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Statement by the Hon. **YUN-CHURL JEON**,
Governor of the Fund and the Bank for **KOREA**,
at the Joint Annual Discussion

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It is my pleasure and honor to represent the Republic of Korea at this Fifty-seventh Annual Meeting of the IMF and World Bank.

The global economy is recovering gradually, but the path ahead of us is uncertain, and **the risks are predominantly on the downside.**

On the one hand, against the delayed US economic recovery, the growth momentum in the EU and Japan is also likely to wane.

On the other hand, the stock markets around the world are still suffering from the **burst of the IT bubble and the crisis of confidence.**

Geopolitical event risk is already putting a “Gulf Premium” on oil prices, and is not likely to help consumer confidence.

Considering these downside risks, we need a concerted effort by the leading economies **to maintain the momentum of growth** through a proper policy mix.

The developing economies, for their part, need to **widen the source of growth to give a better balance between export and domestic demand.**

Now, let me briefly highlight recent economic developments in Korea.

After years of reform and restructuring, the Korean economy is performing solidly, with a growth rate of about 6 % posted in the first half of this year.

Driven both by domestic consumption and exports, this year’s growth is expected to be in the 6 % range.

Looking to the future, **Korea will maintain its reform drive** and firmly establish *a full-fledged market economy system*, where corporate restructuring will be led by market forces constantly.

At the same time, we seek to enhance the economy’s long-term growth potential by fostering high-tech industries such as IT, BT as new engines of growth.

We also plan to **transform Korea into the hub of Northeast Asia** in terms of logistics, finance, and other business.

To this end, we are expanding our airports and other infrastructure, including the reconnection of the railways between South and North Korea to be extended to the Trans Siberian and Chinese Railways.

Now, I would like to discuss the on-going global efforts to prevent financial crises.

Financial turmoil in some Latin American countries continues, casting a shadow of the crisis contagion throughout the region.

On the positive side, we welcome the timely announcement of the IMF rescue package for Brazil, warding off the risks of contagion.

In the long run, however, the international financial system will still face the challenges of a new global environment.

Hence, we must **continue our efforts to reform the international financial architecture**, focusing on a comprehensive framework for crisis prevention and resolution.

For this reason, Korea fully supports an emerging consensus on the issue of *private sector involvement*.

We also welcome the newly-added impetus at yesterday's IMFC meeting on the Sovereign Debt Restructuring Mechanism and the use of Collective Action Clauses.

We welcome the on-going 12th General Quota Review as an opportunity to raise the capacity of the IMF to cope with crises.

In the process, we would like to see the quotas adjusted according to **the economic realities** of the member country and **its enhanced role in the international economy**.

On a regional level, we welcome the progress in the regional financial cooperation, including significant progress in the Chiang Mai Initiative.

Equally important is the need to strengthen international cooperation to support poverty reduction worldwide.

We support the World Bank's expanded role in pursuing the international development agenda.

Korea is firmly committed to making more contributions towards the global partnership for poverty reduction.

I would like to take this opportunity to announce that **Korea is planning to contribute to the HIPC Trust Fund**.

Since the Inter-Korea Summit meeting of 2000, we are working to ease the tension on the Korean Peninsula and produce the benefits of economic cooperation.

In this connection, we invite the international community to take steps to support and enhance economic cooperation with North Korea.

We also call on the IMF and World Bank to **help support North Korea's smooth transition and integration** with the global economy.

Appreciating the importance of international support for its development, Korea commits itself to working closely with the international community, including the Fund and the Bank.

Thank you very much for your attention.