



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.

AN UPDATE ON ECONOMIC REFORMS IN KOREA

January 20 • New York, NY

Mr. Edward Kelleher, managing director and country manager of the Bank of America and chairman of the Foreign Bankers Group in Seoul, discussed the progress of economic reform in Korea in a business roundtable luncheon program. Kelleher noted that there are significant changes in the way business gets done in Korea since the financial crisis of 1997, reflecting a shift from a command to a market economy. Based on his review of the changes over the last two years, Kelleher pre-



Business Roundtable program. January 20.



Edward Kelleher.
January 20.

dicted that there would be even more substantial changes over the next five to ten years. Kelleher also provided an assessment of Korea's recovery, citing factors such as the rising domestic demand, increased inventories and better margins, strong export competitiveness, stabilization of bank capitalization, high investment interest (direct and portfolio), and the return of a lending appetite among foreign banks. On these grounds, he concluded that Korea is well positioned for further rating upgrades. While Korea does remain vulnerable to external shocks, in his view, it is unlikely that there will be another crisis like the one witnessed in the recent past.

THE DAWN OF THE PACIFIC CENTURY

February 4 • New York, NY

The Korea Society was a cosponsor of a two-day business conference organized by the Asian Business Society of New York University's Stern School of Business. The

objective was to assess the importance of corporate responsibility in Asia, by providing a forum for the exchange of ideas between industry and academia. Keynote speeches were delivered by Mr. Jonathan G. Weiss, chief executive & managing director, Chase Manhattan Asia Limited, Hong Kong; Dr. John S. Major, senior lecturer, China Institute in America; and Ambassador Takekazu Kawamura, consul general of Japan in New York.

LONG-TERM ECONOMIC SCENARIO FOR ASIA WITH A SPECIAL FOCUS ON KOREA

February 17 • New York, NY

Dr. Nariman Behraves, chief international economist and research director of Standard & Poor's, discussed the long-term economic outlook for Asia in a business roundtable luncheon program. Behraves prefaced his talk by stressing his intention to situate his analysis of the financial situation in South Korea within the context of the larger picture of macro-economic dynamics in Asia. Addressing the question of South Korea's investment potential, he provided an assessment of the risks and challenges as well as the positive indicators. He pointed to indicators of recovery including fiscal and monetary policy changes, low inflation, and the rise in domestic consumption and demand. In terms of evaluating risks, Behraves also pointed to the importance of factoring into consideration the ramifications for Korea of changes in the economies of Japan and China. In concluding his remarks, Behraves outlined the two major challenges facing

South Korea and other Asian countries: namely, the aggressiveness with which the necessary structural reforms are pursued and the degree of reliance on domestic rather than export-led growth.

KOREA'S ECONOMIC RECOVERY, THE NO GUN RI INCIDENT, AND PRESIDENT KIM DAE-JUNG'S SUNSHINE POLICY TOWARD NORTH KOREA

March 9 • New York, NY

Ambassador Donald P. Gregg hosted a chairman's special events luncheon program for several members of The Korea Society's board of directors and other invited guests. He offered an overview of Korea's economy, President Kim Dae-jung's policy toward North Korea, and the *No Gun Ri* incident. A lively discussion followed the presentation.



Nariman Behraves.
February 17.

KOREAN FINANCIAL SECTOR RESTRUCTURING

March 16 • New York, NY

Mr. Robert E. Fallon, head of the Asia-Pacific Division and member of the Management Committee of The Chase Manhattan Bank, was the guest speaker at a business roundtable luncheon program focused on the restructuring efforts in Korea in the aftermath of the financial crisis of 1997. Although the economy seems to have recovered, Fallon suggested that the jury is still out on the adequacy of the recovery. Pointing out that most



Robert E.
Fallon.
March 16.

of the changes in the economy have been cyclical, he argued that more long-term financial sector restructuring is needed. Likewise, while noting the government's multilateral response to the crisis has been appropriate, he stressed that a continuing commitment to reform is key. He suggested that the upcoming elections and the way the Daewoo crisis is resolved should be viewed as important factors in gauging this commitment.

DISCUSSION WITH AN AMCHAM-K DELEGATION

April 4 • Washington, DC

A delegation representing the Chamber of Commerce in Korea (AMCHAM-K) spoke at a breakfast forum cohosted by the Korea Economic Institute. The delegation was led by Mr. Paul M. McGonagle, president of AMCHAM-K.

PRESIDENT OF AMCHAM-K GIVES KOREA UPDATE

April 17 • New York, NY

Mr. Paul M. McGonagle, president of the American Chamber of Commerce in Korea (AMCHAM-K), discussed the progress of the economic reform efforts in Korea in a business roundtable luncheon program. In his presentation, McGonagle noted that, as far as Korea's macroeconomic performance is concerned, solid recovery was the outcome of 1999. Although great progress has been made, he said, a great deal more needs to be done. Overall, he concluded, the economy is strong with low downside risk and restructuring in the corporate and financial sector is progressing. However, he cautioned, the climate for resolving trade issues could deteriorate with the uncertain policy environment.

PROSPECTS FOR THE KOREAN ECONOMY IN 2000 AND BEYOND: STRUCTURAL REFORM, CORPORATE GOVERNANCE AND GLOBAL TRANSITION

June 1 • New York, NY

The prospects for the second half of 2000 were explored in a half-day business conference. In his welcoming remarks, Ambassador Donald P. Gregg, president & chairman of The Korea Society, articulated his conviction that Korea is well positioned to close out the second half of 2000 with monumental achievements. As grounds for this assessment, Gregg pointed to the



Paul M.
McGonagle.
April 17.

ongoing process of corporate reform and the broad-based expansion of GDP in the first half of the year. In a keynote address, Mr. Okyu Kwon, director general, Economic Policy Bureau, ROK Ministry of Finance and Economy, also painted an optimistic picture of the prospects for the ongoing recovery of the Korean economy. He stated that the government was committed to work constructively with the private sector to sustain the ongoing reforms which are aimed at realizing a competitive market driven economy. Kwon added that the final goal of the Economic Policy Bureau was nothing less than to implement the liberalization policies needed to transform Korea into the best environment for doing business available anywhere in the world. The other presenters were: Mr. Paul Kang, president, Altacap Convergence Capital; Mr. Sun Bae Kim, managing director, Goldman Sachs-Asia; Mr. Barry Metzger, senior partner, Coudert



(left to right) Jin Roy
Ryu, Barry Metzger, Sun
Bae Kim, Paul Kang,
Okyu Kwon and Jeffrey
R. Shafer. June 1.

Brothers; and Mr. Jin Roy Ryu, chairman & CEO, Poongsan Corporation. The conference was cosponsored by the Asian Wall Street Journal, Citigroup and the Korean Chamber of Commerce and Industry in the USA, Inc. (KOCHAM).

KOREA'S ECONOMIC RECOVERY: SUSTAINED GROWTH AND STRATEGIES FOR MEETING THE CHALLENGES OF THE 21ST CENTURY

June 28 • New York, NY

ROK Vice Minister of Finance and Economy Uhm Rak-Yong addressed the topic of recent and prospective economic developments in Korea in a distinguished visitors luncheon program in his honor. Uhm outlined the progress being made in the area of economic reforms, the agenda that lies ahead, and his government's commitment to promote a new economic paradigm that will ensure sustainable and equitable growth in the years to come. He also highlighted some of the important changes taking place for peace and stability on the Korean

Peninsula at the dawn of the new century, including the recent summit meeting in P'yongyang. In his closing remarks, Uhm summed up his address as follows: "As for Korea, its economic prospects look bright and its commitment to sustained reform remains firm. Our sights are set on achieving our reform and liberalization policy goals, aimed at creating one of the top environments for conducting business in the world. Korea will continue to strive toward fully integrating itself into the global economy and adapting to the digital revolution for truly sustainable growth in the coming decades."

PORTFOLIO KOREA 2000 CONFERENCE

June 28 • Boston, MA

June 29 • New York, NY

June 30 • Los Angeles, CA

The Korea Society and the Korea Securities Dealers Association (KSDA) cosponsored a conference presented at three venues across the U.S. The conference was designed to focus the attention of international investors and other opinion leaders on the investment



Uhm Rak-Yong.
June 28.

opportunities that have arisen in Korea as a result of the synergy between a growing openness to the potential of the New Economy and the country's traditional industrial strength. These are giving rise to the dynamic enterprises and technological applications needed to enhance Korea's competitiveness as a knowledge-based economy. The topics and presenters were as follows: "The Future of Korea's Securities Market," Mr. Chang Mo Bae, chairman, KSDA; "Korea's Economic Recovery: Outlook and Potential," Mr. James Rooney, governor, American



Business Conference. December 11.

Chamber of Commerce in Korea; "The Impact of Financial Reform on Portfolio Investment in Korea," Mr. Buhmsoo Choi, senior counselor, Financial Supervisory Commission; and "The Birth of a New Korean Economy: Opportunities Among Emerging Venture and IT firms," Mr. Nam Park, head of the KODIS [KOSDAQ, Internet, Small & Medium Cap] Team, Hyundai Securities Company. The confer-



Marcus
Noland.
November 14.

ence concluded with a luncheon address analyzing the historic North-South summit meeting in Korea. Ambassador Donald P. Gregg and Ambassador William H. Gleysteen, Jr. delivered a luncheon address in New York and Boston, respectively.

THE ECONOMICS OF NATIONAL RECONCILIATION

November 14 • New York, NY

Dr. Marcus Noland, senior fellow, Institute for International Economics, offered his analysis of the economics of reconciliation in a business roundtable luncheon program. Noland began by stating that the evidence of the intentions of the North Koreans can be found in what they say, what they negotiate and what they do. Until recently, he noted, North Korea's remarks on the reform processes taking place in other parts of the world have been "scathing in their denunciation." For example, they have described the reform process as "honey-coated poison" and a "Trojan Horse." Recently, however, North Korea has adopted an "I'm OK, you're OK" attitude towards China, and Kim

Jong-il even praised Deng Xiao-ping's reforms — a stark contrast to the comments of the previous ten years. When looking at what the North Koreans negotiate, and what they do, Noland asserted, recent trends also look positive. But there is some cause for skepticism. It's not certain if the North Koreans fully understand everything they negotiate, but it seems that their economic rationality is increasing. Noland also expressed skepticism about North Korea's ability to implement the reform of its economy. Based on what has occurred in other countries, one systematic determinant of relative success is the degree of macroeconomic stability at the time of reform. Another determinant is the existence of a pre-socialist legal system, which is lacking in North Korea. Perhaps the biggest determinant of relative success in other countries that have reformed, Noland noted, is the presence of a large labor-intensive agricultural sector. When China and Vietnam underwent reform, this sector made up around 70% of the population, as compared to the more industrialized North Korea in which the comparable figure is 30–35%. On the other hand, Noland said, the assistance of a major benefactor (i.e., South Korea) is one big advantage that North Korea has over other transitional economies. In the end, despite reported economic growth, North Korea has increased its reliance on other nations for food assistance, and at the same time military spending has been increased. There are multiple ways to interpret this pattern, but it is not obvious that North Korea is "hell-bent" on reform. In closing, Noland cautioned that economic interaction with North Korea puts South Korea at risk. South Korea has claimed that when dealing with the North, politics and business will be separated. Unfortunately, he said, it is impossible to separate politics from business in North Korea, because the state is the economy. Another problem is that South Korea's own internal reform is incomplete. It is desirable to promote economic integration with North Korea, but it should be more transparent than it is at present. The bottom line, Noland said, is that the prospects for increased interaction with the North underline the urgency of

economic reform in South Korea, which otherwise runs the risk that its own vitality could be undermined.

ASSESSING PROGRESS IN RESTRUCTURING THE KOREAN ECONOMY

December 11 • New York, NY

A half-day conference was held at the Citicorp Center to evaluate the current state of Korean economic reform. Despite the rapid recovery from the 1997 financial crisis, some observers continue to believe that the South Korean economy is heading towards another economic crisis while others take a more positive outlook. Against this backdrop of divergent perspectives, the conference dealt with four major questions: 1) What steps will the South Korean government take to address the current economic downturn and restore the momentum for economic reform? 2) What is the best way to proceed with the restructuring of the *chaebol*? 3) Will the current downturn have a negative impact on South Korea's ability to invest in North Korea? and 4) How will South Korea's economy respond to the challenges of globalization? The presenters were: Dr. Il Sakong, ambassador for international economy and trade, Republic of Korea; Dr. Edward M. Graham, senior fellow, Institute for International Economics; Dr. Danny Leipziger, director of finance, The World Bank; Mr. Joydeep Mukherji, director, Sovereign Ratings, Standard & Poor's; and Mr. Jong-Nam Oh, alternate executive director, International Monetary Fund. Dr. Lewis S. Alexander, managing director and global head for emerging markets, Salomon Smith Barney, moderated the program. In his keynote address, Sakong offered a basically optimistic view on the outlook for Korea's financial sector. While acknowledging that the next six months would be a very difficult period, he cited the commitment to the reform process on the part of the government and popular support for the transformation of South Korea into a major player in the IT-dominated world as strong indications that Korea's economy will improve in the long term. By contrast, cautioning against what he characterized as the "rose-colored glasses" view of the state of the Korean economy, Graham presented a



(left to right) Lewis S. Alexander, Edward M. Graham, Danny Leipziger and Joydeep Mukherji. December 11.

critical perspective on the South Korean government's reform efforts, the current financial situation and the restructuring efforts of the *chaebol*. Leipziger adopted the middle ground in his presentation. While agreeing that the Korean economy is cooling, he drew an analogy between the current situation and a glass of water, noting that the economy has a 65% chance of being "half-full" as opposed to "half-empty." Mukherji offered an informative presenta-

tion on the statistical input involved in the formulation of Standard & Poor's credit rating for Korea. Noting that it currently stands at BBB/Positive, he pointed out that Korea evidenced one of the most unusual fluctuations ever seen in credit ratings over the past several years. Finally, Oh noted that the recent pessimistic talk about the Korean economy, combined with an exaggeration of the negative factors, could be as harmful as the complacency he warned against after the

recovery from the financial crisis of 1997. He argued that it should not be taken as a compliment that Korea is rated best among second-tier countries; and stressed that strong leadership and a willingness of the people are required to move Korea into the first tier. The conference was cosponsored by the *Asian Wall Street Journal*, Citigroup and the Korean Chamber of Commerce and Industry in the USA, Inc. (KOCHAM).