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AMCHAM Luncheon Speech

Korea's Financial Policy and the Tasks Ahead

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Financial Services Commission

The speech transcript below is provided for the convenience of the press. Please bear in mind that there may be slight discrepancies with the actual contents

I . Introductory Remarks

Thank you, Mr. Chairman, for the warm welcome.

Members of the American Chamber of Commerce, distinguished guests, and ladies and gentlemen!

I am delighted to speak to you today, and I thank Chairman David Ruch and President Amy Jackson for arranging this very special gathering.

I am also pleased to meet members of the U.S. business community here in Korea who joined us today.

Most of all, as a representative of the Korean government, I thank AMCHAM for its commitment and dedication to advancing economic ties between the U.S. and Korea.

I express my confidence that AMCHAM will continue to serve as a vital link that unites us and enhances our partnership.

Ladies and gentlemen!

I think it's fair to say that this year has truly been a wild ride.

Now, the end of 2009 is almost upon us, and a new year is just around the corner.

Today, I will use this occasion to look back at the major economic and financial policies put in place this year, and explore the tasks ahead of us.

Let me first quickly review some of the recent economic and financial market trends.

II. Recent Economic and Financial Market Trends

The global economy fell into a severe recession in 2009 as a result of a financial crisis triggered by the collapse of Lehman Brothers.

But this was also a year of renewed optimism as the global economy hit the bottom and started to move into a recovery phase.

Fortunately as well, the Korean economy bounced back quite rapidly in the first half of 2009.

And this momentum continued into the second half, as the economy grew 3.2% over the previous period in the third quarter.

In fact, the OECD recently declared Korea to be the fastest recovering economy among its members and revised upward its growth outlook for Korea.

Korea's financial markets also rapidly returned to normal from the first half on the back of more upbeat growth prospect and global financial market stability.

Key financial market indicators, including stock prices and CDS spreads, have also returned to pre-crisis levels.

It is true that recent moratorium from Dubai World has to some extent rattled the markets.

Yet this will not have much of an impact on Korea's financial markets because of their limited exposure to Dubai.

III. Korea's Economic and Financial Policy Directions

Major Policy Initiatives in 2009

Ladies and gentlemen!

Throughout 2009, the government carried out economic policies with a particular focus on quick recovery and financial market stability.

The Korean government embarked on a preemptive policy response that minimized the impact of external shocks.

This included proactive fiscal stimulus policies with a supplementary budget to reverse economic slowdown.

It also meant expansionary monetary policies with low interest rates.

On the financial policy front, we focused on bolstering the stability of the financial system and facilitating its function to support the real economy.

We accomplished this by injecting liquidity, supporting SMEs, strengthening financial firms' balance sheet soundness, and carrying out restructuring.

All in all, Korea's policy response proved effective in turning around the economy in a relatively short span of time and as a result earned much praise from abroad.

In particular, some foreign observers, who raised the possibility of a second financial crisis in Korea, now praise Korea's vigorous economic recovery.

Policy Tasks Ahead

Now, despite this, much work remains ahead for the Korean economy and the financial sector.

For the real economy, there are pockets of lingering uncertainties at home and abroad.

So, the continuation of accommodating fiscal and monetary measures seems sensible, so as to sustain the recovery momentum.

And like other countries, Korea will need to work on job creation and new growth engines for the future.

For more specifics on the government's economic policies for next year, let me quickly note that they will be announced tomorrow.

As for financial policy, our priority will be maintaining market stability.

But we also intend to take steps to prepare for the future.

First, we are going to take an active part in the ongoing discussion on improving the international financial order.

We will actively join in the efforts of the international community and adhere to international standards.

In addition, we are doing all we can to ensure we successfully host next year's G-20 summit, which has now emerged as the main axis of global economic governance.

Secondly, we shall devise financial regulations suitable for Korea by considering both international consensus and our own problems that emerged from the crisis.

So, where shortcomings and weaknesses have been identified, we will take appropriate regulatory and supervisory actions.

However, we will do so prudently so that we do not hamper healthy financial industry innovation or competition.

Finally, let me talk briefly about the government's medium- and long-term vision to advance Korea's financial services industry.

- While it must stick to its root function of supporting the real economy, we also envision it becoming a true growth engine itself.
- Internationally, we intend to elevate Korea into being a financial leader in Asia.

IV. Concluding Remarks

Ladies and gentlemen!

When President Obama visited Korea this past November, President Lee Myung-Bak heard of his past training in Tae Kwon Do and presented him with a Tae Kwon Do robe and an honorary belt.

Images of President Obama at the Blue House in a Tae Kwon Do pose soon appeared in the Financial Times and other major newspapers.

I think that scene showed the solid and genuine friendship between the US and Korea.

The US-Korea FTA, which will take the already strong bilateral relationship to the next level, now awaits ratification by both countries' legislatures.

So let me conclude by asking AMCHAM to help us ratify the FTA and open a new chapter in the trade and investment relations between the two countries.

And we will always welcome an opportunity to work with AMCHAM to promote and facilitate business and investment in Korea.

Thank you so much.