

INTERVIEW WITH YONHAP INFOMAX
(August 21, 2006)

1. 그간 한국에서 근무하시면서 느끼셨던 소회에 대해 부탁드립니다.

Please tell me your impressions during your stay (work) in Korea.

I feel very blessed at having the opportunity to serve in Korea as the IMF's representative. As a Korean-American, I have close personal ties to Korea, with many family and friends here. As a graduate student, I studied the economic history of Korea and have a deep academic interest in its development. And as an IMF economist, I had the chance to work on the Korea team during the Asian financial crisis and see first hand its remarkable recovery.

For these reasons, it has been a privilege for me to serve in Korea and to be able to help in some small meaningful way.

2. IMF 한국소장으로 계시면서 가장 기억에 남는일이 있으시다면?

Please tell me what remained the most in your memory during your stay as Resident Representative in Korea.

My most memorable experience has been my interaction with a wide range of people in Korea. As the IMF representative in Korea, I have had the chance to meet many people both within and outside the government to share views on the Korean economy. I have been very impressed with the commitment here to reform and the eagerness to improve and advance. For example, the reforms that Korea has undertaken since the financial crisis would have taken more than a generation for other countries to achieve. For this reason, Korea remains an important model for other countries looking to reform.

In particular, I have had the privilege of guest lecturing at several Korean universities. I enjoyed very much my interaction with the students and was very impressed with how eager they are to learn about globalization and its implications for Korea and their future. They recognize well the tremendous opportunities offered by globalization and are looking for ways to best prepare for this new world in their studies, work experience, and attitudes. This new generation of students gives me good reason to be optimistic about Korea's future.

3. 소장님께서 지난 4월 FT가 주최한 '아시아 금융센터 회의'에서 서울이 아시아의 금융센터가 되려면 외국자본에 대한 반감이 없어야 한다고 강조하시면서 "금융감독원의 기능을 업그레이드 할 필요가 있다"고 말씀하신 적이 있습니다.

구체적으로 어떠한 기능들이 개선되어야 할 것이라고 생각하시는지요?

In the conference organized by FT in last April, you emphasized that Seoul shouldn't have bad feelings against the foreign capital if Seoul wants to be a financial center in Asia.

I wanted to make the point that Korea will need to have a balanced view on foreign investment. Foreign capital can provide tremendous benefits for a country. Foreign direct investment has helped to create good quality jobs, enhance competition, and promote the transfer of advanced technologies and practices. The key will be to improve the business environment to promote investment and at the same time, to minimize the risk of foreign capital by strengthening the domestic financial system.

It is important to remember that Korea is competing with other countries in the region for the benefits of foreign investment. As other countries take steps to improve their investment environment, Korea will need to compete or else risk falling behind. Compared to other OECD countries, FDI in Korea is low, suggesting that more could be done to reap the benefits from foreign investment.

You also mentioned that there is a need to upgrade the function of the FSS. What kinds of functions that you think need to be improved?

We support the government's bold plan to develop further the financial sector and liberalize the foreign exchange system as part of the financial hub initiative. These measures will help promote financial innovation, attract investment, and accelerate the transition to an advanced technology, knowledge-based economy.

At the same time, financial supervision will need to be upgraded to keep pace with these rapid changes. For example, by removing the barriers between financial firms, supervision will need to shift away from being based on institutions to one organized around functions and products. This will ensure that all financial products are supervised in the same way, no matter which firms are selling them. In addition, the supervisors will need to monitor that financial institutions themselves have effective internal risk controls and "Chinese walls" to prevent potential conflict of interest abuses.

4. 한국경제의 글로벌화를 막고있는 가장 큰 걸림돌이 뭐라고 생각하십니까?
한국경제가 한단계 더 업그레이드되기 위해 정부가 어떤 역할을 해야 할까요?

What is the biggest obstacle to block the globalization of Korean economy? What is the Korean government's role to upgrade the Korean economy?

Finding ways to share more widely the benefits of globalization will be an important challenge for policymakers and the IMF. Although globalization has helped improve growth prospects in many countries, including Korea, the benefits from this growth have not been evenly shared. In many countries, including the more developed ones, like Japan and Korea, income inequality is widening, and economies are becoming increasingly polarized, as some sectors and groups have surged ahead of others.

To ensure that the benefits from globalization are more evenly shared, Korea will need to pursue reforms that will expand opportunities for all groups and sectors. These would include developing further the financial sector to improve access to credit and insurance, particularly by small companies and the working poor; adopting labor reforms that strike the right balance between flexibility and basic employee security, and strengthening the safety net to ease the burden of adjustment for the most vulnerable in society. These reforms will not only help Korea to share more evenly the benefits of globalization, but also lay the foundation in the long-run for a more efficient and competitive economy.

5. 앞으로의 계획은 어떠신지요?

What is your future plan?

Upon returning to Washington, DC, I will join the Japan desk in the IMF headquarters. During my 11 years at the IMF, I have spent more than half of that time working on Korea and would benefit now from other country experience. My work on Korea has been very valuable and will certainly help me to better understand some of the structural challenges facing Japan as well.

At the IMF and elsewhere, Korea is viewed as a model for other countries looking to undertake financial and corporate sector reforms. The IMF and its member countries, particularly those in Asia, can benefit from the important lessons from Korea's experience—what has worked well, what hasn't worked well, and the important challenges looking ahead. I hope to share the lessons from Korea's reform experience with other countries to help them with their economic development.

In the future, I do hope to work again on Korea. As Korea continues to advance, new issues and challenges will appear, and I hope to be ready to help, if called upon again to serve Korea.

Thank you for your time.

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