

Opening Remarks at the New Year Press Conference

My fellow Koreans, Korean and foreign correspondents,

I wish the best of luck to all of you in the coming year. There was a diversity of both good and bad events last year, and I spent most of it thinking about what to do about the economy. We have many hopes for the New Year. As does everyone, I hope that the economy will perform better this year.

Fortunately, a good number of large corporations are already coming forward with plans to increase corporate investments, though the year is just beginning. For its part, the Government will make greater efforts to create a business-friendly environment in which corporations could enthusiastically expand investments.

Initially, the Government plans to disburse a large part of its budget in the first half of the year in an effort to boost investment and domestic consumption. At an early date, the Government will start implementing a comprehensive set of investment plans aimed at attracting a large amount of private funds into public investment projects.

When these plans are carried out, it will help the economy escape from its current slump in terms of investment and consumption and finally regain vitality in the second half of the year. The progress will hopefully lead to an improvement in the everyday lives of ordinary citizens.

Fellow Koreans,

The real challenge lies in the basic standard of living of needy citizens. Even when there is a rise in investment and consumption, these citizens are often the last ones to feel the good effect. We need practical measures to relieve the difficulties facing these citizens at this moment.

By the end of March, the Government will unveil measures to resolve the problems involving credit delinquents. These measures will be within a range that would not cause a moral hazard among the recipients of basic living stipends and the self-employed with low-incomes. The truth is that so far, the Government has not been able to do much in this area for fear of a moral hazard; however, it is about time it came up with some relief measures

The Government will also present measures to vitalize long-term loan systems for small-size rental houses and apartments for needy citizens. They will also allow middle-class citizens to enjoy a stable life in rental housings. In so doing, the construction and supply system of rental housing will be boosted along the way.

At the same time, starting in the second half of the year, the Government will put in place a long-term loan system?loans redeemable in a maximum of 20 years at low rates?to provide college tuition for the children of needy citizens and those in the middle class. The Government is making efforts to ensure that nobody loses a chance for schooling due to a lack of money.

Additionally, the Government is eager to expand treatment facilities for elderly citizens so as to share the financial burden of the families of Alzheimer, palsy and other patients.

The Government also plans to implement a “protection-first system” under which disenfranchised citizens, when facing hardships, could receive assistance first and then fulfill legal requirements. To do that, the Government will seek to improve the working systems of the nation’s social safety net.

However, the most important welfare policy for low-income families is to increase jobs. This year, the Government will continue to put highest priority on creating jobs. Specifically, it will generate 400,000 new jobs and further expand the nationwide employment stability network to provide professional counseling and employment services.

Inasmuch as we face a difficult time, the Government will make sure to unswervingly carry out policies for low-income families.

Fellow Koreans,

Another task is to fundamentally resolve the problems of the Korean economy. The economy is bound to turn around; the only question is when and how quickly. But more important than economic recovery is the need to address the structural problems of the Korean economy. That is the wide gap existing between different types of industries, enterprises and workers.

Last year, even though Korean exports posted an increase of more than 30 percent and the economy grew nearly 5 percent, the number of people who are expressing difficulties increased in contrast to previous years. In particular, the hardships that small and medium-size companies, the self-employed, irregular workers and merchants in traditional markets are experiencing are truly grave. Some have even said that the middle class is collapsing.

In spite of a rise in exports, the supply of core parts depends on other countries because the infrastructure of small and medium-size companies is feeble. Exports of state-of-the-art high-tech products posted a considerable rise, but traditional industries are lagging behind China and Southeast Asian countries in terms of price competitiveness.

Also, the number of blue-chip companies whose profits topped 1 trillion won last year increased as corporate profitability has improved significantly. On the other hand, however, the number of companies that could not afford to pay even the interest on their loans has not been reduced. The phenomenon of competitive sectors growing faster while non-competitive sectors are increasingly left behind is ever deepening.

The percentage of self-employed businesses that are extremely vulnerable to changing economic conditions is three or four times that of advanced countries; this fact serves as a factor making people feel economic hardships more sharply.

There is no ingenious scheme to solve these problems in a short span of time. What is more, this type of problem will not go away even after the general economy has turned around.

In spite of various Government efforts, the gaps have been widening further over the past ten years. If the polarization should continue further, the growth potential and foundation for social unity would be undermined seriously and the income gap widened further.

To help ease the polarization, we need to pursue simultaneous growth in all sectors.

The Government has to take measures to allow small and medium-size companies and other sectors to catch up in the area of technology innovation and talent management. It also has to help reduce the income gap among workers by improving their professional capabilities. Employment and growth should go together.

The thrust of the Government's economic policy will be on nurturing small and medium-size businesses, and the small business industry policies themselves will be innovated. The small business policies will go beyond just protecting and fostering them in a traditional way, but thorough evaluations of the level of technology and profitability of individual businesses will be made initially.

More than anything, the Government will focus on nurturing 30,000 small businesses and industries that are heavily devoted to technology innovation so that they will serve as an engine pulling the growth of other smaller industries as well as benefiting their owners and managers. The Government will put a system in place so that start-ups and transition to other types of business will be made swiftly and efficiently.

The parts industry constitutes a core element in promoting the simultaneous growth of big businesses and smaller businesses. In this light, the Government will create a government-wide system for the development of core and fundamental technologies and strengthen cooperative ties with big businesses, the end-users of the products produced by smaller industries.

The Government will also support venture businesses by implementing various measures that have already been made public so that they will imbue new vitality into the national economy.

Smaller businesses in provincial areas will be nurtured in accordance with the characteristics of the localities where they are located. Universities, research institutes and enterprises situated in the same region will be encouraged to establish a cooperative innovation system; textile, shoes, foods and other traditional industries that are commonly found in the provincial areas will be encouraged to manufacture high profit, value-added products.

I am aware of the extreme difficulties the owners of the smallest businesses are facing. The Government will not give up helping relieve their situation. The Government has agonized over their pain and will present concrete measures during the first half of the year.

The Government will strive to help farmers and fishermen to tide over the high waves stemming from market opening. It will aggressively pursue policies aimed at stabilizing the incomes of rice farmers and will limit the harm of the market opening to a minimum. At the same time, the Government will prepare a five-year plan for the enhancement of the quality of life of farmers and fishermen. The measures will soon be finalized and implemented.

So far, big businesses have led our economy very well. They, as well as the high-tech industries that promise even greater growth in the years to come, will be supported actively so that they will continue to operate freely in the international arena.

The Government's comprehensive economic policies will be carried out deliberately in such a way that the big and smaller businesses, the export and domestic consumption industries as well as the high-tech and traditional industries will all progress simultaneously and in a balanced way.

Fellow Koreans,

The key in all this is technology innovation, and the most fundamental factor is the nurturing of talent.

More than anything else, colleges and universities have to change. In 1990, only 33 percent of high school graduates entered college, but last year the rate catapulted to a whopping 81 percent, the highest in the world. Despite the high figures, industries complain about the quality of the nation ' s young workers. Particularly, the lack of expertise in core technologies is serious.

It is about time universities and colleges reformed themselves. They have to change curricula so that they will fit the needs of actual production sites. Individual educational institutions have to solidify their strong points further while restructuring vulnerable sectors in an effort to foster competitive power. The mergers and closures now underway in some regions can be a good example to follow.

Fellow citizens,

In addition to the polarization of industries and businesses mentioned earlier, another big task requiring solution is the problem of the polarization of workers.

The ultimate solution to that problem lies in cultivating the occupational expertise of individuals. Support for vocational training should be expanded for regular and irregular workers in small and medium-size companies, small-scale self-employed persons, and those seeking employment. Competency and professionalism should be bolstered so individuals will have the opportunity to secure good jobs.

In order to help expand opportunities for vocational training for workers in small and medium-size businesses, the Government will consider utilizing the vocational training facilities operated by large corporations or will vitalize the mobile vocational training services to offer on-the-spot training at small and medium-size companies.

Furthermore, in a bid to help everyone explore a better tomorrow by developing his or her capabilities, the Government will increase support for training fees for irregular workers.

However, endeavors by the Government alone are not enough to deal with the problems of irregular workers. It is imperative for regular workers enjoying job security and good working conditions, and especially labor unions of large companies, to help stabilize employment and provide concession and other forms of cooperation. Rather than giving multi-layer protection to a small number of workers, it is desirable to protect more and more workers, even though the protective covering is somewhat thin.

Irregular workers themselves should bolster their own competitiveness by nurturing their capabilities. I expect that the bill concerning the protection of irregular workers now pending before the National Assembly will be passed soon to help remove the unreasonable gap existing between them and regular workers.

Fellow citizens,

Early this year, I mentioned an advanced economy and an advanced Korea. Some people may see it as a surprise suggestion. But I did not make such a comment carelessly. So far we have thought of an advanced country only in terms of slogans or a misty future and never tried to map out a concrete vision and strategy. Related government policies or economic activities by businesses also appear to remain at this level. Now, however, it is time for us to talk about an advanced economy. The time has come to set a clear goal and make endeavors in pursuit of an advanced Korea.

After the age of light industry, we secured international competitiveness in automobiles, shipbuilding, steel, petrochemicals and other heavy industrial sectors. Many sectors of information and communications and the electronic industries are eliciting envy from advanced countries. Only we ourselves seem to be unaware that we have come close to the doorstep of the advanced countries. Abroad, the Republic of Korea is received as an advanced nation.

Given this trend, a per capita income of US\$20,000 will be achieved around 2008, and we will be entering into an advanced economy measured by various indexes by 2010 or even earlier. When the next Administration sets sail, we will be able to hand it an ignition key for an advanced Korea.

Fellow citizens,

To this end, we should be ready to start now. To begin with, knowledge industries, including finance, accounting, legal services, design, consulting and R&D should be extensively nurtured. The knowledge industry is characterized by high profitability and also represents a core infrastructure nurturing first-rate enterprises. Advanced countries are far ahead in such business support services.

In our case, however, the financial sector is weak in credit rating abilities, while the share that consulting, legal and accounting services occupy in the economy falls below half the level in advanced countries.

In the future, the policy to nurture the knowledge industry should be aggressively implemented in a bid to shore up business competitiveness and enhance the structure of industry.

In addition, education, medical care and other services required by a highly sophisticated consumption society should be developed to the level of advanced countries to help buttress the quality of life and to turn them into strategic, internationally competitive industries.

Since Koreans have a high educational zeal and desire to achieve, I believe that we have a good chance of outrivaling the advanced countries in that sector if we enter the fray with fervor.

Next, we should develop culture, tourism and the leisure industry. The vitalization of such services will help create numerous jobs and stimulate mass consumption, breathing vigor into our society.

The Government will work out a comprehensive blueprint for the industry encompassing culture, tourism and leisure; a large-scale tourism and leisure estate will be designated on the west and south coasts this year, and concrete business plans will be prepared.

Citizens,

Openness and innovation are axiomatic in our pursuit of an advanced economy. As the world's 12th largest trading country, we are becoming an open trading country. We should strengthen economic fundamentals through positive and active open-door policies. Economic advancement will accelerate as learning and innovation in an open and competitive system becomes routine.

We will steadily pursue the conclusion of free trade agreements and will play an active role in the multilateral trade system. We will be able to publicize the direction of our open policy through the APEC Economic Leaders' Meeting in Busan later this year.

During my term, I will help lay a solid foundation for an advanced economy by nurturing the service industry and actively implementing the strategy to become an open trading nation.

Fellow citizens,

Lastly, I will make a brief mention about an advanced Korea. An advanced Korea will be feasible when not only the economy but also our consciousness, social community and overall culture are advanced.

Above all, politics should be advanced, and a fair and transparent system should take hold. Civic consciousness should be matured. In particular, the elimination of corruption represents a hurdle Korea must surmount in its march toward becoming an advanced country. Past administrations invariably vowed to eliminate corruption but failed to make headway. The Participatory Government has provided a momentum to ferret out corruption, but the transparency index of our country is 24th among the OECD 30 member countries.

Corruption is a part of culture. In order to root it out, the system must be reformed and all citizens must participate actively. Civic vigilance will serve as the strong driving force to eliminate corruption. In that sense, “the contract for anti-corruption and a transparent society” as suggested recently by civic organizations is a very desirable measure.

In addition, I will never be lax in paying attention to public safety and environmental problems, which are prerequisite to becoming an advanced country.

Fellow citizens,

The Republic of Korea obviously has hope.

Let 's move forward together with self-confidence. Business should face challenges head on, and workers and politicians should pool their efforts. The Government and I will do our utmost.

Let 's make this 60th anniversary year of liberation a starting point toward becoming an advanced Korea.

In the question and answer period, I will also touch on the North Korean nuclear issue and other matters of concern to our citizens.

Thank you.