

BOARDS OF GOVERNORS • 2009 ANNUAL MEETINGS • ISTANBUL, TURKEY

WORLD BANK GROUP

INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT
INTERNATIONAL FINANCE CORPORATION
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INTERNATIONAL CENTRE FOR SETTLEMENT OF INVESTMENT DISPUTES
MULTILATERAL INVESTMENT GUARANTEE AGENCY

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INTERNATIONAL MONETARY FUND

Press Release No. 7

October 6-7, 2009

Statement by the Hon. **JEUNG-HYUN YOON**,
Governor of the Fund for the **REPUBLIC OF KOREA**,
at the Joint Annual Discussion

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Honorable Managing Director Strauss-Kahn
Honorable President Zoellick
Mr. Chairman
My fellow Governors
And distinguished participants,

I would like to extend my sincere appreciation to the Turkish Government and the citizens of Istanbul for their excellent work in organizing the IMF and World Bank Annual Meetings and the warm hospitality they have shown us. It is my great honor to be here representing Korea.

Before I begin my official speech, I would like to deliver deepest sympathies of the Korean government to the people of Asia and the Pacific who have suffered so greatly from the destructive earthquakes and severe flooding.

Ladies and gentlemen, we still remember the sense of dread and despair that hung over last year's Annual Meetings, due to the worst global economic crisis in recent memory.

This year, however, we meet with hope, as the global economy begins to show signs of recovery. This is brought by the unprecedented international policy coordination led by the G20, and active support from the IMF and the World Bank.

However, the global economy has only recently emerged from the worst of the crisis, and still has a long way to go until it recovers fully.

There are also major tasks ahead of us, including revitalizing the growth potential that was damaged by the crisis, and generating sustainable and balanced growth.

At this juncture, I would like to make the following suggestions to overcome the crisis and ensure sustainable growth.

First, exit strategies need to be prepared, but they should be implemented when recovery becomes fully secured.

The premature implementation of exit strategies may impede the emerging recovery and cause the economy to fall into a double-dip recession. Too late an implementation may give rise to market uncertainties and bring about another bubble.

In this regard, the strategies should be developed in a concerted manner based on internationally agreed principles, and we should recognize that the scale, timing and sequencing of implementation will vary across countries.

To this end, I call on the IMF to promptly establish the criteria for exit strategies, and come up with specific solutions to provide even-handed, candid and independent surveillance on member countries.

Second, sustainable and balanced economic growth should be pursued by our elaborated and coordinated efforts.

For the global economy to return to a pre-crisis level of trend growth, we have to reject protectionism and develop orderly policy coordination.

Countries with a current account deficit should increase government and private savings while keeping the market open. Those with a current account surplus should take further actions to increase domestic demand and openness.

To make these successful, it is essential that we expand the global safety net for developing and emerging economies, particularly vulnerable to external shocks. Specifically, currency swap arrangements and regional financial cooperation should continue to be pursued.

Along with these efforts, we need to engage in active promotion of green growth in order to secure a new economic growth engine.

Green growth will not only improve living standards but also create new growth opportunities through the green conversion of the current energy and resource-based economy into a more environment-friendly one.

Korea laid out a new national vision of "Low-Carbon Green Growth", and plans to invest around 2 percent of GDP in the green growth sector annually.

At the same time, Korea will increase support for developing countries by participating in the World Bank's Scaling-up Renewable Energy Program (SREP)*, and will do its part to enhance international cooperation for green growth.

Third, the IMF and the World Bank need to be reformed for effective response to fundamental changes in the international financial system.

It has been more than 60 years since the IMF and the World Bank were established under the Bretton Woods system. In the Asian tradition, 60 years are seen as a period for ending the old and beginning the new.

With the global crisis resulting in significant changes to the world economic order, the IMF and the World Bank need to improve credibility and legitimacy through reforms.

In particular, the IMF needs to secure sufficient resources to respond to the economic crisis through a quota increase of at least 100 percent. Also, as agreed at the Pittsburgh G20 Summit, at least 5 percent of IMF quota shares should be realigned to under-represented countries based on the economic weight of member countries.

The World Bank should also reflect countries' evolving economic weight in its shareholding realignment, which has not been carried out for a decade. In addition, the shareholding of member countries should be periodically reviewed.

Last but not least, I would like to emphasize continued interest and increased support to low-income countries.

Low-income countries are suffering tremendously from the economic crisis, even though they are not directly responsible for the crisis.

In advanced countries, the crisis raises the issues of unemployment and income reduction. In low-income countries, however, it threatens the livelihood of the people.

In this context, I welcome the IMF's recent decision to strengthen support measures for low-income countries and significantly increase the size of loans provided to them. I would like to encourage member countries to actively participate in the efforts by the IMF and the World Bank to increase financial resources for assisting low-income countries.

Korea will also take active part in the IMF's Poverty Reduction and Growth Trust (PRGT)* and the World Bank's Vulnerability Framework, totalling about 780 million dollar loans and 24 million dollar contributions.

My fellow Governors and distinguished participants!

There is a saying that "One swallow does not make a summer".

We are beginning to see a glimmer of light in the global economy, which had been in a deep tunnel.

To make this light grow brighter, "A Sense of Togetherness" we have built so far must be further enhanced.

I hope the IMF and the World Bank will play a central role in enhancing the global coordination under the spirit of the sense of togetherness.

As the Chair of the G20 in 2010, Korea will earnestly support the IMF and the World Bank in fulfilling their roles.

Thank you for your attention.