate for foreign investment in Korea over the last three decades. He also spoke briefly about the background of MetLife’s bid to acquire the Korea Life Insurance Company (KLI) and noted the implications for the Korean government’s effort to restructure the financial sector of the then on-going negotiations between MetLife and KLI. After a thorough and compelling discussion of the very limited role direct foreign investment has played in Korea over the last three decades, Greeves expressed guarded optimism that Korea would become more open to foreign investment as a result of the financial crisis. Alluding to this changing climate, he said: “It has become apparent that [allowing more foreign investment] is the only way of increasing competition in the country, reducing indebtedness and changing the way that Korean companies do business. It is gradually dawning on Koreans that [investment] is not a foreign invasion, but an inflow of valuable management, technological and skills resources into the country.” Greeves concluded his remarks saying: “The government reforms are a great, great step forward.”



Jeffrey R. Shafer, February 11.

The Economic Environment and Prospects for the Stock Market in Korea

NEW YORK, April 15 / WASHINGTON, May 4 – Mr. Nicholas Bratt,

managing director at Scudder Kemper Investments, spoke at two Business Roundtable luncheons on the new economic environment in Korea and prospects for the Korean stock market. He presented a comprehensive overview of the current economic conditions in Korea, as well as a critical assessment of the performance of Korea’s equities markets, both prior to and during the period of the Asian economic crisis. Noting the significant changes in particular indicators, such as lower debt to equity ratios, increased numbers of small-cap start up companies, ongoing consolidations and higher unemployment figures, Bratt suggested that all these factors make it likely that substantial corporate restructuring will continue in Korea. In any case, he said, those companies which adapt to the competitive environment of greater liberalization will attract an increasing share of foreign investment capital and thus prosper, while those that do not will underperform their competitors. Bratt also noted that investor confidence is on the rise even though some investors are concerned about the obstacles remaining in the path of full economic recovery. The program in Washington was co-sponsored by the Korea Economic Institute of America (KEI).



Oliver N. Greeves, March 25.

Northeast Asia and Relations Between the Two Koreas

NEW YORK, April 19 – Mr. Kim Keun Tae, who currently serves

on both the National Unification & Foreign Affairs Committee and the Finance & Economy Committee, spoke about Korea's pivotal role in the regional politics of Northeast Asia at a Distinguished Visitors Series luncheon in his honor. Prior to his election to the National Assembly, Kim was one of South Korea's prominent pro-democracy leaders. He was arrested twice, once in 1985 for his activities as the president of the Youth Federation for Democracy in Korea, and again in 1990, for his role as chairperson of the Executive Committee of the National Democratic Alliance of Korea (*Chonminryon*).

In recognition of his status as a "freedom fighter" who persevered in the face of torture in pursuit of the cause of democracy, Kim received the prestigious Robert F. Kennedy Human Rights Award in 1987. Many journalists and scholars regard him as one of the five young leaders most qualified to lead Korea in the 21st century (the so-called "post-DJ era"). In his address, Kim cited the current Asian economic crisis and the continuation of the Cold War structure on the Korean peninsula as "two very serious problems in the development of South Korean



Kim Keun Tae, Ty Pak and Leon Sigal. April 19.



Nicholas Bratt. April 15 (NY) & May 4 (DC)



Sherman R. Lewis. May 13.



Tae-Hee Yun, Chong-Sup Park, Hasung Jang, Oliver N. Greeves, Carl F. Adams and Robert D. Hormats. May 27.

democracy." As a solution to the first of these problems, he stressed the need to implement the program of structural reforms currently underway in the South Korean economy, and affirmed the determination of his government to do so. On the second problem, he urged a continuation of the policy of engagement toward North Korea and suggested that the U.S. could be helpful in this regard by lifting economic sanctions and normalizing diplomatic relations with North Korea, as part of a package deal exchanging peace for the cessation of the development of missiles and nuclear weapons. Ty Pak served as the interpreter for the program.

Investment Opportunities Throughout Korea

NEW YORK, April 22-23 – This business conference was organized to highlight new opportunities for foreign investment in Korea. Fifteen leading Korean companies and over eleven local government entities were represented. Following "road show" style presentations on potential investment opportunities as well as the changes in regulatory climate affecting investment, prospective investors were invited to schedule private meetings with both the private sector and government representatives for in-depth discussions of specific investment projects. Co-presented with the Korea Trade-Investment Promotion Agency (KOTRA).

The Current Financial & Economic Situation in Asia with an Emphasis on Korea: From the Perspective of an Investment Banker

NEW YORK, May 13 – Mr. Sherman R. Lewis, Jr., vice chairman & director of Lehman Brothers, Inc., spoke at a Business Roundtable luncheon about the factors that led to the financial crisis in Asia. While concluding that there are grounds for optimism today, Lewis stressed the importance of acknowledging the continuing danger posed by the major causes of the vulnerability of currencies in the region which led to the crisis, including crony capitalism, corrupt governments, overlending by banks, overvalued real estate and stock markets, an inadequate legal infrastructure and a lack of separation between the business and political realms. With the passing of the immediate crisis, Lewis noted, "Seoul is 'Boomtown Asia'. Banks are lending money; the stock market is booming; and foreign reserves are over \$4 billion." All the same, he stressed, there is a need for sustained government pressure on the *chaebol* to continue their restructuring efforts. He also noted that the Korean stock market still lacks in fundamental structural elements. In concluding his remarks, Lewis expressed his opinion that complete restructuring is not happening as quickly as it should because real restructuring will increase unemployment that in turn is likely to create fear and put a serious damper on consumer spending by the middle class.

The Outlook for Korea's Economic Recovery & Banking System Reforms

NEW YORK, May 27 – This half-day conference examined the pace of economic recovery in South Korea since the IMF bailout in 1997 with a special focus on current developments in the Korean financial markets. Keynote addresses were delivered by Mr. Jong Chang Kim, commissioner of the securities & futures commission, Korea Financial Supervisory Commission, and Ms. Marjory E. Searing, deputy assistant secretary for Asia and the Pacific of the United States Department of Commerce. Amb. Donald P. Gregg, chairman & president, The Korea Society, served as the moderator. The presenters were Mr. Robert D. Hormats, vice chairman, Goldman Sachs International; Mr. Jeffrey R. Shafer, vice chairman, Salomon

Smith Barney International; Mr. Walter S. Bopp, vice chairman of investment banking, Morgan Stanley Dean Witter & Co.; Mr. Tom Byrne, vice president & senior analyst, Sovereign Risk Unit, Banking & Sovereign Risk Group, Moody's Investors' Service; Mr. David Chon, managing director, Bear, Stearns & Co.; Mr. John J. Lee, senior vice president, Scudder Kemper Investments; Mr. Carl F. Adams, global manager, Sovereign Risk & Director of Credit, Merrill Lynch; Mr. Chon-Sup Park, president & CEO, Hyundai Electronics America; Mr. Tae-Hee Yoon, CEO, Korea Economic Intelligence, LLC; Mr. Oliver Greeves, vice president & regional executive/Asia Pacific, MetLife International; and Mr. Ha Sung Jang, chairman of the Participatory Economy Committee, People's Solidarity for Participatory Democracy (PSPD). In his address, Kim asserted that due to the leadership of President Kim Dae-jung, the sacrifice and efforts of the Korean people, and the assistance and support of the international community, Korea is finally seeing the light at the end of a long tunnel. While affirming the U.S. government's confidence in Korea's economic recovery and continuing commitment to support the recovery efforts, Searing noted the concern about unfair trading practices that disadvantage U.S. firms. Greeves pointed out that foreign investment offered the best guarantee that the situation in Korea would continue to improve and stressed that such investment must therefore be wholeheartedly accepted by all Koreans who are concerned about the success of the economic recovery efforts. Park reminded everyone that the growing pains Korea is currently undergoing are not a trivial matter as they necessitate many layoffs, and noted that the recovery involves a tremendous learning curve for Koreans and must be a collective effort. Jang underscored the need for greater transparency in the operations of the *chaebol* as well as more accountability to their stockholders. Overall, a general consensus emerged among the presenters that much has changed for the better in the way business is done in Korea although the recovery efforts still face formidable challenges from such factors as the Korean stock market's volatility, continuing bankruptcy worries, the unpredictability of North Korea, the slowing world economy, and a sluggish Japanese economy.

An AmCham Perspective on Korea's Economic Reforms

NEW YORK, June 10 – Mr. Jeffery Jones, the president of the American Chamber of Commerce in Korea (AmCham), and an accompanying delegation of the chamber's members, offered an overall assessment of Korea's economy and reform efforts during a special luncheon program in their honor. While stressing their generally positive assessment of the economic reform efforts being pushed by the Kim Dae-jung administration, the delegation pointed out a number of continuing concerns including the need for further deregulation, the lagging corporate reform efforts, and the wide gap in attitudes that still exists between policy-level officials and the bureaucrats responsible for policy implementation. Co-sponsored by the Korea Economic Institute of America (KEI) with financial support from the Korea International Trade Association (KITA).

A Perspective on Financial and Corporate Restructuring: Korea vs. Japan

NEW YORK, June 17 – Dr. Andrew B. Kim, then president & CEO of Sit/Kim International Investment Associates, Inc., presented his perspective on financial and corporate restructuring during a Business Roundtable luncheon. In his presentation, Kim compared the differing impact of restructuring on GDP growth in Korea and Japan. In the case of Japan, he noted, the current dilemma is that restructuring restricts consumer spend-

ing but without restructuring there will be limited investment growth. On the other hand, he stressed, Korea's post-macro-economic management success will depend on favorable monetary conditions since a strong currency will weaken export growth.

Emerging Korean Intellectual Property Issues in the 21st Century

NEW YORK, September 16 – Charles Miller, senior partner, Pennie & Edmonds, LLP, spoke at a Business Roundtable on the topic of intellectual property issues in Korea. Miller asserted that Korea, Taiwan, Hong Kong and Singapore are currently the focal points in Asia for intellectual property issues, and the intellectual property (IP) practice is a busy and critical part of the business world today. Until the end of the 1980s, Miller noted that IP laws were in place in Korea, but enforcement was fraught with problems. In those days, he explained, Korean legal scholars were generally opposed to strengthening enforcement, which they felt would hinder the free exchange of information among themselves and with companies. According to Miller, this situation began to change in the



Charles Miller, September 16.

early 1990s, partly in response to threatened sanctions by the U.S., and the years between 1993-96 marked a significant turning point in the development of Korean IP law. In concluding his remarks, Miller suggested that the emerging trends in the protection of intellectual property in Korea are headed in the right direction to promote on-going national efforts to keep up with the economic challenges of the modern global era.

The Bright Outlook for Korea's Economy in the Post-Crisis Era

WASHINGTON, September 29 – Chang Mo Bae, the Chairman of the Korea Securities Dealers Association, delivered an address on the Korean economy at a Distinguished Visitors Series luncheon in his honor. In support of his optimistic view of the future of the economy, Bae argued that the South Korean government's aggressive approach to improving and stabilizing the Korean economy has paid off, as shown by the accelerated payback of loans to the IMF and the build-up of foreign exchange reserves. The government achieved this success, Bae said, by putting a high priority on reforms in the financial and corporate sectors. While financial reforms have been very successful in restructuring or eliminating "non-viable" institutions, Bae acknowledged that corporate restructuring is proceeding more slowly and still poses many challenges. He concluded his address by reiterating his conviction that the continued growth of the Korean economy will make South Korea one of the most attractive markets for investment in Asia. Co-presented with the Korea Economic Institute of America (KEI).

Korea's Economic Reforms: The Prospects for Sustainable Growth in the New Millennium

NEW YORK, September 30 – ROK Minister of Finance and Economy Kang Bong-Kyun, speaking at a Distinguished

Visitors Series program, summarized Korea's recent achievements in the area of economic reform and recovery. He assured the audience that the reforms implemented to date are just the beginning of Korea's journey to transform its economic paradigm for sustainable growth in the new century. Calling attention to Korea's enhanced macroeconomic picture, Kang noted that the GDP growth performance—stellar as it is—deserves special attention for reasons other than its magnitude. Specifically, he stressed that the growth Korea has been experiencing is sound and sustainable since it reflects structural and fundamental reforms—rather than cyclical circumstances—and is being facilitated by a strong and balanced increase in consumption, investment and exports. Kang also stressed his government's awareness of the need to pursue a



Donald P. Gregg and Kang Bong-Kyun, September 30.

new vision for growth, not only to ensure sustainability but also to participate fully and successfully in the new global economic order. He pointed out that Korea already possesses many advantages for pursuing this new growth strategy, including a well-educated labor force and an advanced infrastructure. In conclusion, citing his government's commitment to pursue a further expansion of knowledge-intensive industries, Kang asserted that Korea is already well on its way toward becoming one of the world's top ten advanced information economies by the year 2002.

Current Economic and Political Developments in Korea and their Implications for U.S.-Korea Relations

NEW YORK, October 19 – Drawing on his findings during a recent trip to Korea, Amb. Donald P. Gregg gave a briefing on current trends in Korea during a luncheon for corporate leaders in the Chairman's Special Events series.

Economic Reforms in Korea: Opportunities and Risks

NEW YORK, October 29 – The scope and efficacy of the economic reforms initiated in Korea by the government and the private sector, in response to the Asian financial crisis, provided the focus for this half-day conference. The program featured six distinguished presenters: Amb. Kihwan Kim, the chairman of Media Valley and an international advisor to Goldman, Sachs & Co.; Mr. Nigel Holloway, deputy editor, *Forbes Global*; Mr. Brian Oak, vice president/senior credit officer, Moody's Financial Institutions Group; Dr. Zia Qureshi, lead economist and country program coordinator for Korea, The World Bank; Dr. Wanda Tseng, deputy director, Asia and Pacific Department, International Monetary Fund; and Amb. Donald P. Gregg. The presentations got underway with an overview by Gregg of the major political and economic developments in Korea since the outbreak of the economic crisis. Gregg lauded the astute leadership of the current administration in Korea, which he asserted has led to significant improvements in Korea's international relations as well as laid the groundwork for improved relations with North Korea. He concluded by reaffirming his optimism that Korea would eventually emerge as the economic hub of Northeast Asia. In his remarks, Kim pro-

vided an assessment of the two major factors that he believes were the greatest contributors to the 1997 financial crisis; namely, the abrupt outflow of foreign investment capital, which occurred on an unprecedented scale, and the overconfidence on the part of Korean government officials that compounded the negative consequences of this outflow of capital. Kim also stated that, as a result of the IMF-mandated reforms, there is an inevitable streamlining of the *chaebol* underway which will lead to a sound, market-driven economy that will promote Korea's emergence as a true global competitor. In his remarks, Holloway presented a considerably less optimistic view of the progress of economic reform in Korea, asserting that without greater access to capital on the part of small business and entrepreneurs, meaningful competition cannot emerge, and hence true economic reform cannot take hold. Oak focused his presentation on Korea's banking and finance sector. He characterized the reform efforts as "revolutionary in the Korean context," but said he remained skeptical about whether the government, or the banking sector itself, has the ability and the resolve to maintain the reform efforts which are underway. Qureshi also adopted a critical view, noting that in order for Korea to fully succeed in restoring foreign investor confidence and completing true economic reform the following four measures must be realized: 1) establishment of truly accountable corporate governance; 2) enforcement of consistent transparency in all accounting practices; 3) implementation of fair-trade agreements; and 4) careful monitoring of the agreed to *chaebol* restructuring workouts. On a more optimistic note, Tseng pointed out that, in the two years since the beginning of the economic crisis, Korea has established itself on a sustained track of solid progress and recovery. She expressed strong optimism that if government and industry stay the course, Korea's economy will emerge stronger than ever. Co-presented with the Korean American Chamber of Commerce (KOCHAM) and Citibank (The Citibank Private Bank).



Wanda Tseng, October 29.



Kihwan Kim, October 29.



Nigel Holloway, October 29.

Korea's Financial Reforms

WASHINGTON, December 16 – In the final Business Roundtable program of the year, Dr. Catherine Mann and Mr. In June Kim of the Institute for International Economics offered their assessment of Korea's financial reform efforts. Co-hosted by the Korea Economic Institute of America (KEI).