

WORLD BANK GROUP

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INTERNATIONAL DEVELOPMENT ASSOCIATION
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Statement by the Hon. **DUCK-SOO HAN**,
Governor of the Fund for the Republic of Korea,
at the Joint Annual Discussion

**Statement by the Hon. Duck-Soo Han,
Deputy Prime Minister and Minister of Finance and Economy for the Republic of Korea
at the Joint Annual Discussion**

Mr, Chairman,
Fellow Governors,
Distinguished Guests,
Ladies and Gentlemen,

It is my honor to represent the Korean government at the 60th Annual Meeting of the IMF and the World Bank.

I am confident that President Wolfowitz and Managing Director de Rato will provide solid leadership to the two pillars of the international financial system.

Let me also take this opportunity to extend my sincere condolence to the victims of the recent hurricanes and their families and loved ones.

Changes in the Global Economy

Ladies and Gentlemen,

The world economy today is on a path of stable development. However, as I look around, I see challenges that we must address to keep us on that path.

I think of these challenges as ‘The Four Imbalances’.

The first of these is the ‘Global Imbalance’. IMF rightly points out that the deepening global imbalance could raise the spectre of protectionism. Worse, a sudden readjustment could put the global economy under a significant strain.

The second imbalance is the widening of ‘Income Gap among countries’. We should take careful note of the recent World Bank report, which claims that global efforts in achieving the Millennium Development Goals are lagging, as poverty is growing more serious in some countries.

Third, we should recognize that ‘Imbalances between the demand and supply of goods and assets’ may become an impediment to achieving global economic development and financial stability.

The recent unexpected oil price spike and the potential for a bubble in some real estate markets could end up as a significant shock to the world economy.

Finally, we should take heed of the 'Generation Imbalance' sparked by the phenomenon of the aging of population.

This presents a serious challenge for future generations, and could drag down the potential growth and financial soundness of a number of countries around the world.

IMF reform

Ladies and Gentlemen,

Notwithstanding the incredible success of the Bretton Woods Institutions over the past sixty years in promoting the stability and development of the global economy, the four imbalances that I have just highlighted present challenges for which the existing system requires more proactive provision.

In this light, I highly welcome the timely presentation of the Mid-Term Strategy as IMF's self-reform effort in response to the changing economic environments.

Especially, I would stress that governance reform should remain our top priority, in order for the IMF to successfully focus its expertise on the stability and prosperity of the global economy, earning credits from member countries.

Since the IMF was founded 60 years ago, the number of IMF members has risen more than fivefold, from 35 countries to 184, yet the quota system still represents the economic landscape of 60 years ago.

Although Asian countries' influence over the global economy and finance is constantly increasing, the current quota fails to properly reflect their economic development.

While I welcome reform efforts from the IMF itself, I hope the reallocation of quotas will be carried out in the nearest future, and at the latest, by the end of the 13th Quota General Review.

Development issue

Ladies and Gentlemen,

Let me comment on the debt relief initiatives being driven by the G8 and International Financial Institutions.

Indeed, Korea genuinely welcomes debt relief efforts and the recent G8's commitment to secure the financial resources.

We would like to ask G8 countries to keep playing a leading role in reaching consensus on the detailed implementation of debt relief.

Korea is ready to follow suit in G8's efforts for the effective implementation of debt relief and further to achieve Millennium Development Goals.

North Korea and Closing

Fellow governors,

Before closing, let me briefly touch upon the recent progress in the Korean Peninsula.

As you may know, the protracted Six-Party Talks on the North Korean nuclear program have recently adopted a joint statement in Beijing.

It provides the basis for considerably resolving the nuclear issue including North Korea's commitment to return to the international surveillance system.

I believe the successful implementation of these objectives and principles in the statement will allow us to pay more attention to achieving economic stability and prosperity in the Korean Peninsula and Northeast Asia.

I hope such prominent international organizations like the IMF and World Bank will increase their interests on such progress and its implications.

Ladies and Gentlemen,

This year marks the 60th anniversary of the foundation of Bretton Woods Institutions and 50th anniversary of Korea's admittance.

Oriental philosophy has it that 60 years mean a completion of one life-cycle and a start to a new life-cycle.

Standing on the ground of mutual trust between the IMF, World Bank and member countries, we shall take this opportunity to forge ahead and briskly start our next take-off!

Thank You.