

SOUTH KOREA AND THE G20

ASIA'S POORHOUSE EMERGES AS ECONOMIC MIRACLE NATION

Colin Dürkop / Sebastian Ratzler

On November 11 and 12, South Korea will be the first Asian nation ever to host a G20 summit. The role of chairing the summit is of high symbolic significance and a great achievement in its own right, as it primarily demonstrates the continually growing international recognition of this East Asian country. It gives South Korea the opportunity to present itself to the international community in a new role.

Following the Korean War (1950-53), South Korea was transformed from a recipient nation to a donor country within just a few decades – a singular feat. Its experience of advancing from the poorhouse to one of the world's fifteen strongest political economies positions South Korea to take an intermediary and leading role in the G20 proceedings. No country has a better understanding of both poor and wealthy nations. This is also the first time the G20 will be chaired by a country that is not a member of the G8, which testifies to the great faith being shown today in this country with a population of nearly forty-nine million. The government in Seoul is intent on living up to this display of confidence and making the summit a success.



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Ever since it was determined that the G20 would replace the G8 as the most important forum for discussing economic issues, expectations for tangible results have risen. Yet, as the host of a summit, South Korea can now assume a stronger voice and step out of the shadow of neighboring Japan and China. Whereas the strong countries previously reached decisions among themselves while South Korea watched from the wings, today the country can influence the agenda of G20 meetings – though as yet only in a limited way. Since Korea has already been comparatively successful in overcoming the “IMF Economic Crisis,” now South Korea – as host country for the G20 – will be able to share these experiences with the participating countries, according to Jae-Taek Tak from the KBS Broadcasting Policy Center. Furthermore, there is a desire to promote mutual understanding and cooperation between industrialized and emerging countries and to foster a sustainable, harmonious world economic order. As host country of this year’s G20 summit, Korea will assume an intermediary role between industrialized and emerging countries. In this role, the Korean government will place an emphasis on overcoming the economic crisis.

South Korea has already drawn attention to itself with ambitious plans for climate protection and green growth, and is setting a good example. Its aim is to establish a stronger presence on the international stage for itself, thus gaining more influence worldwide. The activities on the G20 level carry particular weight in terms of these efforts.

RAPID ADVANCES FOLLOWING THE WAR

South Korea’s staging of a G20 summit in November will be the provisional highlight of an unparalleled economic success story. The summit will thus carry particularly symbolic meaning, much like the Summer Olympic Games of 1988. At the start of the 1960s, South Korea was one of the poorest countries in the world. The annual per capita income at the time was US\$100. In comparison, the figure today is US\$17,000 – after having surpassed the US\$20,000 mark temporarily in 2007. At the beginning of this year, South Korea became a donor country within the OECD Development Committee (DAC) – marking the first time a former recipient nation has joined this circle. It’s the economic and development model of South Korea can now serve as an example to other countries.

After the three-year fratricidal war, it was not immediately foreseeable that the southern part of the peninsula would transform into an industrialized nation so rapidly. The country lay in ruins after the war and had very few natural resources. However, strict export orientation and government economic planning facilitated a financial upturn that would go down in history as the "Miracle on the Han River."

SOUTH KOREA WANTS TO SHARE ITS EXPERIENCES

But the Asian crisis of 1997/98 put a damper on the rapid growth. Following a drastic fall in the country's currency, the won, South Korea had to request support from the International Monetary Fund (IMF). The desperate measures undertaken by South Korea's central bank, Bank of Korea, for backing the won had already seriously drained the foreign currency reserves at that time. This was followed by painful reforms under the scrutiny of the IMF, with the goal of alleviating the structural problems that had arisen during the course of the rapid economic development.

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In retrospect, the crisis was primarily used as a chance to vanquish traditional structures. In August 2001 – three years earlier than anticipated – Seoul had settled its debt with the IMF. The process of reform was resumed, too, once the worst was over. South Koreans still vividly recall their powerlessness at the time – most notably the IMF's encroachment upon the national sovereignty, which had become necessary over the course of the bailout plan. So the prospect of finding themselves in such a situation again was rather unsettling for the South Koreans when the financial crisis of 2008 broke out.

The country's experience with its rapid economic climb following the war and during the Asia crisis explains why South Korea wants to take an intermediary role between the interests of developing countries and industrialized nations. South Korea wants to share these valuable experiences with emergent countries that have been hit particularly hard by the current economic crisis and suffered set-backs as a result. However, even the powerful industri-

alized nations can profit from this first-hand knowledge, since South Korea can offer its own perspective on which measures assure success when building up an economy or when facing crisis situations. In light of its practical experience, South Korea is an ideal point of contact for both sides. The Northeast Asian country can serve as an unencumbered example for developing countries, while also negotiating on a level playing field with leading industrialized nations on the merit of its own economic strength. As a country that has made the transition from recipient country to donor nation, South Korea understands what is necessary for its support to be of benefit, emphasizes President Lee Myung-bak.

SOUTH KOREA NARROWLY ESCAPES THE PRESENT CRISIS

It is not just because of its economic development in recent decades that South Korea is putting itself forward for a leading role on the international stage. The government's spirited and gutsy actions during the current financial and economic crisis are also a likely reason why the country has been granted more responsibility at the G20 level. Its aim was to control its own fate rather than just reacting to events. The government was confident, having already proven its aptitude to cope with a similarly difficult crisis. Just as ten years before, South Korea again wanted to emerge powerful from this difficult economic situation. That is why the country stressed quite early – especially toward its own people – that the crisis also presented chances that should be used. Against this backdrop, an emphasis was placed on green growth, for one, in order to combat the crisis while simultaneously increasing long-term development potential.

At the time, Lee and his ministers repeatedly emphasized that the economy of South Korea was standing on firm ground and that, despite a continued high dependence upon exports and raw material imports, it would be less susceptible to external shocks than a decade before. Additional security was provided by a comfortable foreign currency cushion, which was then around US\$250 billion. The country had steadily built up its currency reserves during its economic recovery following the Asia crisis, thus leaving itself considerable room for fiscal maneuverability. In January of this year, the South Korean currency reserves reached a record high. With a cache of US\$273.69 billion (balance as of the end of January), the country has the sixth-largest currency reserves.

MEMORIES OF THE ASIAN CRISIS WERE AWAKENED

Despite the confident assurances of the cabinet members, the outlook at the end of 2008 was grim, even in South Korea. It seemed certain that the year 2009 would inevitably bring a recession. Still, the government wanted to achieve the impossible – or at least limit the effects the crisis would have on the country as much as possible. It was important to avoid a recession using all possible means. The focus was first set on short-term, liquidity-saving mechanisms, in order to prevent a sudden economic collapse. Like other central banks, South Korea's reserve bank made full use of monetary measures: between October 2008 and February 2009, in several stages, the base rate was reduced by three and a quarter percentage points to a record low of two percent, where it still stands (as of the beginning of March).

Many analysts worried that foreign lenders would withdraw liquidity from the South Korean market in order to plug the holes in their own balance sheets. These fears were not unfounded given that investors had been quick to withdraw their money from seemingly unsteady emerging market countries during previous crises.

South Korea now felt the consequences of this problem with full force. After the Lehman collapse, a rumor quickly spread that bonds due in 2008 – with a value of 8.6 trillion won (then around US\$6.7 billion) – could not be replaced by new bonds. The following month the rating agency Standard & Poor's even considered lowering the rating for the country's two largest financial institutions, Kookmin Bank and Shinhan Bank, citing concern that the two banks could have difficulty refinancing expiring loans. They were removed from the watch list only after the government gave guarantees for the debt amounting to US\$100 billion, and set aside an additional US\$30 billion. It was a time of great concern for the stock market in Seoul. On October 24, 2008, South Korea's KOSPI index was listed at 938.75 points, thus slipping back below the one thousand mark for the first time in over three years. However, the grim prognosis failed to materialize. Instead, it became apparent that foreign investors have placed greater faith in the South Korean financial market and now want to profit from its potential.

CRISIS HEIGHTENS THE TENSION

In March 2009, the tension felt in political and financial circles rose further. By this time, the export figures for January had turned out worse than previously feared. Compared to the previous year, exports had collapsed by almost one-third, down to US\$21.7 billion. That was yet a further decrease after the sharp decline of 17.9 percent in December 2008. At the same time, though, imports also declined by 32.1 percent to US\$24.6 billion, resulting in a relatively modest trade deficit of around US\$3 billion. The national currency continued its downward slide at the start of 2009. At the time of the Lehman bankruptcy, the exchange rate was still at around one thousand won per dollar. At the peak of the March crisis, the greenback was already being valued at 1,573.60 won, representing a fall of around nineteen percent for the won since the beginning of the year.

The Northeast Asian country can serve as an unencumbered example for developing countries, while also negotiating on a level playing field with leading industrialized nations on the merit of its own economic strength.

Yet, once again, the worst fears had failed to come true. Instead, just one year later, it became clear that South Korea would pull through the crisis relatively well and that the concerns held by so many concerning another currency crisis were likely to be unfounded. The measures taken by the government had proven to be effective. Expansive monetary policy had supported the economy and had stabilized the currency through swap agreements with the USA, China, and Japan totaling US\$90 billion. A bank recapitalization fund was also created. In addition, the government brought forward budgetary spending, and introduced tax breaks as well as a supplementary budget amounting to a record twenty-eight trillion won (then around US\$21 billion) in April 2009. The extra budget aimed, among other things, of financing infrastructure projects and creating of new jobs. Notably, this included the green stimulus plan "Green Growth Korea," passed in January 2009, and the five-year plan for green growth which was adopted in July. The additional expenditures did not pose too great a risk for South Korea by virtue of its relatively low debt ratio. At the time, the debt ratio stood at thirty-three percent of the gross national product, the OECD average at seventy-five percent.

Although the worst case scenario had been averted, the South Korean economy still had to cope with a sharp downturn. A decline of 5.6 percent in the final quarter of 2008 represented the country's weakest performance since the Asian crisis. However, with a rate of increase of 0.1 percent, the following quarter yielded better results than had previously been expected. Other than South Korea, no other OECD nation had been able to show an increase. The second quarter's growth of 2.3 percent compared to the previous quarter showed that an upwards trend was returning. It soon became clear that hardly any country would emerge from the crisis faster. Close as it was, the decisive factor for South Korea's progression was its recourse to extensive foreign currency reserves. Without this buffer, the government would have had considerably less financial leeway.

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SOUTH KOREA CAN BREATHE A SIGH OF RELIEF

For the entire year, provisional data released by the OECD on March 8 reflected a growth of 0.2 percent. It was the third-best outcome of the twenty-one OECD members who had published their provisional data at that point. Only Poland with 1.7 percent and Australia with 1.4 percent exhibited better figures. "Those countries who have yet to unveil their preliminary growth figures are expected to see annual contractions in their economies last year given their gross domestic product data until the third quarter,"¹ a representative of the South Korean Ministry of Finance told the Yonhap News Agency on March 8. For this year, the OECD predicts economic growth of 4.4 percent for South Korea – more than any other member state.

The International Monetary Fund (IMF) gives a similar forecast. On March 11, the organization stated that this year's economic performance in South Korea will increase by around 4.5 percent. This would likely give South Korea the fifth-best outcome among the G20 nations. The past year also saw South Korea ranked fifth among the G20

1 | Kim Jae-kyoung, "Korea's GDP Growth Ranks Third in OECD," *Korea Times*, March 8, 2010, http://www.koreatimes.co.kr/www/news/biz/2010/03/123_62032.html (accessed March 20, 2010).

nations with its 0.2 percent growth. China was at the top, followed by India, Indonesia, and Australia. The IMF anticipates five percent growth for South Korea in the coming year.

GOVERNMENT REMAINS CAUTIOUS

In spite of the positive long-term prospects, the government is maintaining its expansive course. Even in March, the central bank left its base rate unchanged at a record low of two percent. The reason cited was the weakening economic recovery. This had already been observed in the last quarter of the previous year. After 3.2 percent in the third quarter, the final quarter of the year only exhibited only

growth of 0.2 percent. The global economy still held too many uncertainties, among them the crisis in European countries, stated the bank on March 11. Thus, the central bank will continue to adhere to its policy of low interest rates until signs of a long-term upswing are in sight.

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Prior to this, on March 8, Finance Minister Yoon Jeung-hyun had already ruled out rise in interest rates. "The nation instead needs a prudent and balanced exit strategy from economic recovery measures,"² urged the department head while speaking at a press conference for foreign journalists. The government is convinced that it is too early for an rise in interest rates. However, statements from President Lee Myung-bak indicate that a supplementary budget to finance new economic measures is not being considered this year. Still, there remains a necessity to make preparations for possible crises, be they foreign or domestic. In this regard, it is essential to keep an eye on a possible increase in the value of the Chinese yuan and a rise in domestic demand, explained Lee on March 11.

This cautious stance corresponds to the mixed signals that came from the economy in the first months of the year. In January, the Consumer Mood Index dropped back below the one hundred mark for the first time in seven

2 | Korean Broadcasting System, "Gov't to Maintain Expansionary Policy," *KBS World*, March 8, 2010, http://world.kbs.co.kr/english/news/news_Ec_detail.htm?No=70871&id=Ec (accessed October 20, 2010).

months. According to a statement from the central bank on January 24, the index fell from one hundred five to ninety-nine. By contrast, the trade balance in February showed positive figures again, after having recorded a deficit in the previous month. Information from customs authorities on March 15 showed that a trade surplus of close to US\$2.1 billion had been achieved for the month of February. Compared to January, the exports had risen by seven and a half percent to US\$33.14 billion. Major companies like Samsung Electronics and Hyundai Kia Automotive Group even managed to increase their turnover during the crisis.

CLIMATE PROTECTION AND GREEN GROWTH

South Korea's plans in the field of climate protection and green growth have received worldwide recognition, especially after these projects have been pushed forward even in the midst of the economic crisis. As chair of the G20, and during the summit to be held in its own country, South Korea is looking to place an emphasis on these topics, stressed Mrs. Soo-Hee Chin, director of the Grand National Party's Youido Institute, during a recent visit to Germany.

Investments in climate-related projects are intended to combat the economic crisis while simultaneously creating a basis for low-carbon, sustainable economic management after the crisis. South Korea has also taken a commendable step with its voluntary CO₂ reduction goal. On November 17, before the start of the UN Conference on Climate Change in Copenhagen, it was announced that the emission of environmentally harmful gases would be cut by thirty percent, based on the level projected for 2020. South Korea signed the Kyoto Protocol; however, other than Mexico, it is the only OECD member not belonging to the Annex 1 countries that are committed to lowering their CO₂ emissions. And South Korea is among the ten countries with the highest carbon emissions.

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With its goals for climate protection, South Korea wants to spur other countries to take voluntary measures to fight climate change, particularly China and India. A "Low

Carbon, Green Growth" law has even been initiated. The government hopes this law will send a clear signal to the industry that the transition to a low-carbon economy must be enforced. An international research institute for green growth is also supposed to be established. South Korea is setting a good example in the field of climate protection and will attempt to promote it in discussions within the G20.

SOUTH KOREA IS FORGING MAJOR PLANS

At the beginning of July 2009, a five-year plan for green growth was passed. It includes a budget of one hundred seven trillion won to promote long-term economic management. It is also intended to create 1.8 million new jobs. South Korea aims to spend two percent of the gross domestic product (GDP) each year on green growth, more than any other country in the world. According to a statement by Woo Ki-Jong (General-Secretary of the Presidential Committee for Green Growth), South Korea wants to be among the seven leading countries in the environmental industry by 2020.

In August 2008 before the outbreak of the financial and economic crisis, South Korea's President Lee Myung-bak presented the program "Low Carbon, Green Growth" – a long-term strategy to promote environmental technologies. Due to the crisis, a four-year green economic stimulus plan, the "Green New Deal," was introduced with an initial budget of fifty trillion won (then US\$38 billion). The plan received positive international press coverage. With its consistent promotion of low-carbon growth as a means for reviving the economy, as well as its long-term strategy for the period following the crisis, South Korea was developing into a role model.

The government hopes that its nine major projects and twenty-seven secondary projects will, first and foremost, give the economy a push. The "Green New Deal" is expected to create nine hundred sixty thousand new jobs. At the center of the stimulus package is a project to restore the four largest rivers and create an environmentally-compatible traffic infrastructure. Projects in the field of energy conservation and the promotion of new energies are also included.

In accordance with the master plan for restoring four major rivers, as was announced in June 2009, a total of twenty-two trillion won (US\$17.5 billion) will be spent on the restoration of the Han, Geum, Nakdong, and Youngsan rivers. In all, three hundred thirty-three miles of riverbank will be shaped in an eco-friendly way, with the objective of improving the water quality, improving the water supply, and preventing flooding. The budget will cover the construction of dams and water reservoirs and the greening of riverbanks. The planned completion date for the project is the end of 2011.

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Around eleven trillion won are being spent on a green traffic infrastructure. New segments for the KTX high-speed train are expected to be completed earlier than originally planned in order to shift more traffic to the railway.

To conserve more energy and to promote renewable energies, investments will be made in energy-saving buildings, especially in so-called "green homes." A total of 20,000 such green homes are set to be developed. The homes will make use of solar energy, solar power plants, geothermal heating, fuel cells, and small wind power stations, stated the Department of Trade and Industry on January 14. Almost 44,000 energy-efficient homes have been constructed so far, and the number is set to reach one million by the year 2020. More green villages are to be developed simultaneously, with a focus on renewable energies and environmentally-friendly policies. The number of green villages nationwide is expected to increase from twenty to seventy this year alone. Other plans included in the "Green New Deal" relate to the increased spread of energy-efficient LED lighting, the expansion of the network of bicycle paths, the promotion of environmentally-friendly cars and buses, and the improvement of resource recycling, e.g. biomass.

GREEN GROWTH AS A LONG-TERM STRATEGY

Thus, green growth is expected to become the driving force for long-term economic growth, in the same way the development of this former tiger economy was advanced by the chemical industry in the 1970s and the IT industry starting in the late 1990s. Another focal point is smart grid

technology. Renewable energies will place a long-term focus on photovoltaics, wind power, and fuel cells. The government expects that these areas will someday develop into new growth engines.

Collaboration with Germany will also play a role in the area of green growth. "Since both countries are making the transition to a low-carbon society, we expect to collaborate in the research and development of renewable energies, particularly in the fields of photovoltaics, wind power, and LED lighting,"³ stated top official Woo Ki-Jong. It is also conceivable that Germany and South Korea could collaborate in making industries such as shipbuilding, steel, or semiconductors more environmentally friendly.

THE G20 AND THE SUMMIT IN SEOUL

As host of the G20 summit on November 11 and 12, 2010, South Korea will be the center of the world's attention. This certainly fills the South Koreans with a sense of pride. The country wants to be recognized as "a new linchpin of global politics and not just a peripheral state in East Asia,"⁴ emphasized Soo-Hee Chin, Director of the Youido Institute, last March in Berlin.

South Korea already has experience of hosting international summits. Most recently, the second-largest city, Busan, was host to the APEC summit in 2006. The ASEM was held in the capital city in 2000. The COEX Center in the Gangnam business district was built for that summit; it is expected to be the venue for November's G20 summit, too, though the official decision concerning the meeting place has not yet been announced (as of March 2010).

As both chair and host of the summit meeting in November, South Korea will have the opportunity to have a say in the agenda for the first time. This is of particular significance, since the meeting is to set the course for the future. "The G20 summit in Canada will be focused on exit strategies. At the meeting in [Korea] ... there will be discussion about the direction in which the world economy will likely head

3 | Woo Ki-Jong, e-mail interview with the author, July 24, 2009.

4 | Soo-Hee Chin, interview with the author, March 17, 2010, Berlin.

following the crisis.”⁵ With that said, the foundations can be laid this fall for long-term, balanced growth in the coming months and years.

SOUTH KOREA WANTS TO BRING OUT THE MAIN POINTS

The agenda will be determined by the task forces from the participating countries through a process of mediation. On the one hand, the group will aim to continue discussion on previous core topics. On the other hand, the South Korean government will attempt to bring as many of its own ideas as possible to the table at the G20 summit. Korea does not merely want to host the meeting but to have a say in the agenda, to bring out the main points, and to take part in achieving the subsequent results, as Mrs. Chin MP from the Youido Institute emphasized. In this way, the “Seoul Initiative” will serve to develop the country’s own agenda. The removal of imbalances in the world economy, the development of a crisis prevention system, and the strengthening of the financial safety net are all topics that the chair country wishes to bring to the fore. Further measures include the establishment of the G20 framework for strong, balanced, and lasting growth, quota and governance reforms for international financial institutions, such as the IMF and World Bank, as well as measures for improving financial market regulation. Green growth and climate protection are also among the key topics. Some of these questions were already addressed during previous G20 meetings, in which South Korea also tried to trigger discussions about them. At the conference in Seoul, the host will lead related discussions, presenting concrete methods and paths to implementation.

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The South Korean economy is highly export-oriented. Thus, the country constantly warned against protectionist measures during the financial and economic crisis. Even at the G20 summits in Washington, London, and Pittsburgh, South Korean President Lee Myung-bak continued to reinforce this position. According to Mrs. Chin, director

5 | Sakong Il, statement to the press regarding the Preparatory Committee meeting, January 20, 2010, Seoul.

of the Youido Institute, Korea also wants to use the conference in its own country to campaign for the active fight against protectionism. South Korea will also use this setting to make a case for the successful conclusion of the Doha Development Agenda (DDA) within a year. Another matter of importance to South Korea is the stronger representation of emerging countries. "The global financial crisis includes all countries equally, so the solution to the problem can only be accomplished by all of them together and is not limited to the G8 alone,"⁶ says

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Choung Byoung-gug, Secretary-General of the ruling Grand National Party (GNP). On the other hand, the parliamentarian believes that coordinated solutions are required for a stable and secure global economy and that

this can only be accomplished at the G20 level. It is still uncertain exactly how many of its ideas the government will ultimately be able to bring to the table at the summit. Almost seventy percent of the agenda has already been determined, acknowledged the former Finance Minister, Sakong II.

HIGH EXPECTATIONS FOR THE SUMMIT

At the same time, South Korea feels pressured. At the meeting in Pittsburgh, it was agreed that the G20 would replace the G8 as the most important forum for discussing economic issues. As the first country outside the G8 to host a G20 summit, South Korea now wants to demonstrate that the G20 format really does make it possible to make more progress on the big issues. Yet there is a risk that many of the planned topics will ultimately prove to be too contentious and that a breakthrough cannot be achieved either in Canada in June or Seoul in November. The central question of the imbalance in trade and the movement of capital is a particular topic that threatens to result in differences of opinion between Asian nations and industrialized nations of the West.

"These imbalances in world trade, in particular, are one of the critical reasons for the economic slump," admonished Sakong II, prior to the start of the first G20 preparatory

6 | Choung Byoung-gug (Secretary-General of the ruling Grand National Party), interview with the author, March 10, 2010.

meeting on February 26 and 27, 2010, in Seoul. According to his statement, the removal of imbalances is dependent upon the strengthening of the financial safety net, in order to protect small and open political economies, in particular, from a withdrawal of capital and to dissuade them from bulking up their currency reserves. South Korea senses a great responsibility to make the summit in November a success, also in terms of the credibility of the G20 proceedings themselves. This will demand results and practical political measures, not merely rhetoric.

Details about the agenda are not yet known. It is expected, however, to include discussions about measures for the establishment of a "global financial safety net" (GFSN). By easing the volatility of capital movement in emerging countries, it is hoped that temptation to needlessly create foreign currency reserves will be reduced. South Korea's President, Lee Myung-bak, has already announced discussions concerning a financial safety net at the World Economic Forum in Davos at the end of January. In this winter sports resort, Lee underlined the urgency of such a financial safety net, which would protect emerging countries from a sudden withdrawal of capital. This recommendation was brought about by the country's own experiences during the Asia crisis and in the initial phase following the Lehman crash. Up to now, these discussions have not moved forward due to differences concerning the concrete course of action. In particular the USA, China, and other emerging countries revealed differences of opinion in regard to this matter. Thus, as pointed out by the Chairman of the G20 Preparatory Committee, Sakong Il, the implementation of a global financial safety net is no easy task. Still, in the course of action following the crisis, it is the responsibility of the G20 to coordinate the differing positions.

Many aspiring countries sit on large foreign currency reserves for fear of a withdrawal of foreign capital during a financial crisis. A global financial safety net could contribute to balanced growth of the world economy if part of the large foreign currency reserves is invested.

With this in mind, South Korea is looking to initiate G20 discussions about access to lines of credit that are similar to multilateral swap agreements but that do not pose risks for the applicant's reputation, explained Shin Hyun-song, chief economic adviser at the Blue House, as Bloomberg reported on March 7. Regional mechanisms are taking a similar course, following the example of the Chiang Mai

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Initiative (CMI), for which South Korea is also campaigning. It was passed at the meeting of finance ministers at the ASEAN Plus Three in May 2000. With this, South Korea, China, and Japan were incorporated into the network of currency swap agreements of the ten member states of the Association of Southeast Asian Nations (ASEAN). The establishment of this financial reserve system was principally due to the Asia crisis. The plan is to set up a foreign currency pool with a value of US\$120 billion. In case of financial difficulties, a member of the network could then be assisted.

Many aspiring countries sit on large foreign currency reserves for fear of a withdrawal of foreign capital during a financial crisis. A global financial safety net could contribute to balanced growth of the world economy if part of the large foreign currency reserves is invested. "Due to its own experiences with economic development, South Korea is in a good position to coordinate conflicting interests of the countries involved in the process," added Lee in Davos. Still, South Korea is well aware that the establishment of a global reserve system will be no easy undertaking.

Another matter of importance for South Korea is the involvement of countries that are not G20 members. South Korea wants to attempt to bring development issues to the table at the summit. "The discussions should not just revolve around the G20 nations but should also hold out a hand to other countries," Lee explained in Davos. South Korea wants to campaign accordingly for the position of those countries not belonging to the G20 to be heard.

Another new move is the plan to invite businesses into the discussions. Hence, a G20 Business Summit is being planned for November 10 and 11. This international meeting right before the start of the G20 summit is intended to give the business side more involvement in the G20 proceedings. The meeting is being organized by the Korea Chamber of Commerce and Industry (KCCI), the Federation of Korean Industries (FKI), and the Department of Trade and Industry. Discussions are planned for the four areas of trade, investments, finances, and green growth. A dialog will also be taking place with top G20 repre-

sentatives, informed the KCCI the Yonhap News Agency on March 10. This is intended to give the private sector an opportunity to spearhead the recovery of the world economy, added the KCCI. This is where Korea will play a decisive role in the coming months.