

Davos Forum Special Address

Seoul G20 Summit: Priorities and Challenges

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Good morning. It is a great privilege to address such a distinguished audience of world leaders at the World Economic Forum. I am grateful to Professor Schwab and the organizers for giving me an opportunity to share my thoughts on the forthcoming G20 Summit to be held in Seoul in November of this year.

Before starting on the main address, I would like to convey the heart-felt sympathies of all Koreans to the victims and survivors of the recent earthquake in Haiti.

As an immediate measure, the Korean government is actively engaged in the flow of relief in concert with non-government bodies. Together with other summit colleagues in the G20, I will work on support and long-term reconstruction.

Ladies and Gentlemen,

We have just been through a very difficult time for the world economy. This time last year, you may recall that there was much pessimistic commentary on the possibility of an economic slump that would push the world into another Great Depression. Fortunately, the picture now is somewhat brighter than those worst predictions. The world economy

has gone through a period of stabilization and is now showing some tentative signs of recovery.

I believe that much of the credit for the better than expected outcome for the world economy should be given to the unprecedented level of policy cooperation among the advanced and emerging countries of the G20.

The initial resolve shown in the first G20 Summit in Washington in November 2008 was followed up with swift and bold coordinated policy responses in successive summits in London and Pittsburgh. It was thanks to such bold action that the world economy pulled out from its free fall and managed to enter a period of stabilization.

I do not doubt that the newfound status of the G20 as the premier forum for international economic cooperation owes much to its proven accomplishments to date. As the leader of the country that will chair the G20 this year, I am keenly

aware of the weight of responsibility in taking on such an important role. It is an enormous privilege to chair the G20. Together with all Koreans, I await this year's tasks with anticipation. I thank my fellow G20 leaders for their vote of confidence in Korea's ability to play this pivotal role.

The G20 this year will continue its efforts to overcome the consequences of the global financial crisis and to redouble its efforts in coordinating policies toward recovery. In addition, it is time for the G20 to set the post-crisis agenda, and to build the platform that will ensure the sustained and balanced growth of the world economy in the months and years ahead.

The three previous G20 Summits began the search for reforms toward a more resilient financial system aimed at preventing a repeat of the recent financial crisis. However, the most immediate goal was to orchestrate the policy response to the global financial crisis and the accompanying

severe economic downturn. As mentioned already, I believe it was thanks to such coordinated effort that the world economy managed to achieve its recent stabilization.

The burden of the policy response so far has fallen on public sector intervention through unprecedented fiscal and monetary stimulus. As the global economy finds its feet again, each G20 member country will need to consider carefully how it will implement its exit strategy taking account of local economic conditions.

This year, one of the tasks of the G20 will be to coordinate the transition to a more normal policy stance once the appropriate conditions are in place. As we make this transition toward a more normal policy stance, the focus of the G20 must shift toward putting in place the longer-term framework for policy coordination that will ensure the sustainable and balanced growth of the world economy.

In particular, as chair of the G20, we will devote our energies to achieving consensus across G20 member countries for the successful implementation of the Framework for Strong, Sustainable and Balanced Growth, agreed at the Pittsburgh summit last year.

In addition, an important task of the G20 is to follow up on the initiatives taken at previous summits on reform of financial regulation toward a more resilient global financial system and the reform of international financial institutions such as the IMF and World Bank. Concerning financial regulation, important issues include finding ways to counter the procyclical nature of the financial system, as well as the problem of institutions that are too-big-to-fail that has received added impetus recently. We will need to follow through on the progress achieved to date as well as find solutions for unresolved issues.

Having gone through the recent financial crisis, we have been reminded of some of the weaknesses of the current system of international crisis prevention and early warning led by the international financial institutions (IFIs). As we approach the Seoul summit, we will devote our energies toward reaching agreement on a stronger and more effective early warning and surveillance mechanism at the international level. In order for the International Monetary Fund and other IFIs to fulfill their goals, it is important that they command broad support. It goes without saying that such broad support can only be gained through the accountability and legitimacy that comes to an institution with a governance structure that is truly representative of its members. The importance of governance and representation have been affirmed by the G20 leaders in previous summits, and our goal in the November summit will be to translate the principles into concrete actions.

I must not neglect to mention one more important item for the Seoul Summit, which is trade. Past G20 summits have played a pivotal role in resisting protectionist pressures, and we need to reaffirm the importance of continuing our stance against protectionism. In particular, concluding the Doha Development Agenda (DDA) before the end of the year should be given the highest priority.

The recent financial crisis and the economic downturn have increased the pressures for protectionism. We should be on our guard against protectionism. But at the same time, we should be mindful of the side-effects of globalization that feed the antipathy toward greater global integration. We should stand ready to address legitimate concerns. To this end, a strategy of inclusive growth that permits a role for a strong social safety net should be an important companion to globalization.

Looking back, it would be fair to say that the impetus for the reform of the financial system has come from the experience of the advanced countries which was the origin of the recent financial crisis. Addressing the weaknesses in the existing framework for financial regulation is important for all of us, since the problems in one region have global repercussions. It is important to learn from recent events so as not to repeat our mistakes.

However, we should not forget that there are many pressing policy and reform issues that are of paramount importance to developing countries. We will add these additional issues to the agenda for discussion at the G20 Seoul Summit in November. As part of our efforts to heighten awareness and find common ground, we are planning an extensive diary of events with participation from experts and policy makers.

At the November Seoul Summit, we will place development issues firmly on the agenda, and work toward finding agreement. As you know, Korea is a member of the OECD grouping of developed countries, but it is also a country with first-hand experience of economic development within living memory. Korea also has experience of the devastating impact of a financial crisis and the efforts necessary to secure a robust recovery. As a country that has made the transition from one that receives aid to one that gives aid, we understand well what is involved in making aid work.

For all these reasons, there is a great deal of significance in the fact that Korea is the first country from outside the ranks of the G8 group of advanced countries to chair the G20. I believe that Korea is well-placed to share its experiences and expertise with emerging and developing countries on strategies for development and on policies for successful recovery from financial crises.

In order to achieve balanced and sustainable growth, I believe more is necessary than just achieving balance in a narrowly macroeconomic sense. A broader notion of balance is appropriate, including closing the development gap between advanced and developing countries. Such a task should be regarded as being an integral part of the mission of the G20 in achieving balanced growth of the world economy. To this end, we will consult our G20 partners in placing development issues firmly on the agenda for the Seoul G20 summit.

We have seen with the recent financial crisis the potentially devastating impact of sudden reversals of international capital flows on emerging and developing economies. At the G20 Summit in November, we will place on the agenda the establishment of what we call a “Global Financial Safety Net” that can put in place a global mechanism for addressing such sudden reversals. The new arrangement seeks to

build on the successful implementation of bilateral arrangements between central banks for dealing with sudden reversals of capital flows, and will be complementary with them. We believe that the establishment of such a financial safety net will contribute significantly toward balanced growth of the global economy.

I cannot emphasize enough the importance of ensuring that the fruits of the strong and sustainable growth are shared evenly among all countries, including the poorest. To this end, the G20 must redouble its efforts to look beyond its member countries and take on the responsibility of considering a larger constituency of nations.

As part of our consultation process, we will not limit our discussions to the G20 member countries, but instead will reach out to partners outside the G20. We will conduct extensive outreach efforts through consultations with the

United Nations and regional bodies. Our aim will be to ensure that the discussions are as inclusive as possible.

As well as these outreach efforts to countries outside the G20, we will also devote our energies toward giving full scope for the impetus for recovery to come from the private sector business community, taking the baton from the government sector in leading the recovery effort. As part of the initiative to highlight the role of the business community, we are currently planning the launch of a Business Summit in Seoul timed to coincide with the November G20 Summit. Active participation from the business community will reinforce the positive outcome from the official summit itself, and highlight the vitality that can only be provided by the private sector to further enhance the G20 process as an effective forum for promoting global prosperity.

The world economy has stabilized through the concerted action of governments and is showing signs of recovery. But

private sector investment and job creation are still far from robust. For an enduring recovery, the revitalized growth of private investment will need to follow. As part of the efforts to encourage greater role for the private sector, priority should be given to ways of promoting job creation and investment. Fostering job creation and investment are long-term tasks that thrive in a business-friendly environment. We should find ways to reward the entrepreneurial spirit and allow creativity and initiative to play their part the creation of jobs and wealth. We should always bear in mind that the potential long-term sustainable growth of the world economy is determined in large part by such incentives to create jobs and wealth.

The recent financial crisis has reminded us how closely our national economies are integrated in the global economy. It is not only the events in our near neighbors that have an impact on our lives. The degree of integration is now such

that we saw how events on the other side of the world can impact our daily lives. In this respect, the G20 is a very timely forum. By bringing together not only the leading advanced economies but also the major emerging economies, the G20 has a size and scope to tackle global issues. The November Summit of the G20 in Seoul can be seen as the first major test of this new global forum as it attempts to establish itself as a regular feature of the framework for international economic cooperation. I can promise you that we will put in our best efforts toward the successful conclusion of the G20 Summit.

In closing, let me reiterate the importance of the longer-term nature of a sustained framework for international economic cooperation. Although the financial crisis brought us together and forged an effective coordinated crisis response, it is now incumbent on us to translate the momentum we have generated toward establishing a forum that can play a

genuine global leadership role for longer term issues. To this end, we should not lower our guard or allow complacency to dull our sense of mission. One of my Summit colleagues remarked at a previous meeting that we “should not waste a crisis”. I fully share this sentiment, and will work toward maintaining the momentum for genuine reform. We should not forget the importance of our continued sustained effort in achieving sustainable and balance growth.

I ask you to join me in this endeavor.

Thank you.