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Statement by the Hon. **JIN-PYO KIM**,
Governor of the Fund for the **REPUBLIC OF KOREA**,
at the Joint Annual Discussion

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Mr. Chairman, fellow Governors, and distinguished guests,

It is my great honor to represent the Republic of Korea at this 2003 Annual Meetings of the IMF and World Bank Group.

Before I begin, let me sincerely thank the government of the United Arab Emirates, and the people of Dubai. You have made wonderful arrangements for us and your hospitality has been gracious.

Global Economic Growth

After a prolonged period in the doldrums, the global economy is finally mounting a modest recovery. A number of things are helping to propel the economy forward...a reduction in geopolitical uncertainty... stable oil prices...and vigorous policy stimulus by leading economies. Indeed, recent data shows that a modest recovery is already on track in the U.S. and Japan.

Nevertheless, the risks are, in my view, still mostly on the downside. A full recovery in the EU has yet to materialize. And the specter of deflation and falling asset prices continues to lurk in some parts of the world. Given these dangers, achieving a sustained global recovery is going to be up to the world's leading economies.

Together, we must put forth a concerted effort to maintain stimulative macroeconomic policies and pursue structural reform.

Challenges and Responses in the Korean Economy

Now, let me turn briefly to recent economic developments in Korea. The growth of the Korean economy is expected to be slow this year mainly due to the contraction in private consumption and investment. Accordingly, the government has focused its efforts on stimulating domestic demand. These include historically low interest rates, a sizable supplementary budget, and a major package of tax cuts.

Together with the anticipated global recovery, we expect these macroeconomic policies to kick-start the Korean economy in the coming months. By the end of next year, we expect growth to accelerate to its potential rate.

Taking a longer-term view, the Korean government is aiming to raise the economy's growth potential by nurturing new engines of growth. One such engine will come from making Korea one of the main business hubs in Asia. Another will come from the ongoing structural reforms that are making our economy more competitive and productive. For example, we are improving corporate accounting and governance to increase market efficiency. We are completing the re-privatization of banks. And we are reforming the non-bank financial sector. Finally, regarding our labor relations, we are working to improve our systems and practices, and ultimately meet global standards.

IMF Issues

Let me now touch on the role of the IMF in meeting the challenges ahead.

Without a doubt, most countries have reaped significant benefits from the globalization of the world economy and the rise in international capital flows. At the same time, these benefits have an unfortunate flipside—the dangers of volatile capital flows and contagion of capital account crises.

To meet these challenges, the IMF must have adequate financial resources to be able to play its role as lender of last resort. However, it is not clear that such resources have been secured. A quota increase is therefore a very important and urgent issue.

Going a step further, I believe that it is important, not only to increase the total resources available to the IMF, but also to improve the distribution of quotas among the IMF members. This would not only better reflect the relative economic realities of member countries, it would also ensure timely and adequate resource mobilization.

I believe that, at the thirteenth General Review, these vital issues need to be redressed.

Development Issues

I would note that the Korean government fully supports the joint efforts of the Fund and the Bank to attain sustainable growth and poverty reduction. In this regard, the government last August made a contribution of ten million dollars to the HIPC Trust Fund. The government will also actively participate in the Millennium Development Goal programs.

With regard to post-conflict countries, we hope worldwide efforts will continue to help the reconstruction of these nations. Although many decades have now passed, Korea accumulated a great deal of experience as a post-conflict country. We will gladly contribute to the international effort by sharing our experience and knowledge in post-conflict development.

North Korea

Finally, I know that many of you are closely following developments in North Korea.

Let me assure you that we have already taken important steps toward a peaceful settlement. We are confident that we will continue to see gradual improvements in the multilateral talks. To be truly successful, North Korea will need to eventually become a partner in the global economy. Getting there will require help, both from the IMF and from the World Bank.

We therefore urge you to extend to North Korea your technical assistance preparing for its membership.

Closing Remarks

Mr. Chairman, distinguished delegates,

Before closing, I am happy to announce that the 2004 Annual Meeting of the Asian Development Bank will be held in Korea, on our beautiful island of Jeju. I hope to see all of you there next May.

In the meantime, I hope that this Annual Meeting will provide a valuable opportunity for us to discuss ways to revive the Middle East economy and overcome remaining obstacles to global peace.

Thank you very much.