

KOREA'S REFORM AND THE EXPANDED ROLE OF THE ADB

The following is a speech given by the Honorable Kyu-Sung Lee, the Minister of Finance and Economy, on May 1 at the 32nd Annual Meeting of the Asian Development Bank in Manila, the Philippines.

Mr. Chairman, Fellow Governors, Distinguished Delegates:

It is an honor and pleasure to represent the Republic of Korea at this, the 32nd Annual Meeting of the Asian Development Bank. I join my fellow Governors in expressing my appreciation to the government and people of the Philippines for their gracious hospitality in hosting this event.

Allow me also to congratulate President Chino on the great success of this Meeting, the first since his inauguration, while also welcoming Turkmenistan with us here today as the newest member of the Bank.

I. Progress in Korea's Economic Reform and Recovery

In the year since we last met, most every nation in the Asia Pacific region has continued to struggle in one way or another to offset the damage, both economic and social, wrought by the financial crisis of 1997.

The same is true, of course, for Korea. And although times have been difficult, I can report many positive results. In fact, Korea has been the subject of praise by the international community for its achievements in economic reform and recovery.

Korea has restored its currency stability with a record level of foreign reserves. Our external debt profile has dramatically improved, with short-term debt now accounting for only about 20% of the total.

The improved financial stability, notably the decline in interest rates and rebounded stock market, has translated into recovery in the real sector.

Such visible recovery, however, could not

have been realized without the progress made in economic reform. To be sure, we are already seeing a transformation of Korea's economic landscape.

The financial system has been restructured, with soundness greatly improved through the disposal of non-performing assets and recapitalization. In tandem with this, business restructuring programs are being undertaken in the industrial sector to reduce corporate debt leverage and excess capacity.

Restructuring at the sectoral level has been accompanied by institutional reforms to embrace global standards in transparency, corporate governance, and prudential regulation and supervision. Dramatic steps have also been taken to liberalize and deregulate Korea's markets.

None of these achievements, however, suggest that Korea can rest on its laurels in light of the persistent volatility in the external environment and the social fallout of reform. What's more, Korea must focus its sights beyond immediate recovery to strategies for achieving sustainable growth in the new millennium.

As such, Korea will remain diligent in upgrading its socio-economic system while preserving economic stability and soundness.

II. The Expanded Role of the ADB

Much of the steady progress Korea has made can be attributed to the assistance provided by international financial institutions. The ADB, in particular, has played an indispensable role by providing both financial support and expertise.

On a whole, the Asian economies are on the

mend. However, even though the financial crisis has bottomed out, it has left much residual social damage in its wake. Increased poverty, worsened health conditions, and lost educational opportunities represent not only a threat to economic growth, but also to social stability in already weakened social systems.

At the same time, emerging economies remain vulnerable to external risks related to increasing financial linkage across borders.

In this regard, Korea welcomes the ADB's progression from that of a development project financier to a broad-based development institution. The Bank's programs for poverty reduction and social sector program loans, in particular, are needed to protect the disadvantaged.

An integration of such non-lending forms of social support with that of financial assistance will help to ensure that economic recovery in the region will be durable.

Korea also supports the recent establishment by the ADB of a regional economic monitoring unit. This, in combination

with the provision of technical support for improving the surveillance capabilities of member countries, will serve well in warding off the risk of future crises.

III. Concluding Remarks

Mr. Chairman, Fellow Governors:

This meeting of the ADB Governors is the last of this century. As we approach the new millennium, the importance of the role played by ADB in the region's economic development cannot be exaggerated.

Korea affirms President Chino's recent statement regarding the ADB as being similar to a home doctor for developing economies in the Asia-Pacific region.

And no doubt, under his excellent leadership, the Bank will function as a core institution in the region, leading to economic stability and greater prosperity.

Thank you.