

NEWS BRIEF

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Korea Strengthens Economic Program; IMF to Activate Additional Financial Support

The Korean Government, in consultation with representatives of the President-elect, has decided upon an intensification and acceleration of its macroeconomic policy adjustments and structural reforms. For the last several days, the International Monetary Fund (IMF) has been discussing with the Korean authorities this significant strengthening of Korea's program of stabilization and economic reform. These discussions are now completed.

The focus of the additional measures, which the authorities intend to implement rapidly, will be in the following key areas: an intensification of efforts to restructure the financial system; a marked acceleration and deepening of the ongoing liberalization of the capital account; a further strengthening and rationalization of monetary policy, with the aim of stabilizing the exchange rate along with market-based measures to encourage a halt to the outflow of short-term capital; and an acceleration of measures to open the economy to imports in order to further competition and efficiency in the domestic economy.

As a result of these decisive efforts, and in the context of a significant voluntary increase in rollovers or extension of the maturities of existing claims by international bank creditors on Korean financial institutions, IMF Managing Director Michel Camdessus has indicated his intention to recommend to the Executive Board of the IMF a significant acceleration of the resources available to Korea under the existing stand-

by credit. This will be done through an extra disbursement of SDR 1.5 billion (about US\$2 billion) on December 30. This additional disbursement will be from that portion of the IMF's financial resources available to Korea under the Supplemental Reserve Facility (SRF). The total amount of resources available under the three-year arrangement and the SRF will not change.

The action by the IMF is only one part of a broader effort by the international community to support Korea's intensified stabilization and reform measures. The World Bank and Asian Development Bank have decided to disburse this week US\$3 billion and US\$2 billion, respectively, in support of the authorities' financial sector restructuring and other structural reforms. The Korean Government has also begun discussions with groups of its international bank creditors on various options for a voluntary and market-based consolidation of its short-term debt. Moreover, the group of potential participants in the supplemental financial support package for Korea announced today that—in the context of such a voluntary program to extend the maturities of existing claims by bank creditors—they would be prepared to support the disbursement of a substantial portion, US\$8 billion, of that package. These countries are: Australia, Belgium, Canada, France, Germany, Italy, Japan, the Netherlands, New Zealand, Sweden, Switzerland, the United Kingdom, and the United States.