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**IGE-IMF Joint Conference**

# **Luncheon Speech**

**Thursday, December 2, 2010**

**Westin Chosun Hotel**

**DONG-SOO CHIN**

**CHAIRMAN**

**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

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Good afternoon, ladies and gentlemen!

Let me first thank Chairman **Kim Pyung-Joo** and President **Nam Chong-Hyun** from the Institute for Global Economics (IGE), as well as **Mr. Axel Bertuch-Samuels** from the IMF, for inviting me to this occasion.

I also wish to welcome all of you from Korea and abroad who have given your valuable time to attend this conference.

With November now over, early winter is suddenly here and the end of 2010 is fast approaching

It's fair to say that it has been quite a momentous year for Korea.

In addition to the recent G20 Seoul Summit, Korea has played host to many important events in 2010, such as the FSB Plenary Meeting and the G20 Finance Ministers Meeting.

I feel a tremendous sense of pride as a member of the Korean government that we successfully hosted these events of great importance for the global economy.

However, the conclusion of the G20 Seoul Summit does not mean our business is finished.

There remain many tasks ahead for us to resolve.

In this respect, I would like to speak today about what has been achieved at the Seoul Summit and what we have to do more, particularly from Asia's perspective.

## **II. Achievements of the G20 Seoul Summit**

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Do all of you recall the slogan of the G20 Seoul Summit? Let me remind you: the theme of the Seoul meeting was "Shared Growth Beyond Crisis".

### **Conclusion of Financial Regulatory Reforms**

This slogan contains many meanings, but "beyond crisis" especially symbolizes the significance of the timing of the Seoul Summit.

The Seoul summit was held in a period of transition, in which the global economy got out of the crisis and moves on to the post-crisis era.

We have also been in a period of some skepticism as to whether the G20 Framework can remain relevant in normal times as it did during the crisis.

However, the Seoul Summit eased such concerns by reaffirming the credibility and sustainability of the G20.

Above all, the Summit finalized the core elements of the financial reform that have been labored over for the past two years.

These core elements for preventing the next crisis include tighter soundness requirements for banks and stricter regulation and supervision of SIFIs.

Finding agreement on such issues was a major challenge.

We had to overcome fierce lobbying by the financial sector, as well as country-level differences.

In fact, the initially proposed deadline for establishing the Basel III standards was not the Seoul Summit, but the end of 2010.

However, the Korean government pushed hard to reach an agreement in a shorter period of time than scheduled.

And we were able to finalize a global financial regulatory reform package at the Seoul Summit that eased market uncertainty and maintained momentum for the G20 process.

### **How G20 Members View the Outcome of the Seoul Summit**

G20 member countries have given the Seoul Summit high marks.

Next year's host France stated that the Summit helped overcome differences of opinion, and solidified the co-operative spirit for strong and sustainable balanced growth.

China voiced that the Summit provided momentum for the G20 to go from a "crisis response mechanism" to a lasting "economic governance" body.

And the UK praised the Summit for helping ease international tensions by offering a multilateral platform to discuss the issue of global imbalances.

### ***Achievements of the Seoul Summit from Asia's Perspective***

The Seoul Summit was particularly meaningful to the Asian region.

It was the fifth G20 summit, but the first to be held in a non-G8, non-Western country.

Important and constructive agreements were reached that involved the perspective of Asian and other emerging economies.

The fact is, previously, G20 discussions on financial reform had been mostly conducted from advanced economies' perspectives.

This did make some sense.

Since the recent crisis began in such economies, the response also logically focused on the problems with their financial systems.

However, as chair of this year's G20, Korea tried hard to convey as well the positions and interests of emerging market countries at the G20 and FSB.

A representative example was the initiative for a global financial safety net to secure stability in emerging economies' foreign exchange markets.

Emerging markets' perspectives were also reflected in the move to strengthen information sharing between supervisory authorities about global financial companies.

And it was also seen in the move to differentiate global SIFIs and national SIFIs.

The Korean government also pushed for certain tasks of great interest for emerging markets to be put on the G20 agenda.

Establishing a macroprudential supervisory framework and conducting reform from an emerging market perspective were both adopted as tasks that the G20 and FSB will put front and center.

Specifically, issues of great interest to emerging markets, such as excessive capital flows, FX risk management, and trade finance, were put on the summits' communiqués.

### **III. Future Tasks: Financial Reform from an Emerging Market Perspective**

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Such accomplishments were significant in shifting the discussions from a focus on advanced economies to including the interests of Asian and other emerging markets.

The task now remaining is to produce concrete outcomes that can be of real help to the Asian economies.

We must all think hard about the proper financial reforms that the FSB should pursue from an emerging market perspective.



As you well know, the characteristics and level of competitiveness of Asian and other emerging markets somewhat differ from advanced economies.

The recent crisis spread quickly from advanced to emerging economies, and emerging markets experienced severe volatility in capital flows regardless of their economic fundamentals.

This means that systemic risk in emerging economies stems from external shocks in capital and foreign exchange markets, rather than from the unhealthy domestic financial sector.

In other words, the cause of systemic risk and the way it spread was quite different from what happened in advanced economies.

Also, in terms of the development of financial markets, emerging markets are still at an early stage and are mostly hosts of SIFIs, rather than their home countries.

While it's hard to say this is true of all Asian countries, it's quite universal.

All these factors, therefore, must be taken into account in order for financial reform to well address emerging economies' issues.

Nonetheless, advanced and emerging economies do share the same goals of building a healthy and robust financial system.

Financial reform from an emerging market perspective, therefore, naturally needs to be carried out under the broad global financial reform framework.

However, to make emerging financial systems more stable, their unique characteristics, such as vulnerability to capital flows, need to be discussed in depth.

At the same time, we also have to make effort to build emerging economies' capacity in the financial sector such as making their financial system more efficient.

Now, Korea has both experiences as an emerging market and in operating a relatively developed financial market.

As such, we will be more actively involved in global discussions of financial reform to bridge the gap between emerging and advanced economies.

#### **IV. Concluding Remarks**

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Ladies and gentlemen!

Not many will deny that this crisis has raised Asia's standing in the world.

However, this means that Asia's roles and responsibilities in the global economy will also grow heavier.

Asia will have to display a certain degree of global leadership by taking responsibility for the operation of the global economy.

In this respect, the meaning held by the "Shared growth" part of the Seoul Summit's slogan is very important.

Apart from merely raising the Asian voice, I hope this conference will be able to find wisdom for both Asia and other regions to grow together.

And I look forward to today's conference serving as a golden opportunity to share our insights and experiences as we move towards a new financial order.

Thank you so much.