



2010
ANNUAL MEETINGS
International Monetary Fund
World Bank Group
Washington, D.C.

Press Release No. 28

October 8, 2010

Statement by the Hon. **JEUNG-HYUN YOON**,
Governor of the Fund and the Bank for the **REPUBLIC OF KOREA**

Statement by Mr. Jeung-Hyun YOON
Minister of Strategy and Finance
Republic of Korea

1. Greetings

Honorable chairman, fellow governors,
and distinguished guests,

First, I would like to sincerely thank all of you for your efforts to prepare this IMF/WB Annual Meetings.

I strongly believe that your dedicated efforts will lead this year's Annual Meetings as successful as ever.

My special thanks also go to the United States government for offering us every convenience for the gathering.

Let me take this opportunity to wholeheartedly welcome and congratulate Tuvalu for joining the IMF and the World Bank as the 187th member country.

2. Role of this Annual Meetings and expectations

Ladies and gentlemen,

We have made a concerted effort to overcome one of the greatest economic crises in the form of the great recession of 2008. The IMF and the World Bank were at the center of that collective effort, taking emergency measures to lift the global economy out of the crisis.

The IMF promptly went to the rescue of member countries in crisis and introduced the Flexible Credit Line for crisis prevention. These measures enabled the Fund to contribute to the financial stability of member countries. Meanwhile, the World Bank dramatically expanded loans for developing countries and stood up as a beacon of hope for the crisis-affected developing countries.

Now the global economy appears to be on the right track to recovery owing to such efforts. However, there are still numerous uncertainties ahead for the global economy.

Amid these uncertainties, we need to examine the problems the crisis has revealed and establish a crisis prevention system, in order to avoid the repeat of the crisis and to promote sustainable economic growth.

The need for such action have been discussed last June at the Toronto Summit where leaders called for an improved global economic system to be established by the G20 Seoul Summit in November, through such measures as the IMF reform and global financial safety net. The IMF and the World Bank, as the two major pillars of the world economy, should transform themselves swiftly to better adapt to the evolving global economic system.

It would not be an exaggeration to say that all eyes are on this IMF/WB Annual Meetings. We should also remind ourselves that time is a luxury that we do not have. We should once again show our strong faith in the IMF and the World Bank and unlock their potential. In this regard, I would like to touch upon the four major tasks that require the agreement of the member countries and their firm determination at this meeting.

First, we need to make substantive progress on the IMF reform such as the IMF quota and governance reform.

As agreed at the Pittsburgh Summit, a shift in quota share to dynamic emerging market and developing countries of at least 5 percent from over-represented to under-represented countries should be worked out as soon as possible. This should be accompanied by the IMF governance reform to improve its representativeness, legitimacy, and effectiveness. Furthermore, each country should implement and complete the quota and voice reform agreed in April 2008 without delay.

Regarding what I have just mentioned, I truly welcome that agreement on the World Bank's shareholding realignment was reached before the deadline set at the Pittsburgh Summit. I expect member countries to approve the agreement promptly so that the shareholding realignment results can be finalized as quickly as possible.

Second, we need a far-reaching understanding and consensus on the establishment of a global financial safety net among member countries.

In this context, it is very encouraging that the improvement of the Flexible Credit Line and the introduction of the Precautionary Credit Line were approved at the IMF board meeting, establishing a framework for a global financial safety net.

I would also like to emphasize that it is very necessary that we introduce the additional global financial safety net including those for enhancing the synergy between the IMF and regional financial arrangements. Such measures should be certainly implemented to prevent the systemic risk in advance and prevent its spread to emerging market countries.

Third, we need to enhance financial regulations in order to ease financial market uncertainties, to return normalcy to the financial market and prevent future crises. In this respect, I firmly support the agreements on capital and liquidity reform package reached at the Basel Committee last September. We should also deeply explore various ideas and policy options to mitigate the side effects of the increased capital flow. Recently, global capital movements are returning to normal as we see active flow of capital to emerging countries. However, we should remain vigilant against possible side effects because several macroeconomic risk factors still exist. These factors include high economic volatility through asset price channels and concerns over the possibility of the recurrence of a sudden stop in capital flow.

Fourth, a new development paradigm is also necessary. Our development goal goes beyond just eradicating poverty in developing countries. We should go further to nurture the overall capability for self-reliant and sustainable economic growth. When developing countries evolve into new growth engines of the world economy through such efforts, both developed and developing countries will be able to grow together.

To this end, the development strategy focused on economic growth will be high on the agenda at the G20 Seoul Summit in November. The agenda is expected to ultimately contribute to achieving MDGs.

I also hope for extensive discussions on a new approach toward the development issue during this IMF/WB Annual Meetings.

3. Korean Contribution

Distinguished colleagues,

Korea finds special significance in this year's IMF/WB Annual Meetings. As the chair of this year's G20 summit, Korea wishes to convey discussions at this Annual Meetings to the G20 Summit.

Among the topics for discussion, Korea is committed to promoting the reform of the IMF, global financial safety nets and a new development paradigm as the major achievements of the G20 Seoul Summit in November. We are looking forward to wholehearted support and cooperation of other member countries for this endeavor.

Korea will also do its part by playing the role of mediator between the developed and developing countries. Korea has received much assistance from international financial institutions in the process of its economic development.

As the first country to successfully transform itself from a recipient to a donor country, Korea is more than ready to share its development experience with developing countries. Korea finally joined the OECD Development Assistance Committee as a member in 2009, and Korea will significantly increase the ODA/GNI ratio from 0.10 percent in 2009 to 0.25 percent by 2015. Moreover, Korea hopes to build a cooperative relationship with the developed countries to effectively provide support for developing countries.

We will also strengthen our cooperation with international financial institutions to actively respond to global issues such as food security and climate change. As part of such efforts to tackle the issue of global food supplies, Korea pledged to contribute a total of \$50 million to Global Agriculture and Food Security Program of the World Bank together with other developed countries including the United States, Canada, and Spain.

4. Concluding Remarks

The uncertainties currently facing the world economy are unprecedented. That is why countries around the world have high expectations for this IMF/WB Annual Meetings.

Now is the time that member countries come together and join forces. I have no doubt that better results will come about through such cooperation.

When we seek only self-interest while refusing to believe in each other, we might fall into the trap of a "prisoners' dilemma" and trap ourselves in an even worse situation.

To avoid this situation, every member country should open up to each other and join hands. It is vital for all of us to coordinate policies and maintain consistency now more than ever.

Thank you.