

Korea's Economic Reform Measures under the IMF Program

**Government Measures
in the Critical First Six
Months of the Korean
Economic Crisis**

Edited by
**Chan-Hyun Sohn
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**KOREA INSTITUTE FOR
INTERNATIONAL ECONOMIC POLICY**

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Foreword

By November 1997, the financial crisis that had been tormenting Southeast Asia since the summer of that year spread to Korea. The foreign exchange difficulties were quite unlike anything the world had ever seen. The resultant economic chaos is still being sorted out and the effects will likely be felt for years to come.

The crisis in Korea was touched off in November when a loss of confidence by foreign investors resulted in huge withdrawals of funds and a swift, massive depreciation of the Korean won. In early December, the Korean government requested the assistance of the IMF. The government and the IMF agreed on a program of fundamental economic reforms to curb the foreign exchange crisis. In particular, the reforms aimed to eliminate some of the long-standing problems with the Korean economy such as excessive regulations, inefficient financial sector, corporate governance without checks and balances, high levels of restrictions in trade and capital flows, rigid labor markets, and non-transparency.

At the same time, the government requested that we, the Korea Institute for International Economic Policy (KIEP), establish the “Nation’s Confidence Enhancement Team” which, with the assistance of the Ministry of Finance and Economy (MOFE), would help restore foreign investor confidence in the Korean economy. Since the biggest problem that foreign investors faced was the lack of information about the Korean economy, the team was to provide information about economic reforms and restructuring. Information covering reforms and the current economic situation was compiled, summarized, translated, and placed at the “Korea’s Economic Reform Update” website within the KIEP homepage (<http://www.kiep.go.kr/ENGLISH/ek-iephome.html>).

While at times quality had to be sacrificed for the sake of making material available immediately, we are proud of what the team has accomplished. Therefore, upon the completion of the project on May 8, we decided to publish their efforts. This volume compiles the individual entries of the website. We believe this compilation provides a unique insight into the critical first six months of Korea’s financial crisis, and will provide useful background material to anyone interested in early government responses to the country’s financial crisis.