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Statement by the Hon. **MAN-SOO KANG**,  
Governor of the Fund and the Bank for the **REPUBLIC OF KOREA**,  
at the Joint Annual Discussion



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Governor of the Fund and the Bank for the Republic of Korea,  
at the Joint Annual Discussion**

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

**It is my great pleasure to join you here on behalf of the Republic of Korea.**

**Today, the world economy and global financial market are in grave difficulty.**

**Given the close linkage between financial markets and the real economy that we are now observing, our priority should be to stabilize the financial market.**

**To this end, it is important that we restore market confidence before the on-going financial market turmoil develops into a "Confidence Crisis."**

**Policy-makers should enhance predictability in the market by providing transparent and objective information and sending consistent policy signals.**

**In particular, policy coordination and information sharing between member countries are critical in stabilizing the closely inter-linked global financial market.**

**Drawing upon our experience of the Asian financial crisis, I would like to make two suggestions.**

**First, policy-makers should take swift actions sufficient to stabilize the market when necessary.**

**In this context, I fully support the decisive and timely market-stabilizing measures including liquidity provision and interest rate cuts.**

**We should not forget, however, that emerging and developing economies are suffering the most from the turbulence in financial markets.**

**To ease their burden, I would suggest global market-stabilizing measures, such as liquidity provision, engage emerging and developing economies through close coordination.**

**To facilitate policy coordination, I look forward to G-20 taking a stronger role. Given its comprehensive membership consisting of both developed and developing economies, G-20 can be an effective platform for global collaboration. Second, regarding the role of IMF amid today's uncertainty, I have three points to make.**

**First of all, the Fund has a bigger role to play in this unstable financial market. It should help the global economy address current turmoil by strengthening its surveillance.**

**Specifically, the Fund needs to help member countries enhance the financial supervisory system in response to the evolving situation in financial markets.**

**Objective and transparent evaluation and disclosure of the risk inherent in new financial products, will enable us to minimize systemic risk and regain investor confidence.**

**Second point is that the Fund should focus its analysis on the macro-financial linkage by fostering the capability to identify and analyze the spill-over process and its risk.**

**Going further, it needs to make recommendations on macro-economic policies including the counter-cyclical role of fiscal policy to revitalize investment and consumption in the context of slowing growth.**

**My third point is that the development of regional surveillance and crisis management system and its coordination with the IMF are critical to effectively address the current financial crisis.**

**In Asia, for example, the CMI Multilateralization, which is to establish regional liquidity providing system, can be a desirable complement to the IMF.**

**As for the real economy, it is important that all member countries cooperate to stabilize oil and other commodity prices and, thereby, mitigate worldwide inflationary pressure.**

**To this end, commodity-exporting countries should stay away from "export protectionism" and maintain an adequate level of supply. On the other hand,**

**developed countries need to take appropriate actions to stop speculative demand from driving up prices.**

**Turning to the on-going World Bank reform, the ultimate goal of governance reform is to enhance the Bank's responsiveness and maximize members' participation by ensuring their equitable representation.**

**The first and foremost principle of the reform should be to ensure that the share structure reflects each member's relative weight in the global economy.**

**It has been a decade since the Bank realigned its quota in 1998. The current quota does not fairly reflect the status of emerging and dynamic countries whose economies have experienced significant changes.**

**That explains the urgent need for a quota reform, especially for the countries whose quota falls far short of their economic position.**

**I am confident that the reform will in turn contribute to achieving the Bank's mandate as it will promote participation by member countries.**

**Distinguished guests!**

**Last but not least, I urge you to support North Korea, one of the least developed countries in the world, in opening up its economy and reforming itself.**

**To encourage North Korea's opening and reform, it is important to integrate the country into the global community.**

**This will be a challenging task which requires the efforts of both Koreas as well as the cooperation of the international community.**

**In this regard, I would like to emphasize that the forward- looking stance of the IMF and World Bank is essential.**

**Once again, I ask for the support of all member countries.**

**Thank you!**