

Foreword

The winter of December 1997 was very cold in Korea. Chill winds seemed to blow directly out of Siberia, extinguishing everything that Korea had achieved economically in the course of preceding decades. The praise that the world once lavished on the country turned to derision. The new mood was encapsulated in the aloof gestures of the managing director of the International Monetary Fund, Michel Camdessus, as he laid out the conditions attached to the disbursement of emergency assistance. The volatility of international financial markets and the political uncertainty surrounding Korea's upcoming presidential election did not help to stabilize the already precarious situation. Capital took flight, the ratings of Korea's sovereign debt were cut, and the country found itself facing its gravest challenge since the Korean War.

The subsequent crisis reverberated throughout Korean society. Merely securing lines of credit did not suffice to stabilize the market. Korea inexorably headed into painful corporate and financial restructuring. Bankruptcies soared, paralyzing business activity and triggering job losses. With the corporate sector straining under an enormous debt burden, the high interest rates and fiscal austerity seen as necessary for restoring confidence transformed the shock from a liquidity shortage into a major credit crunch.

Although more than five years have passed since the onset of the crisis, important questions remain about its implications. In an effort to answer them, in October 2002 the Research Center for International Finance (RCIF) of Seoul National University convened an international conference bringing together experts from Korea and a variety of other countries. The results of their discussions can be found within the covers of this book.

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