

To Lead All of Us Into a New Century in Northeast Asia:

Korea Hopes to Become A "Bridge of Peace and Prosperity," Acting President Goh

With the theme "Envisioning the World's Next Great Market: Korea and the Economic Future of Northeast Asia," the Asia Society's 14th Asian Corporate Conference, which opened on May 12, 2004 at the Shilla Hotel in Seoul, was focused on Korea's place in the global market and the economic future of Northeast Asia.

"South Korea already plays a significant role in Northeast Asia's economy, but this conference will examine whether it can make a strong case for becoming the region's next hub," said Nicholas Platt, president of the Asia Society.

"We have returned to Seoul because of the country's strong economic track record as well as its ambitious plans to fulfill its true growth potential. The conference provides the ideal forum for this discussion and I look forward to exchanging insights over the next two days with leading business experts, government officials and investors from countries like Australia and China," said Platt in a press conference.

He said, "Korea has one of the strongest economic track records in Asia. Yet fulfilling its true growth potential, especially in the regional context, will mean moving toward economic integration and the formation of a more cohesive market."

Korea sits at a highly strategic location that links the Eurasian continent to the greater pan-Asia Pacific and vice versa. But, this location alone does not offer all the comforts. This region has yet to overcome the legacy of 'zero-sum' competition and march together into a 'win-win' era.

"Peace on the Korean Peninsula is an absolute prerequisite for ensuring peace and prosperity in the entire Northeast Asian region. So far, what made peace possible on the peninsula and in the region has been the Korea-U.S. alliance. Now, this long-time friendship is entering a more matured stage," said Acting President Goh Kun.

In his keynote address at the gala opening dinner, which was attended by more than 600 guests from throughout Asia and the United States on May 12, 2004, Acting President Goh said, "For the past half century, the Asia Society has continued its committed work to promote better understanding of Asia among American people. Korea deeply appreciates this important contribution of the Asia Society and thanks the leadership of the organization for the great achievement.

"Korea recognizes this challenge, as we hold on firmly to the national vision to promote peace

and prosperity for all in the region. To realize this vision, we work on two goals. First, we are determined to work out North Korea's nuclear situation based on peaceful means and maintain peace in the Korean Peninsula. Second, we are committed to building the foundation and environment to realize a regional economic hub in Korea."

"Accordingly, Northeast Asia has now emerged as the world's economic powerhouse," the Acting President added. This was made possible by China's well-known dynamism, together with the proven records and potentials of Korea and Japan. Without a doubt, Northeast Asia deserves the recognition for being one of the most dynamic regions of the world. It has a total population of more than 1.5 billion.

The total amount of international trade conducted by the economies in the region amounts to US\$2 trillion. The region currently accounts for 20% of the global GDP. Forecasters say that the share will exceed 30% in 10 to 15 years. Together with Europe and North America, there is no doubt that this region is one of the three pillars of the global economy.

"We know that East Asia has lagged behind other regions in regional cooperation. For this reason, we will find greater willingness to catch up together. In these regional efforts, what we are pursuing is not exclusion, but inclusion. Based on the principle of 'open regionalism,' we will work to steer regional cooperation towards creating greater common goods for the global community. Korea hopes to become a bridge – a 'bridge of peace and prosperity' that will lead all of us into a new century of Northeast Asia," said the Acting President.

The global economy is becoming more interwoven. Northeast Asia can capitalize on this trend by strengthening intra-regional economic cooperation. This is a way to tap into the region's dynamism and huge potential. Korea can play a leading role in promoting such inter-regional cooperation towards the larger goal of promoting co-prosperity in Northeast Asia.

By promoting the development of regional capital markets such as the Asian bond market, the entire region can multiply the benefits that can be reaped from the region's dynamism.

A key element to promoting investment and growth in Korea will be active participation by foreign capital. Korea offers many attractive opportunities for both domestic and foreign investors. Korea has been actively pursuing plans to attract FDI in the high tech and high value-added sectors. Stronger incentives such as cash grants have been introduced.

In his keynote address under the subject, "Understanding the New Korean Economy" on May 13, Deputy Prime Minister Lee Hun-jai, minister of Finance and Economy, said, "We have entered a new era of unprecedented symbiosis among the world's economies. Let us all embrace the challenges and opportunities that the new era presents to us. For its part, the Korean government will strive to establish a more open, transparent and efficient economy so that we can play a leading role in promoting greater inter-regional economic and financial cooperation for mutual prosperity in Northeast Asia.

"Nevertheless, our efforts to promote inter-regional economic cooperation and regional financial markets should be based firmly on market principles, transparency and accountability. Clearly,

security on the Korean peninsula is a cornerstone of mutual prosperity of Northeast Asia."

According to the Deputy Prime Minister's address, the Asia Society has made important contributions to improving relations between Asia and the U.S. for the past 50 years. The Asia Society has continually maintained a keen interest in enhancing close cooperation between Korea and the U.S.

"We are now living in an era of unprecedented symbiosis. Liberalization has greatly reduced the meaning of borders, while technology has dramatically reduced the meaning of distance. More than ever, we have all become passengers on a single boat called the global economy," said Prime Minister Lee.

"What happens in the U.S. greatly impacts the world. As recent events have shown, what happens in China has a huge impact too. What happens in broader Asia has global implications as well. I believe that we must all have this firmly in the center of our minds, if we are to make the right policy decisions in this new era.

"On the growth front, the government will continue to carry out pro-growth macro policies while maintaining aggressive fiscal policies. Through eased regulations and provision of tax incentives for startup firms that create new jobs, the government will stimulate entrepreneurship.

"The government will also continue with its vigorous structural reform effort. In the financial sector, the government will ensure free competition among financial institutions based on principles of efficiency, market discipline and prudential regulation.

"The government plans to overhaul various laws and regulations to stimulate the capital market by promoting private equity funds. Financial institutions, need to strengthen their risk management capabilities and diversify the sources of their income. In addition, we are establishing a credit screening system based on debtors' repayment capacity, and strengthening the role of credit bureaus to improve risk management."

Many in Asia are aware of the new Korea. Young people in China, Japan and Southeast Asia think Korea is hip. They love its pop culture, watch its movies and TV soaps, and visit the country for skiing, shopping and nightlife. In western countries, people are becoming more aware of the economic and technological changes rather than the cultural sophistication.

As a panelist at the conference, Mr John Gledhill, managing director of Philip Morris Korea Inc., said, "Korea is known as probably the most wired country in the world. It is perceived as a leader in Internet use and in hi-tech industries such as mobile telephones, LCDs and semi-conductors."

"There is a passion for innovation here, a passion for new tastes and new experiences, a passion for democracy and advocacy. In short, this is a dynamic place and to succeed in business, one has to stay alert and engaged.

The panelist said on as follows: "On the business side, we have been recognized as one of the 10 best employers in Korea. We employ over 400 people in our factory and head office.

Another 600 are employed by our distributors. We have also played a significant role in working with regulators and the industry to level the playing field for international tobacco companies in the market.

"There is still some progress to be made on this front. I would not want to let the opportunity offered by this public forum –and the presence of the deputy prime minister –go without making my case. So please forgive me for speaking candidly.

Since the liberalization of the tobacco industry in 2001 and the setting up of our green field factory in South Gyeongsang Province in 2002, there remain hurdles to our business. Such hurdles mostly stem from what we would like to call the "unfinished" liberalization process. Prior to the liberalization of the industry, the retail licensing system and local trade practices favored the national tobacco company.

"Today, they still do. I believe that a solution needs to be found that would provide equal opportunity to all existing and future players within the industry. I do not believe that foreign companies are discriminated against because they are "foreign." But I do believe that this sentiment causes a slowdown in the country's efforts to detect and deal with the unfair business practices that get in the way of its ambitions to be a regional business hub."

The major conference delegation of 50 private-sector executives and local officials from Northeastern China has generated particular interest in recent days, especially amid the growing debate inside Korea about China's impact on the country's economy.

Conference speakers and delegates, including Asian government officials and leaders of prominent international corporations and organizations, addressed a range of issues affecting Korea's growth potential and the region's economic future.

The conference is co-organized by Dow Jones. AIG and New Songdo City Development Corporation are the lead corporate benefactors. Additional sponsorship includes Korea First Bank as corporate sponsor; CJ Corp., E1 Corporation, Korean Air, Lone Star Advisors Korea, Macquarie Group, Philip Morris Asia Ltd., Poongsan Corporation, Samyang Corporation, SBS and Warburg Pincus as corporate supporters; and Avaya, Citigroup, FILA Korea Ltd., HSBC, Hyosung Corporation, Newbridge Capital, POSCO, TS Corporation and Woori Financial Group as additional corporate supporters.

The Asia Society annually presents a high-profile corporate conference in Asia to examine the implications of macroeconomic trends and geopolitical developments for the region and the world. Through keynote addresses by heads of Asian governments and other key decision-makers as well as roundtable discussions with business and policy leaders from around the world, this unique series highlights developments in the conference site country while examining the cutting-edge issues shaping important trends in Asia's dynamic markets and in the global economy.

Since 1989, the Asian Corporate Conference has attracted a combined audience of more than 12,000 participants from more than 26 countries around the world. Asia Society is America's

leading nonprofit, non-partisan public education organization dedicated to broadening understanding of Asia and of U.S.-Asia relations.