

GS-25 Rev.1

REPUBLIC OF KOREA
MAN-SOO KANG, Governor

It is a great pleasure to be with you here in Spain, a country full of beauty and passion. I would like to take this opportunity to applaud President Kuroda and his staff for their dedicated efforts to support the development of Asian countries. My thanks also go to the Spanish government and the people of Madrid for their warm hospitality and excellent arrangements for this meeting.

Since the Asian financial crisis, our region has maintained an annual growth rate of 6%, emerging as a key growth engine for the global economy. However, there are also a number of challenges ahead. Globally, we are facing risks such as slowdown of the world economy, rising food and energy prices and increasing global imbalances.

Within our region, we are experiencing a chronic shortage of infrastructure, while facing an urgent need to address environment issues and the widening income gap among countries. These challenges highlight the important need for closer economic and financial cooperation among Asian Development Bank (ADB) members.

During the past year, ADB has taken several important steps forward in its reform agenda. First of all, the long-term strategic framework 2008–2020 (Strategy 2020) was finalized under the President's strong leadership, advancing ADB's efforts to establish itself as an efficient provider of development financing.

We are also observing ADB's efforts to improve its institutional efficiency, including a comprehensive review of human resources management. The Government of the Republic of Korea fully supports the ongoing reform initiatives of ADB and looks forward to their successful implementation. Let me briefly comment on the future directions and priorities, which will build upon past achievements.

First, I would like to see a stronger focus on infrastructure investment. As demonstrated by the Republic of Korea's development experience, broadening the industrial production base, and enhancing support for infrastructure and financial services is a key to achieving higher growth and reducing poverty. In particular, more resources of ADB need to be allocated to building information technology (IT) infrastructure as well as traditional infrastructure such as roads and ports.

Second, when operating in low-income developing countries, ADB should place higher priority on increasing agricultural productivity. This will be critical to overcoming the problem of soaring food prices and ultimately, to reducing poverty. In the longer-term perspective, these developing

countries should be provided with systematic programs aimed at improving their own capacities for efficient execution of ADB's financing.

Lastly, environment and energy issues are another important area for ADB. Environment and energy problems in Asia are posing a threat to sustainable growth of the region and their impact is becoming more global. I believe ADB has a bigger role to play in this regard.

The Government of the Republic of Korea is committed to sharing lessons learned from our development experience with developing member countries. To this end, we established the E-Asia and Knowledge Fund in 2005. This year, I am very happy to announce the Korea Infrastructure Initiative which will scale-up our co-financing facilities with ADB to around US\$3.5 billion over the next 3 years. This initiative will greatly contribute to tackling the shortage of infrastructure, further solidifying cooperation between the Republic of Korea and ADB.

Today, I am glad to take this opportunity to talk about our new administration's economic philosophy, "MBnomics", which takes the initials of our new president Myung-Bak Lee. "Business-Friendly" best summarizes the spirit of "MBnomics". Drastic deregulation and tax cuts are to be conducted to create a business-friendly environment. Looking ahead, the Government of the Republic of Korea will also foster new growth drivers to ensure that research and development (R&D) investment reaches 5% of GDP by 2012, while focusing on the counter-cyclical role of fiscal policy.

Before closing, I would like to ask ADB and its member countries for their interest and support for the Democratic People's Republic of Korea. To encourage it to open and reform, I believe it is important to integrate the Democratic People's Republic of Korea into the global community. This will be a challenging task which requires the efforts of both Koreas as well as the cooperation of the global community. The Government of the Republic of Korea is pursuing "Vision 3000, Denuclearization and Openness Initiative" to help the Democratic People's Republic of Korea realize a per capita income of US\$3,000 if it abandons its nuclear ambitions and opens its doors to the world. In this process, I have no doubt that the ADB's forward-looking stance and support will be crucial.

ADB has been a key contributor to the economic development of Asian countries. I express my most sincere appreciation for the important role it has played since its founding. I hope ADB will always remain a trusted development partner, so that more developing countries in the region can enjoy the fruits of growth in the near future.