

## KOREA-US PARTNERSHIP IN THE NEW CENTURY

The following is a speech by President Kim Dae-Jung to business leaders in Chicago on March 9, 2000 during his visit to the United States.

President Thomas H. Miner of the Mid-America Committee for International Business and Government Cooperation, Chairman Miles D. White of the Chicago Council on Foreign Relations, and esteemed business leaders,

I am really glad to meet and talk with such prominent business leaders from Chicago, center of the US economy, today.

### Steady progress of reform

Korea faced a great misfortune three years ago in the form of a sudden financial crisis. However, we did not despair. We took the crisis as an opportunity for reform and a new leap forward.

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The reforms were launched to promote the parallel strengthening of our democracy and market economy. We determined to root out the structural distortions and irregular practices of the past, such as business-politics collusion and government-dictated financial sector. The reforms have centered on the four key areas of the corporate world, banks, the public sector and the labor market.

Legal and institutional changes have been made to enhance the transparency and sound practices in the corporate and financial sectors. Privatization of public enterprises is making steady progress. The labor market has become much more flexible, and unlawful and violent actions by labor unions are no longer tolerated. The majority of businesses have declared themselves free of dispute as they strive to build a cooperative management-union relationship.

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The macro economic indicators have also greatly improved. Economic growth rates recorded around 10% in 1999 and in 2000. The foreign currency reserve, which had dropped to a mere \$3.9 billion at the onset on the financial crisis has been brought up to over \$95 billion, the 5th largest in the world. We have fully repaid the IMF bailout loan of \$13.5 billion. By August this year, we plan to return in full the \$6 billion in stand-by arrangement.

## Commitment to change

The Korean government and people, however, are not satisfied with the accomplishments so far. We will not make the mistake of letting complacency slow down the reforms. It is true that the reforms in the corporate, financial, public and labors sectors have yielded certain results. But we know that there is much work that remains ahead.

If the reforms so far were a process of getting rid of past irregularities and inefficiency and forging a new framework for the economy, the reforms from this point on will be focused on strengthening its competitiveness to make Korea become a first-class player on the global stage. The commitment of the Korean government to reform is thorough and unwaivering. We see reform as a matter of survival, not choice.

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## Fostering new investment

Looking from the outside, the reforms in Korea are a process of making the country the most attractive, the most comfortable place in the world to invest in.

During the past three years, my government has taken bold steps to remove the legal and institutional barriers against sound investments. We have greatly improved the investment environment.

I have been emphasizing to my people: "Foreign investments not only bring in capital but also create jobs and transfer technology. They also bring in advanced management know-how, and expand our export markets. In this borderless world of the global age, foreign companies are our own when they work in our country, and should be taken care of as our own. "I repeat this message every chance I get.

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And I must emphasize to you, the Korean government is principled and rigorous in dealing with labor issues in accordance with the laws. The approach, as you may have observed, was applied in dealing the walkout by union members in the banking sector last year, as well as the recent labor dispute at Daewoo Motor.

These changes have led to a surge in foreign direct investments in Korea. During the 35 years prior to my government, the total amount of foreign investments in Korea was \$24.6 billion. During the three years under my government, the figure comes to a total of \$40.1 billion. Still, the cumulative foreign direct investment in Korea is only 9% of the GDP, comparing sharply with the 20% of such countries as

the UK and China. More work is needed to improve the conditions for foreign investments, and it will be done.

### Promise for the knowledge economy

Taking the opportunity, I must express my heartfelt gratitude to the businessmen and women of the United States, who have invested their assets, affection, and deep interest in Korea. At the same time, I ask that they take special note of the new opportunities that Korea has to offer.

I don't think it will be an exaggeration to say that the Korean people were born for the knowledge and information age of the 21st century. Our potential to thrive in the new age is enormous.

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For centuries, the Korean people have maintained the highest levels in educational aspiration and demonstrated a unique ability in cultural creation and recreation. We have what the new age demands: creativity and eagerness to learn, the passion to tackle the information revolution and the spirit of adventure.

At 68%, the percentage of high-school graduates going on to college in Korea is the highest in the world. Almost half the population is linked up with the Internet. The entire country is connected through super high-speed communications network. Based upon the hardware, the trinity of IT, bio, and traditional industries are being nurtured together. The challenges of the environment industry and nano technology are also being actively met.

Moreover, the Korean economy is stable and dynamic. Prices, interest rates, and exchange rates are stable. The total profits of listed companies have gone from a net loss of \$7 billion in 1998 to a net earning of \$16 billion last year.

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The US economy, which for the past nine years has prospered on the strength of its knowledge-based industries and served as the engine for global growth, can find a new force for growth in Korea. I sincerely hope that US investments in Korea will continue to expand and the strategic alliances between the businesses of the two countries will be further activated.

### Geographical advantages

Korea's location as the link between the Eurasian continent and the Pacific Ocean offers another reason for you to invest in the country.

Just as Chicago, making the most of its geographical location, has become a transportation hub and convention city, the Korean peninsula is ideally located to utilize the vast markets, abundant resources and capital of the four surrounding countries of the United States, Japan, China and Russia.

Later this month, the Incheon International Airport opens, aspiring to become the No. 1 airport in Asia. Meanwhile, Korea's second largest city Busan has emerged as the 3rd largest container port in the world. Soon, when the railroad between South and North Korea is relinked, the Korean peninsula will emerge as the bridgehead for the flow of material from the Pacific Ocean to Northeast Asia and further the whole of Eurasia.

The first South-North Korean summit meeting of June last year was a historic milestone, heralding the end of the Cold War and the start of reconciliation and cooperation on the Korean peninsula. Legal instruments have been prepared between the two sides to facilitate private-sector economic cooperation, such as agreements on investment protection, avoidance of double taxation, dispute settlement, and account clearance. North Korean Defense Commission Chairman Kim Jong-il's visit to Seoul later this year is expected to add further impetus to tension reduction and exchanges and cooperation.

With peace settling on the Korean peninsula, the environment for investments in Korea will markedly improve, as the security risk that has been a source of concern for many foreign investors will be eliminated.

### Cooperation in the new century

The 21st century will be the age of competition and cooperation. I hope that the businesses of Korea and the United States will be worthy competitors, stimulating and motivating each other. I also hope that they will be a model of cooperation, in seeking new opportunities for development and new avenues to prosperity.

I hope you will be able to see the future economic values of the Korean peninsula, a production and transportation base linking continents with ocean, and share the profits with us.

Counting on your leadership and drive for the new Korea-US partnership for the new century, I wish you all great successes. **VIP**

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