

**Remarks by President Roh Moo-hyun
at a Luncheon for Korean and German Business Leaders**

The Honorable Chairman Heinrich von Pierer of the Asia-Pacific Committee of German Business, Chairman Kang Shin-ho of the Federation of Korean Industries and business leaders of the two countries,

I am very pleased to be here with you and am thankful to the members of FKI and the Asia-Pacific Committee of German Business. I expect that your meeting this morning will yield good results.

I am going to speak about the potential and dynamism of the Korean economy. I hope that German business leaders will find good opportunities in Korea.

German business leaders,

The Korean economy has recently sustained rising exports, and there are tangible signs of recovery in domestic demand. However, what is more important than such macroeconomic indicators is the potential of the Korean economy and the vision of becoming the business hub of Northeast Asia.

First of all, Korea is equipped with various conditions enabling it to grow into the hub of high-tech industries and R&D in Northeast Asia.

Above all, Korea has abundant and excellent human resources. The high value Koreans place on education is well known, and this is confirmed by the unrivaled rate of college admissions. To match world standards in quality, Korea has set the top national priority on nurturing expertise and innovation in science and technology.

The IT infrastructure, including a state-of-the-art Internet and high-speed communication network, is just flawless. In addition, the Korean consumers' continuous desire for the latest novelty has made Korea a testing ground for new high-tech products.

Perhaps it is because of the value of such merits that Siemens, IBM, Intel and other top international corporations have established R&D centers in Korea.

Along with this, Korea intends to become the financial hub of Northeast Asia as well.

Korea boasts the world's 11th largest economy, an accumulation of pension fund assets and abundant demand for asset management resulting from the aging of the population. Against such a backdrop, we will set up the Korea Investment Corporation this year, and a corporate pension system will be adopted in a strategic bid to become a financial hub specializing in asset management.

Incheon International Airport, Busan and Gwangyang ports and other superb infrastructure coupled with Korea's geopolitical location in close proximity to the Chinese and Japanese markets constitute reasons why investments should be expanded in Korea.

When the railways and roads traversing South and North Korea come into service and are linked to the trans-Siberian railroad, the country will emerge as the logistics hub of Northeast Asia linking China, Russia and Japan.

Participants,

Korea has been emerging as an advanced trading nation through a positive policy of openness. It has been actively promoting free trade agreements with many countries in the world and has been exerting great efforts to help bring in foreign investors. Following an agreement with Chile, Korea has concluded an FTA with Singapore and is in negotiations with EFTA, ASEAN and Japan.

Three coastal cities Incheon, Busan and Gwangyang have been designated as free economic zones. Living conditions for foreigners will be drastically improved, and comprehensive incentives such as tax breaks for foreign investors will be provided.

The aggregated total of foreign investments has surpassed US\$100 billion, making Korea one of the most open economies. More than half of the Fortune 500 corporations have landed in Korea, and foreign investors own about 42 percent of the stock market.

Since the 1997 financial crisis, Korea has been pushing for intensive reform of the economy. Setting its sights on meeting global standards, Korea has markedly improved the fairness and transparency of the market and taken sweeping action to eliminate unnecessary regulations.

I can assure you with confidence that the Korean market has been transformed and is as efficient and dynamic as any in the world. It is an attractive place for any competitive business to earn substantial profits. I hope that German businesses, too, will positively participate in and share the successes.

German business leaders,

I do not assert that the outlook for the Korean economy is all rosy.

I know there are many people who are concerned over the North Korean nuclear problem. However, there is no choice but to resolve it peacefully through dialogue, and we will do so without fail. We maintain the clear principle that North Korea must not be allowed to have nuclear weapons and that the issue must be resolved peacefully through the Six-Party Talks. The participating countries in the Six-Party talks also agree on the denuclearization of the Korean Peninsula and a peaceful, comprehensive and gradual solution. Above all, the determination and competency of the Korean people and their aspirations for peace will help resolve the North Korean nuclear problem wisely.

Despite the nuclear issue, the three major economic cooperation projects—the construction of the Gaeseong industrial complex, the linking of inter-Korean railways and roads and the Geumgangsan (Diamond Mountains) tourism project—have been progressing as planned.

Labor-management relations, another concern of yours, have also been improving at a rapid pace. A labor-management culture based on dialogue and compromise has been taking hold and is replacing the past one-sided struggles. The number of working days lost has been declining every year, while illegal strikes have noticeably lessened. Once the ongoing compromise by the representatives of labor, management and the Government is brought to a successful conclusion, labor-management relations will be further stabilized.

Business leaders of the two countries,

Korea is in need of close cooperation with Germany in its bid to become the economic hub of Northeast Asia and an advanced trading nation. Germany, too, will be able to further solidify its standing as a world economic leader.

Already, among the member countries of EU, Germany is the second largest investor in Korea. I am grateful for the help extended by German banks and companies in the form of debt rescheduling and investments at the time of the financial crisis during the late 1990s.

Germany is the third largest target for Korean investments in Europe. Bilateral trade rose by 36 percent last year and, this year, it is expected to surpass US\$20 billion.

However, considering the expansion of the EU and the economic dynamism of Northeast Asia, bilateral cooperation is just beginning. Through the mutual expansion of investment, Germany can secure a bridgehead to advance into Northeast Asia, including China, while Korea will also be able to secure a foothold to advance into the European market.

I am confident that if Germany's capital and financial and technological expertise is coupled with Korea's excellent human resources, IT infrastructure and business conditions, there will be a big synergy effect beneficial to both sides. Numerous German corporations, including Allianz, BASF and Siemens, have already demonstrated this by successfully doing business in Korea.

I expect that cooperation will be bolstered in high-tech industries, including IT and energy technology and in scientific research. I especially hope that technological cooperation involving small and medium-sized businesses will be vitalized.

Business leaders of the two countries,

What is most important in achieving all these tasks is the cooperation of you who are present here. I hope that through new approaches and closer cooperation you will try to find ways to benefit both sides.

Your creative endeavors will serve as a solid base on which to pursue common interests and further consolidate ties between the two countries.

Once again, thank you for inviting me, and I wish you great success.

Thank you.