

ACHIEVING AN EFFICIENT MARKET ECONOMY

The following speech was made by Jin Nyum, the Minister of Finance and Economy, on September 27 at the IMF/World Bank Annual Meeting in Prague in the Czech Republic.

Introduction

It is a great pleasure and honor for me to represent the Republic of Korea at this fifty-fifth Annual Meeting of the International Monetary Fund and the World Bank Group. I would like to take this opportunity to express my gratitude to the Bretton Woods institutions, and to member countries for helping Korea overcome the financial crisis and regain economic vitality.

I would also like to thank the Government of the Czech Republic and the people of Prague for their gracious hospitality and efforts to make this meeting productive.

Global Economic Growth

It is encouraging to see how the world economy has recovered from the aftermath of the Asian financial crisis of 1997, and how its economic growth has been recently solidifying. The task ahead would be to make this growth more sustainable and widely shared.

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A robust performance of the US economy and a sustained economic rebound by Japan and EU member countries are important factors in realizing global stability. In addition, I believe strengthened policy coordination among the major economies would contribute significantly to this goal. We must also seek to reduce risks that undermine international economic prospects and, in this regard, I would like to highlight the urgent need to stabilize oil prices at sustainable levels.

As for promoting harmonized growth among countries and social groups, I welcome the international community's growing dedication to poverty reduction. I sincerely hope the World Bank and regional development banks expand their roles in this capacity. I particularly appreciate the World Bank's attention to the problem of the digital divide and sharing prosperity.

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In this vein, I strongly support Mr. Wolfensohn's and Mr. Koehler's call for greater stability of oil prices and currency markets, as well as more effective poverty reduction. Korea stands ready to do its part in helping substantiate these calls.

Korea's Economic Reform and Recovery

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In light of the improved economic situation, Korea hopes to be included in the IMF's quarterly financial transaction plan as a creditor country again from December 2000. Likewise, we intend to make early repurchases of the remaining Fund credit balance.

Despite such favorable developments, we are also aware that there still remain many challenges in the economy. Instability in the financial market lingers, and the development gap among different social groups persists. On the external front, our trade surplus has been on a declining trend with import growth outpacing export performance this year. The surge in short-term capital flows poses another potential threat.

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In order to cope with these vulnerabilities and to establish an efficient market system with greater transparency and competitiveness, we are placing the highest priority in carrying out financial and corporate restructurings. In addition, we are pursuing a knowledge, information, and digital-based economy by building a solid foundation of relevant laws and systems, while nurturing venture businesses equipped with innovative ideas and technology.

Economic Cooperation with North Korea

Let me now bring your attention to the important developments on the Korean peninsula. Following the historic North-South Summit this past June, more tangible progresses have been made in further enhancing peace and cooperation in the region. These include the reconstruction of North-South railroad system, the first meeting of defense ministers on both sides, and the discussion of investment guarantee and tax

exemption treaty.

In this context, I hope the international community actively supports North Korea in expanding its economic cooperation with the rest of the world.

Reforming the International Financial Architecture

I would now like to turn to the issue of reforming the international financial architecture.

Korea welcomes the recent discussions in various international fora to strengthen the international financial system. We recognize the progress made so far in areas such as the observance of standards and codes, indirect regulation of Highly Leveraged Institutions, and sharpening the role of international financial institutions.

I look forward to further progress in other areas that include reducing the volatility of short-term capital flows, and specifying the framework for private sector involvement in crisis prevention and resolution.

In conjunction with the reform of international financial institutions, I would like to note that the IMF's quota and representation systems need to be adjusted to more adequately reflect the current world economy. In my view, the IMF's current policy does not properly weigh the economic influence of Asian emerging economies including Korea.

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Conclusion

This Annual Meeting is the first IMF/World Bank Annual Meeting of the new millennium. I believe the economic crisis at the end of the 20th century served as an opportunity to turn the international financial system into a more resilient one.

Korea is fully committed to playing an active role toward promoting global economic prosperity. To this end, we will push forward major reforms for our goal of achieving an efficient market economy. **VIP**

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