

INTRODUCTION

Today we are being inundated by the changes taking place in the world. Each period in the history of humankind has had its own share of changes, but today's world is experiencing changes on a scale unprecedented since the dawn of civilization. These changes are not only the natural by-products of the advent of the mass information age, but also testify to the fact that we are living in a period of epic historical transition.

As the Cold War receded with the collapse of communism, it has been replaced by the emergence of a "new world order." Politically, the United States has emerged as the sole superpower. Economically, leadership has been evenly divided between the United States, Japan, and the European Union. In the past, national strength was determined largely by military prowess. However, in today's world, national strength depends on a country's level of technological development, based on its economic power. This new trend is encouraging a realignment among the nations of the world that are bent on pursuing their own national interests. The structure of multinational negotiation based on the Brettonwoods Accord is giving way to regional economic integration such as APEC and NAFTA. With these changes, the legal concept of the state is becoming meaningless, and the economic activity of nations is being oriented toward the interests of each individual, enterprise, and nation. Merchandise trade, which previously involved the site of production and the site of demand, is now increasingly taking place at the site of demand, where products are directly produced and distributed.

These global changes clearly reflect a shift in the existing order—the globalization of economic activity is rapidly taking place and the distinction between domestic and external markets is blurred. Hence, it is becoming ever more difficult to protect domestic industries or markets. The era of unlimited competition has arrived and is here to stay! Now, everyone in this country, from households and workers to the enterprises and the government, is called upon to do his or her utmost amid these global changes, united under the same goal to enhance competitiveness.

Huge changes have also been taking place on the domestic front. First, a glance at the present stage of Korea's economic development would bring home to us the magnitude of structural changes. Since the per capita GNP reached \$ 7,000, there has been a noticeable shift in both the trends and structure of consumption: in parallel with rapid technological development, industries are undergoing structural adjustment. The standards of comparative advantage among industries are changing. A new social justice policy should incorporate equitable distribution of wealth, relaxation of the concentration of economic power. Fair trade should be further encouraged. Maintaining consistency between macro level and sectoral level policies is not easy any more. Nor is it easy to strike a balance between economic development and policy implementation.

We are troubled in the face of the vast gulf between our goals and the reality. We are witnessing the explosion of pent-up demand that has accompanied democratization, while at the same time disorder, self-indulgence, and irresponsibility have become rampant in our society, where "authoritarianism" is mistaken for "authority." Amid the changes of today, we develop a longing for reestablishing a social order based on a changed, bona fide social authority, replacing the artificial one imposed during the authoritarian era.

Changes are also spilling into North-South relations, enhancing the prospects for the reunification of the two Koreas. We, the Korean people, all hope for reunification, but at the same time, we cannot lose sight of its potentially huge cost. The more fervent our wishes become toward reunification, the more resolute we have to become to work hard for it. We have to realize that reunification is significant not only as a union of the Korean people, but also as a symbol marking Korea's joining the ranks among advanced countries.

This period of change demands its acceptance and adaptation. We simply cannot disregard the tide of change. If we do so, it would be like the ostrich burying its head in the sand. What price have we paid for refusing to open our doors to the outside world and ignoring the tide of change in the late nineteenth century? Like it or not, we must not be blind to this new era of change and global competition. Acceptance of change should occur with the full knowledge of going into global competition. In this era of economic war, we have to pool our wisdom to make the best of the situation. This calls for the complete overhaul of our economic policy. Structural problems that have been postponed under the guise of gradual solution have to be tackled from the perspective of reform. This has to be approached and implemented with a new way of thinking. We have no time for further procrastination.

This book is intended to explore and discuss ways to triumph in the economic war in this era of change from the strategic point of view—how are we going to tackle the structural challenges confronting us within the scope of economic policy? At this important juncture, when we have to make radical changes in existing policies to ensure the development of more mature capitalism, how are we going to approach it?

This book consists of eight chapters. Chapter 1 is devoted to presenting the changing trends currently sweeping the world along with an outlook on future changes. Chapters 2 through 4 discuss how the Korean economy has evolved from a policy perspective. Particular focus is given to a discussion of the bright and dark sides of the Korean economy. Chapters 5 through 7 examine how Korea is going to transform its society amid this deluge of change. Today, the Korean economy faces the daunting task of removing backwardness to advance the nation's economy in preparation for the twenty-first century. In that respect, Chapter 8 deals with what we will have to do to make that goal come true. The appendices are reserved for the principal economic indicators of Korea over the past forty years.

I feel that writing this book has been an enormous burden for me, considering my lack of learning and time. However, I dared to write this book because I felt that not enough effort was being made to cope with the tide of change sweeping the world today, and therefore, I humbly offer my suggestions on the best way to prepare ourselves for the century ahead.