

KEYNOTE SPEECH 2

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- **Introduction.** Good Morning. First of all, I would like to express my sincerest appreciation to all the participants, for devoting your time and effort to take part in this meaningful conference to share your views on the future of Asian economy. My special thanks go to the host of this conference and Director of the Asiatic Research Institute of Korea University, Professor Lee Jong-Wha, Chief Economist Yasuyuki Sawada of ADB, and Dr. Kilaparti Ramakrishna, Director of UN ESCAP East and North-East Asia Office. Today, I would like to briefly talk about the increasing importance of regional economic integration for sustainable growth, and the roles and activities of Korea Eximbank in achieving this goal.
- **Recent Economic Situation.** Thanks to the recovery of investment and trade, and the supportive macroeconomic policies of many nations, the global economy is maintaining a positive growth momentum. The U.S. is expected to maintain a moderate growth, backed by the revitalization of private consumption and increasing investments. The Euro Area is also experiencing a steady recovery, thanks to the increase in consumption resulting from improvements in the job market, and the economic recovery of surrounding nations. World trade is also growing in terms of volume and value. Growth of global trade has outpaced world GDP. Increase in trade volume is expected to facilitate the spread of economic recovery to developing nations. In line with such developments, Asia is forecasted to maintain a strong growth rate of 5% for the next two years, continuing to drive the growth of the global economy. Korea is not an exception. Last May, exports increased by 13.4%, year on year. Driven by exports, the real economy is showing signs of recuperation. Better export performance is encouraging facility investment and boosting consumer confidence.
- **The Importance of Regional Economic Cooperation for Sustainable Growth.** However, from the medium and long-term perspective, the world economy is not purely optimistic. There are downside risks to the world economy. The Trump administration and rising populist parties in the Euro zone are further strengthening their protectionist policies, which might slow down both trade and potential economic growth. The Trump administration is currently taking a strong protectionist stance on trade. The administration is devising various countermeasures against its trading partners in an attempt to address its trade deficits, and has also launched a national security probe on steel imports. They are even discussing methods to directly confront the "currency manipulations" of their foreign partners. However, history has proven the dangers of the proliferation of protectionism. Although the Great Depression in the 1930s was set off by the collapse of financial markets, the crisis was protracted extensively due to protectionist policies of many countries. As a reflection, the WTO system was created after the World War II, and world trade and foreign investment grew significantly. As international cooperation became more solidified since then, many countries benefited from trade, which served as a breeding ground for mutual growth. The economic development of Asian countries is the most glaring example of mutual economic development attained through international cooperation. Since the 1960s, many Asian countries developed their economies based on export-oriented industrialization strategies. Asian countries accomplished miraculous development as they successfully positioned themselves as the world's manufacturing base or "factory Asia" during the era of rapidly expanding economic trade and investment. Also, foreign aid programs of developed countries helped developing countries to build the bedrock of their economies, and supported those nations to be integrated into the global economy. Countries that benefited from the open trade policies were South Korea and China, and now, Vietnam and India are establishing themselves as the growth engines of the world economy. Thus, in order to sustain the current global economic recovery, we should curb the rise of protectionism and further invigorate global trade and foreign investment. Also, by cooperating with developing nations, we should give assistance in their development process and help them become a viable player in the world economy. The fact that the protectionist measures target mostly on Asian countries, such as Japan,

Korea, and China, underscores the need for Asian countries to strengthen the regional cooperation and deter the spread of worldwide protectionism and economic nationalism.

- **ADB and Asian Regional Cooperation.** Therefore, the roles of development cooperation agencies, such as ADB, are gaining more importance. Since its establishment in 1966, ADB has been contributing to promoting economic development and reducing poverty in Asia through a series of commitments, including investments for development, policy-making and strategic planning, providing technical assistance, and collaborating with international organizations. Taking Official Development Aids from MDBs including ADB as a springboard for development, Korea enjoyed an economic ascent and has now become the 11th largest economy in the world. ADB's aid was essential for Korea's economic success and development. Since 1968, ADB contributed loans worth of 2.3 billion US dollars to projects in Korea. Starting from its first project, the Gyeongin Expressway Construction Project valued at 68 million US dollars, many other projects were supported by ADB, including the Andong Dam Multi-purpose Development Project and the Incheon Port Development Project. ADB's assistance for Korea was not limited to development projects. Its response to the financial crisis in Korea was even more critical. As part of the international support program, ADB authorized 4 billion US dollars worth of Financial Sector Program Loan, which eased foreign exchange risks, to help Korea respond to the currency and liquidity problems. In 2016, ADB's lending volume totaled 31.7 billion US dollars, which is an 18% increase from 2015. Its project scope is expected to cover more sectors in broader regions, including inclusive and environmentally sustainable development of infrastructure in transport, power, telecommunication and water resources in major Asian developing countries, such as Indonesia, India, China, Pakistan, etc. In order to meet the development needs within the region, ADB has been actively cooperating with other agencies more than any other MDBs, including signing co-financing MOUs with Korean government. As I mentioned, ADB has dedicated a lot to facilitating economic development and reducing poverty in the region. I am convinced that ADB will continue to strengthen its role as a catalyst for Asia's economic development and cooperation by providing a wide range of fund resources.
- **Asia Economic Cooperation and Korea Eximbank.** Korea Eximbank supports Asia's development and promotes trade by providing comprehensive financial services for international economic cooperation. Its primary services include financing for export, import, overseas investment, natural resources development and many others. Also, Korea Eximbank is very active to provide innovative financing tools, such as Project Financing, in diverse development and plant construction projects to facilitate Asia's development and economic growth. Its financing assistance contributed greatly to changing the economic landscape and expanding the base of production in Asia. Some of key projects that the Bank has financed and brought the expected results are the Ilijan Power Plant Project in the Philippines, Bismayah Postwar Reconstruction Project in Iraq, and the Mong Duong Power Plant Project in Vietnam, just to name a few. Other than its original mandate as an export credit agency, Korea Eximbank is charged with operating government-entrusted fund, named Economic Development Cooperation Fund(EDCF) since 1987. EDCF is a Korean ODA program aimed at promoting economic growth and poverty reduction in developing countries. Korea is the only former aid recipient that now became an advanced donor country. Through EDCF, Korea is now planting seeds of hope, that it had once received, to other developing countries, envisioning their own success stories. Drawing on Korea's own development know-how and ODA experience in developing countries, EDCF made commitments amounting to 1.5 billion US dollars for 24 projects in 14 countries in 2016. Just to share with you one of the best exemplary EDCF-funded projects in public-private partnership, the Hydropower Development Project in the Solomon Islands is the first large-scale PPP project in which EDCF and many other MDBs including ADB cooperated. The Ho Chi Minh City Traffic Control Center Project is another good example of the cooperative project between EDCF and ADB. EDCF plans to progressively expand its

cooperative efforts with ADB and lead the regional development in infrastructure in sectors including transportation, telecommunication, power, and others such as education, health and medical treatment, and e-Government. Korea Eximbank will strive harder to support prosperity and strengthen cooperation in Asia by providing a wide range of innovative export-import financing tools.

- **Conclusions.** The world market provides opportunities in technology and capital investment without borders. Many developing countries in Asia need to take a full advantage of this chance and their potential. Japan, China, and Korea fully capitalized on this chance and have attained astonishing economic accomplishments of their own. To maintain and strengthen the growth momentum in Asia, we need to take advantage of the global market platform through which we should promote trade and exchanges. To achieve this goal, we need to respond to the rising trade protectionism with one voice and strengthen the presence of our economic bloc in Asia. The journey won't be easy, and there will be numerous issues to agree on among one another. But the hard-won achievement will mean a greater success than easy outcomes. I hope our discussions today will inspire the participants and give them insights into their own development plans. Korea Eximbank will join the efforts and contribute to broadening the foundation of cooperation in Asia. Thank you very much.