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An In-Depth Look at Korea's Economy and FSC Policy Direction

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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

Good afternoon, ladies and gentlemen!

Let me begin by expressing my appreciation to the European Union Chamber of Commerce in Korea (EUCCK) for inviting me to speak today.

I am also pleased to meet the honorable ambassadors, and corporate and financial leaders from across the EU countries.

And, as a government official myself, I give particular thanks to the EUCCK for doing so much to build close ties between Korea and the EU.

The EU is a key trade and investment partner, and our economic cooperation is greatly valued.

As you know, **Korea and the EU initialed a draft deal on an FTA** on October 15th.

This marked yet another turning point in the furthering of economic ties between Korea and the EU.

And with mutual trust and understanding, I believe there is no doubt that our win-win relationship will only develop more.

Now, in line with **today's topic**, let me briefly give my thoughts on "**Korea's Economy and FSC Policy Directions**".

I hope it will help lend some insights on how you view the Korean economy.

II. Economic Trends and Outlook

Since the global financial crisis began last year, the Korean government has responded swiftly to the crisis with aggressive and far-reaching measures.

These measures were, namely, liquidity injections, interest rate cuts, expansionary fiscal policy, and corporate restructuring.

And I'm proud to say that financial market anxieties and economic contraction were successfully brought under control.

As a result, and due to improving global economic conditions, Korea has led the way out of the crisis by recovering the fastest among all OECD nations.

The real economy surged back in the first half this year, and this tide of recovery has stayed robust in the second half.

Also welcome news is that equity and other major financial indices have bounced back to pre-crisis levels.

Investor sentiment has naturally gone up as well.

Not too long ago, foreign investors had major concerns about the Korean economy.

They even raised the possibility of a second currency crisis.

These days, however, they are taking note of Korea's '**astonishing rebound**' and are praising its sound fundamentals.

With the improvement in global economic conditions, Korea's recovery is expected to further keep going.

Recently announced third quarter growth figures show that this flow is quite robust.

Yet even with the recent economic upswing and resulting overseas plaudits, **we have a big job ahead of us.**

Recently, there is encouraging news that big companies will sharply ramp up facility **investments.**

The reality is, however, broader private sector investment must be kick-started for recovery to be truly self-sustaining.

Although the government's job creation initiatives have borne fruit, **private sector job creation** is still lagging.

In light of this, we shall be maintaining the current expansionary macro policy stance.

And we shall also keep stressing regulatory reform and service industries support in order to boost private investment.

As last September's G-20 summit agreed to, we shall prepare for a so-called exit strategy, but will implement them under international collaboration when recovery becomes fully secured.

III. Financial Policy Directions

Korea was determined not to repeat the hardships of the 1997 currency crisis, and so took numerous measures over the past decade.

This led Korean corporations and financial companies to undertake restructuring and set about improving their financial structure to make themselves more robust.

Thanks to these efforts, Korea was able to get past the worst of this financial crisis so swiftly.

Besides securing current economic recovery, now the government shall also make sure **policies are pursued to strengthen the financial industry for the future.**

First, it shall stay on top of the current reorganization of the international financial order.

Specifically, as a steering committee member of the FSB and host nation for next year's G20 summit, Korea shall play a rule-setter role and take an active part in international discussions.

Further, we shall **devise financial regulations suitable for Korea** by considering both international consensus and our own unique problems that arose in the crisis.

Secondly, the government will seek for international alternatives for **shoring up currency stability of emerging economies**.

Small open economies like Korea which do not have a reserve currency experienced great pain due to foreign currency liquidity problem during the crisis.

To remedy this, the Korean government proposed to develop stability mechanisms for emerging market currencies at the second FSB meeting in September.

This suggestion has paid off, as it was selected as an added item on the agenda of the G-20 report.

The government will keep pursuing such measures and actively take part in efforts to realize more stable FX markets in emerging economies.

Alongside the global efforts I mentioned, the Korean government intends to adopt its own steps to strengthen the competitiveness of its foreign exchange sector.

For instance, it is examining how to improve the foreign currency debt structure of financial companies, and how to improve regulations on foreign exchange soundness.

Thirdly, I would like to mention the Korean government is now working **to advance Korea's financial industry for the post-crisis**.

We should re-emphasize that the financial industry is itself a core service industry that is high value-added and creates decent jobs.

And we are certainly lucky in Korea to boast a globally competitive economy, and an outstanding and highly educated talent pool.

The government is well aware of this, and is putting together a medium- and long-term vision for the industry so that this potential can soon shine.

IV. Concluding Remarks

Ladies and gentlemen!

Let me begin to wrap up by once again giving thanks to all the participants today.

The FTA initialed by Korea and the EU will be a landmark as the first such agreement by the EU in Asia.

We in Korea believe an FTA concluded with the world's largest single economy is sure to be a big plus for our economy.

And we are especially hoping it will induce and activate mutual advance of financial companies from Korea and the EU.

I am confident that exposure to first-rate management techniques and greater competition can only strengthen Korea's financial industry.

I want to conclude by expressing my hope that the EUCK will continue to further economic cooperation between Korea and the EU.

And I also want to ask that you stay on top of Korean government policy and make your voice known in this regard.

Thank you for listening.