

DPM Han to Lead Delegation at ADB Annual Meeting – Optimistic about Korea's economic turnaround

Deputy Prime Minister and Minister of Finance and Economy Han Duck-soo will head a Korean delegation to participate in the 38th Annual Meeting of the Board of Governors of the Asian Development Bank slated for May 4-6 in Istanbul, Turkey.

Deputy Prime Minister Han is expected to deliver a speech on Korea's economic and financial policies as well as ways of promoting mutual cooperation, sources familiar to the delegation said.

The 38th ADB Annual Meeting will be opened for a three-day run on May 5, with business sessions slated for May 5-6 and seminars slated for May 2-6.

As usual as last year, the upcoming ADB Annual Meeting will deal with such agenda as annual report for 2004; financial statements and independent auditors' reports; allocation of net income; budget for 2005; resources of ADB; review of rules of regulations; and place and date of the Fortieth ADB Annual Meeting in 2007. The participants will take up such issues as the Challenges of Implementing Legal Reforms in Asia.

Korea hosted the 37th ADB Annual Meeting for the second time in 20 years following the ADB Annual Meeting in 1970.

The ADB was established in 1966 with 31 founding members, including Korea, with the goal of beating poverty, spurring economic growth and improving women's status in Asia and the Pacific area. The organization now has 63 member countries.

Annual meetings are statutory occasions for the governors of ADB members to provide guidance on ADB administrative, financial, and operational directions. The meetings provide opportunities for member governments to interact with ADB staff, NGOs, media, and representatives of observer countries, international organizations, academy, and the private sector.

The participants of the upcoming annual meeting include finance and economic planning ministers, senior government officials, representative of the multilateral development bank community, investment bankers, representatives of NGS, and journalists.

■ Korean Economy

Deputy Prime Minister Han said at April 15 press briefing that he is cautiously optimistic of recovery of the Korean economy, saying economic recovery is gathering pace. Real economic indicators are also pointing to an economic recovery though it is moderate due to seasonal factors. So are the latest economic indicators for March and April. This trend is expected to continue into the second quarter. A more decisive interpretation of the economic trends will be possible only after the March economic indicators are out in end April, DPM Han said.

According to the latest economic indices, consumption from Apr. 1 to 12 April increased. Credit card spending, for instance, was up 18 percent year-on-year during the same period, whereas sales at department and discount stores each were up 4.8 percent and 3.2 percent. However, sales at traditional markets are not picking up due to non-alleviating economic polarization. Car sales were down by a small margin mainly because people are waiting for new models soon to be out in the market. An upward movement is predicted for industrial production.

A number of domestic and international institutions have made an upward adjustment of their forecast of the Korean economic growth for 2005. LG Economic Institute, for instance, has revised its initial growth upward from 3.8 percent to 4.3 percent. The Asian Development Bank (ADB) and Goldman Sachs have also made an upward adjustment from 3.6 percent to 4.1 percent and from 3.7 percent to 4.5 percent, respectively. Despite potential risks such as high oil prices and foreign exchange volatility, the Korean economy is projected to remain on a recovery trajectory this year.

Asked about the investigation by National Tax Service of foreign funds, DPM Han reassured of the government principle that Korea will live in harmony with global neighbors. DPM Han said, "We will continue our policy support for foreign capital and also in terms of best utilizing good foreign technology and human resources. We will back overseas investment by Korean people and companies, too."

He also spoke for the importance of improving fairness and transparency of tax administration in any given country, saying "As for tax investigation, many Korean companies operating abroad have been subject to investigation of that sort in their operating countries. Tax investigation is necessary to improve fairness and transparency of tax administration and will be applied to all companies, domestic and foreign. Some have labeled it as a 'sudden sweeping probe' and I think they did so not because there wasn't any before but because investigation by tax authorities was not publicized before. Given the past practices, media reports on the investigation might have come across as a big surprise. But it is a natural course of tax administration and will be carried out in the future as and when it is deemed necessary," DPM Han clarified.

He then continued saying, "If verification proves foreign capital has gained profits by abiding by domestic rules, the Korean people must accept such fact and fairly evaluate the significance of foreign capital as President Roh Moo-hyun said before. The government will support profit making by foreign investors provided they comply with domestic rules.? But in the event of violations of domestic rules, they will be brought to justice."

Commenting on the 5 percent rule, he said it should be seen as an agent to elevate transparency of the Korean economy, saying "It is not the foreign investors only that are subject to the 5 percent rule. A greater number of shareholders are in fact Korean. It is therefore groundless to claim the 5 percent rule targets foreign investors. It would be the Korean shareholders that will feel more burdened because of the rule. We are to improve transparency of our economic system. So, its point of departure is totally different from the debate on restricting the number of foreign directors on bank boards."

DPM Han also offered more dialogue with press, foreign and domestic. He said, "I surmise that foreign press was critical of the introduction of the 5 percent rule because of some hiccups in the policy making process. They might have felt that they were not extended sufficient cooperation. I will iron out any difference of understanding with foreign press through dialogue. The same principle applies to domestic press as well."

In a nutshell, he emphasized, "To think of foreign capital taking home capital gains as drain of national wealth just because the size is big fails to find any logical grounds. It is not an attitude called for in this globalization age. Legality should be the yardstick, not the size."

DPM Han also elaborated on the significance of Korea have become a shareholder in the Inter-American Development Bank (IDB). Korea's accession to the IDB means strong confidence of Latin America and the Caribbean in the Korean economy and democracy. Korea will promote trade and investment in Latin America and the Caribbean. It has also paved the way for Korean companies to participate in Latin America's procurement market.

In the meantime, on its rice market opening plan, the Ministry of Agriculture and Forestry said that WTO confirmed the government's original rice market opening plan and called for pan-governmental efforts, so as to preempt any misunderstanding of the rice negotiation among farmers groups and at the National Assembly.

This and other imminent agenda, including measures for streamlining land use regulations, preventive measures against adverse effect of informatization, real estate market trend, and a review of the progress on SMEs financial support package and venture-startups promotion measures were discussed during the Economic Policy Coordination Meeting presided by Deputy Prime Minister Han held on Apr. 15.

The Ministry of Information and Communication reported their measures to stem adverse impacts of informatization such as circulation of harmful information, cell phone spam, hacking and computer virus.