



## Opening Address

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JEUNG-HYUN YOON

Vice President Justin Yifu Lin from the World Bank; Dr. Anne Krueger from Johns Hopkins University; Dr. Il SaKong, chairman of the G-20 Summit Coordination Committee; Dr. Euh Yoon-Dae, chairman of the Presidential Council on National Branding; Dr. Hyun Oh-Seok, president of the Korea Development Institute; and distinguished guests from home and abroad: I extend a warm welcome to all of you. This conference has been organized to look back on the development experience of East Asia and gain wisdom helpful to overcoming the current economic crisis and building a new economic framework. In just half a century the Republic of Korea achieved remarkable economic growth, named the Miracle on the Han River, transforming itself from an aid recipient to an aid donor in the global community. Korea also has a track record of successfully overcoming the financial crisis of the late 1990s and has made great strides since the outbreak of the current crisis. The signs are that Korea will be one of the first countries to emerge from it. For these reasons, it is appropriate to hold the twentieth Annual Bank Conference on Development Economics (ABCDE) in Korea.

We are being called on to overcome the economic turmoil facing us and to prepare for the new world that will emerge from the crisis. Today, I would like to talk about how we should deal with the challenges facing the global economy and what we should do to prepare for sustainable growth once the crisis has passed. The world economy is undergoing the worst recession since the Great Depression of the 1930s. Some economists say that the Great Depression was a tragedy that could have been avoided. Had there been appropriate measures and cooperative efforts at the international level such as expending fiscal stimulus and recapitalizing banks, the Great Depression might not have been so prolonged and so painful; it might have been a passing event in world history.

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The Great Depression taught us that it is critical to coordinate international policy and to devise appropriate economic responses if we are to defeat the economic crisis gripping the world today. In March 2008 when we learned of the potential bankruptcy of Bear Stearns, the U.S. government acted swiftly to get matters under control. Despite these efforts, financial turmoil spread to the global financial markets, which are tightly intertwined, and it soon became evident that the efforts of individual nations or only a handful of advanced countries would not be enough to overcome the crisis. I firmly believe that the two recent G-20 summits constituted turning points in the efforts to overcome the global crisis. The recent positive signs suggesting that the worst is behind us may well be attributed to the coordinated responses of the international community, such as the G-20.

Korea has been active in these international efforts. For instance, we expanded our fiscal spending in 6.9 percent of GDP and promptly lowered our base interest rate. In addition, we began to promote job sharing, a challenging initiative that is intended to encourage companies and employees to share the pain and maintain the development capacity of the Korean economy. Thanks to these efforts, the crisis affecting the Korean economy seems to be coming to an end. In fact, Korea's GDP growth rate turned positive in the first quarter of 2009, and industrial production has been growing since January. Furthermore, the leading economic indicators have continued their upward trend.

Notwithstanding these positive signs, the private sector has not yet recovered, unemployment continues to rise, and consumption and investment have declined since the first quarter of 2008. The global economic crisis is ongoing, and uncertainties are lingering, including the potential recurrence of distress in the financial markets and prolonged recession in the real economy. These uncertainties suggest that global cooperation on macroeconomic policy is still required. Therefore, I believe that the G-20 summit should continue to play a central role in promoting international cooperation. As the chair country of the G-20 next year, Korea is committed to solidifying the cooperative framework so that the G-20 becomes the locus of international cooperation.

It is my sincere hope that this year's conference will serve as a forum for discussing the new direction of the world economy at this historical moment of change. I expect that it will become a valuable stepping stone for seeking solutions to the economic crisis and laying out a creative blueprint for sustainable growth of the world economy. The world population, which totaled about 3 billion back in the 1960s, more than doubled to reach 6.6 billion in less than half a century. Along with the growing population, we are facing challenges that must be addressed, such as climate change, protectionism, and absolute poverty.

To address these unprecedented issues and achieve sustainable growth, a new strategy is needed. First, we must find a new engine of growth for the world economy by responding to climate change and promoting a green economy. Addressing climate change is a top priority for mankind that we can no longer postpone. It is a challenge that cannot be resolved by the efforts of one nation alone. Green growth is not a matter of choice, but an imperative; it is capable of driving sustainable growth of the

global economy based on technological advance and innovation. Last year, Korea declared low-carbon growth as our national agenda and launched efforts to turn this agenda into reality. As part of this effort, we began to promote green industries, such as new and renewable energy, and initiated the green transformation of existing industries. Korea is prepared to lead the international effort to tackle climate change and support green growth in both emerging and developing economies.

Second, we must expand international trade and investment and support world economic growth by removing all forms of protectionism. In times of crisis, governments may be tempted to raise protectionist barriers in an attempt to protect their national interests. However, once protectionist measures have been taken, they are difficult to roll back. Furthermore, they may invite a chain of retaliatory actions from trading partners that, in turn, will have a negative impact on world economic growth. As agreed at the G-20 summit, we must adhere to the grand principle of free trade. We must cooperate to remove any form of protectionism and continue our efforts to foster multilateral and bilateral trade and to liberalize investment through free trade agreements and other means. In doing so, however, advanced nations should consider and address the adverse effects of globalization, such as income inequality, on developing nations.

Third, we must work together to reduce poverty and narrow the income gap. In the wake of the current economic crisis, poverty has risen rapidly in developing countries, and the advanced nations have reduced their assistance to developing economies. Eradication of absolute poverty is a difficult challenge, but we cannot guarantee either positive progress in globalization or sustained growth of the global economy unless we address this issue. Developed countries' support for efforts to address absolute poverty and income inequality in developing economies should be considered an investment in ensuring stable and sustained growth of the global economy. The international community—in particular, the advanced nations—should work together to address poverty by expanding development assistance to developing economies.

At this historical turning point, we are faced with the solemn task of overcoming the global economic crisis and preparing a new postcrisis economic order. Korea has a role to play in two major needs of the times. First, given our rise from absolute poverty to become an advanced developing economy, Korea intends to play a role in building a bridge between developing and advanced countries. To this end, as chair of the G-20 in 2010, Korea will endeavor to coordinate the interests of developing and advanced countries in good faith and with respect. In the Asian region in May 2009, in an effort to ensure regional financial stability, Korea helped to reach agreement on the Chiang Mai Initiative Multilateralization with China, Japan, and members of the Association of South East Asian Nations. Second, Korea will fulfill its responsibility as a global economic partner befitting its status as the world's fourteenth largest economy. Korea will expand support to developing economies through the knowledge-sharing program, which aims to share the lessons of Korea's development experience. Korea will also triple its official development assistance by 2015, including its contribution to international financial institutions such as the World

Bank. Furthermore, Korea will take an active approach to addressing common challenges, such as poverty and climate change, facing the world.

Winston Churchill once said, “A pessimist sees the difficulty in every opportunity; however, an optimist sees the opportunity in every difficulty.” In this spirit, we should do our best to find opportunities in the global economic crisis. One of the key objectives of this conference is to build hope for a better future. I am confident that our discussions will provide the way forward in achieving sustained growth through global cooperation.