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**222<sup>ND</sup> MINISTERIAL MEETING ON INTERNATIONAL ECONOMIC AFFAIRS**

**138<sup>TH</sup> EDCF MANAGEMENT COMMITTEE MEETING**

## **GOVERNMENT TO WORK ON CLOSER COOPERATION WITH US**

Deputy Prime Minister Hong Nam-ki presided over the 222<sup>nd</sup> Ministerial Meeting on International Economic Affairs held on May 17, and discussed changes in global economic situations and how to respond to them. The latter part of the meeting was spared to discuss ways to more effectively manage the country's Economic Development Cooperation Fund (EDCF).

The following is a summary of Deputy Prime Minister Hong's keynote address:

### **Current global economic situation**

Global economic rebound turned out to be stronger than expected, so did the efforts to transform the economy into a digital and green one. As globally seeking a digital and green economy will bring both opportunities and risks to Korea, we will work on the full implementation of our high-tech industry support polices in the second half, such as the Korean New Deal, measures to support DNA<sup>1</sup> and BIG3<sup>2</sup>.

For the issues we are currently faced with, such as growing competition to be a tech powerhouse, GVC restructuring and taxes to be imposed on digital services revenues and carbon emissions, we will respond on the basis of the two goals of increasing citizen benefits and raising industrial competitiveness. However, Korea has been reliable in terms of global finance as is shown in the recent CDS premium, sovereign credit rating and FX reserves<sup>3</sup>.

Global inflation concerns and sudden movement of foreign capital being potential risks, the government will strengthen its risk management, and will work on the second-half policies and measures to boost overseas projects, both scheduled to be released in June, with its focus on maintaining the economy's recovery momentum throughout the year.

### **Work on closer cooperation with US**

We expect the upcoming Korea-US summit to provide an opportunity for upgraded bilateral relationship given Biden administration's economic policies that go along with national security issues. Topics to be discussed today with regard to the summit will include building a bilateral cooperation channel for future industries, as well as current issues, such as cooperation in disease prevention and supply chains.

<sup>1</sup> Data, network, AI

<sup>2</sup> A-system-on-a-chip, biohealth and future cars

<sup>3</sup> CDS premium hitting the lowest since 2008 at 19bp, sovereign credit rating staying at AA (S&P), FX reserves worth US \$452.3 billion as of end April

## **Work on 2050 carbon neutrality**

The 2050 carbon neutral scenario now being developed, the P4G<sup>4</sup> Seoul Summit scheduled late May and the NDC<sup>5</sup> having to be pledged in the second half, we will look into the issues involved.

- Decide on the new NDC, draw up a roadmap for promising green technologies and launch a climate change fund
- Prepare for a carbon border adjustment mechanism: Improve emissions trading systems, raise climate change funds, expand green ODA and participate in WTO negotiations on environmental goods and services

## **Work to join DEPA<sup>6</sup>**

As bilateral or multilateral agreements can develop into international standards, we need to seriously considering joining DEPA. The agreement is about “collaboration in digital trade issues, promoting interoperability between different regimes” and increasing cooperation in new digital technologies. We will work to begin negotiations this year.

## **Summary of EDCF Management Committee Meeting**

### **1) Improve the EDCF**

- Make it recipient-friendly: Lower interest rates to 0.1 percent, revise repayment methods and grace periods
- Increase the reliability of feasibility studies: Employ outside experts and experts in the country, add to the feasibility study possible impacts on the climate
- Improve maintenance programs: Provide integrated maintenance programs covering worker education to software development

### **2) Increase green EDCF**

- Raise green EDCF to 40 percent of the total, the 2025 green EDCF amounting to US \$600 million
- Develop the green EDCF index to do project-based evaluation of carbon emissions reduction, as well as increase EDCF-MDB cooperation through green funds

### **3) Expand EDCF PPP<sup>7</sup>**

- Have provided so far US \$0.47 billion worth of support for five EDCF PPP projects worth US \$1.77 billion
- Promote EDCF PPP by participating from the early stages of development and funding to the later stages including implementation

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<sup>4</sup> Partnering for Green Growth and the Global Goals 2030

<sup>5</sup> Nationally determined contributions

<sup>6</sup> The Digital Economy Partnership Agreement, which was joined by Singapore, New Zealand and Chile

<sup>7</sup> Public-private partnership