MR. DONNELLY:  Good morning, everyone.  My name is John Donnelly.  I'm President Kim's Communications Advisor.  We really appreciate that you came here this morning in advance of our trip to Korea and Japan.  Just a couple of ground rules for this.  As we told you a couple of times, that we are releasing information about our new financing for the Philippines tragedy, but everything else in the press conference is embargoed until 11:00 a.m.  Sunday, our time.

First, President Kim will open with a statement, and then we'll take questions from you.

Thank you.

DR. KIM:  Thank you very much.  Thank you very much for coming.  And I wanted to invite a few reporters from Japan and Korea.  I'll be going to both countries in about a week's time, and thought you might be interested in learning about what we're trying to accomplish.
First, I want to report I had a phone call this morning with President Aquino of the Philippines. I expressed my sincere condolences for the terrible tragedy, and I also spoke with him about our willingness and ability to go forward with two separate packages: one, a $500 million direct budget support package and, in addition, $480 million that would be used as part of a community development program that could go directly to the worst-hit areas.

And so, altogether, it brings the amount that we’re able to offer immediately to almost $1 billion.

I also expressed to President Aquino that I very much appreciated his voice on both the issues of tackling climate change and also the importance of disaster risk management, an issue that the Japanese Government has been a great champion of for quite some time.

Now, let me just talk about my trip. I'll be first going to Korea and, in going there, we'll be opening our World Bank Group office. Now, the World Bank Group office, we’re very excited about it, because in addition to the World Bank, the public sector side of our operation, it will also be hosting IFC and MIGA--International Finance Corporation, of course, is the private sector arm, and MIGA is the Multilateral Investment Guarantee Agency.

Now, both of those groups have already been working quite a bit with Korean companies, both in making investments in Korea but also in helping Korean private sector companies invest in other areas.

This relationship with Korea is very important in the sense that, as many of you know, I was born in Korea, but not long before I was born in Korea, Korea had a GDP per capita in the '50s of $67 per person, which was lower at that time than many African countries. And now, we’re well over $20,000; it's one of the great success stories.

And the World Bank, of course, played a role in the development of Japan.

One of the reasons I'm going there is also to talk about the trips that I have been taking, along with the Secretary-General of the United Nations, Ban Ki-Moon.

We have now made two trips, first to the Great Lakes Region and then to the Sahel, and the reason I want to talk in Korea specifically about these trips is that we feel that, on the one hand, many, many African nations are looking to Korea as a model. I've been to many African countries where they specifically ask me about even programs--when I was in Ethiopia, the Prime Minister asked me specifically about what I knew about Saemaul
Undong, which is the new community movement that was in fact enacted by President Park's father, one of the most successful rural development projects anywhere.

And so, there's tremendous interest on the part of Africa, and even more than that, very specifically, we're going to make the case that Korean businesses should look to invest in Africa. We think that a very major part of the development in Africa will come from private sector investment.

And we--as I did last year at the TICAD5 in Japan, I will make the case to Korean businesses that investment in Africa makes great sense.

In addition, I will be doing a session at Sungkyunkwan University focused specifically on the relationship between education and a competitive economy. There has been an intense debate inside Korea about the nature of its educational system and whether or not it was serving its students well and also whether it was preparing the nation to be even more innovative and competitive in the future. And so, with the President of Sungkyunkwan University and other government officials, we'll be having a televised discussion on education.

From Korea, I'll be going to Japan where I'll be participating in the [Global Conference on Inclusive and Sustainable Growth through Universal Health Coverage] Universal Health Coverage Conference. The Conference is the culmination of two years of great efforts and leadership by the Japanese Government. As you know, Prime Minister Abe is supporting this initiative as a pillar of Japan's recently launched strategy on global health diplomacy, which builds on Japan's own successful experience in achieving universal health coverage. But we'll also be--we'll also be talking about disaster risk management, and we'll be jointly launching the Tokyo Disaster Risk Management Hub.

In this time when we're responding to the Philippines, it's especially important for us to once again thank the Japanese Government for bringing disaster risk management to the forefront. The Japanese Government has been the major advocate for including disaster risk management in everything we do in the development area. And so, we want to, first of all, bring attention to the fact that globally, almost $4 trillion has been lost over the last 30 years because of natural disasters. Many, many developing countries are not well-equipped to respond, and Japan's leadership in that area is extremely welcome.
Japan has been a member of the World Bank for over 60 years. It's our second largest shareholder, and I look forward to discussing ways of increasing and improving even more our joint work.

Thank you, and I'll be happy to take your questions.

MR. DONNELLY: So, if you could just identify yourself and your outlet. Even though we can see you, it would just be good to reinforce that. We'll take your questions.

QUESTION: Hyodong Roh from Yonhap News Agency. Yeah, I think we need to be concerned about North Korea's poor economic conditions. I understand that there's a political reason why you don't engage in North Korea, but I think something must be done about that issue. So, what do you think about that?

DR. KIM: You know, as I've said before, my father was a refugee from North Korea at the age of 19. All of his brothers and sisters--he had six brothers and sisters--are all still in North Korea. So, I have family in North Korea, it's a very personal issue for me. I have been following very carefully the reports of the humanitarian crisis and the suffering of the North Korean people. We stand ready to help North Korea, but of course they have to ask and they have to become a member of the World Bank Group, and we don't think that will happen until there is a political breakthrough, but I can tell you that, once the political breakthrough happens, then we would be very anxious to go to North Korea and do whatever we can.

MR. DONNELLY: Okay. Question?

QUESTION: Hi, my name is Konomi Awabayashi with Jiji News Agency. My question is in two parts. First part, how do you assess Japan's economic policies that's undergoing right now, especially regarding its growth strategy? Do you see any progress or any impact within the country or outside the country?

And the second part is related to my first question: The Prime Minister is enforcing efforts to empower women in the workforce. Do you have any specific recommendations or advice in achieving that goal?

DR. KIM: Well, the specific question, as we look back, you know, in looking at the global economy, when I took this job almost a year-and-a-half ago, there were--there was a
tremendous amount of pessimism about the Eurozone. I mean, I was told that Greece would be declaring default soon, that the Euro would be dead as a currency, that Japan had no hope.

And so, now, we’re seeing the U.S., Europe, and Japan all growing at the same time.

So, on the whole, I think we have to be somewhat optimistic because we are in a very different situation than we were in a year-and-a-half ago.

Now, if you look at the three arrows, so, the first two arrows seemed to have had a very positive impact and one of the--the things that we were looking for specifically was, would exports increase and would investment increase. And both of those things seem to have happened. We’ve had four straight quarters of growth, which is, again--it hasn't happened for a very long time.

Now, in terms of the growth strategy, we know that Prime Minister Abe has stated a very strong commitment to making the kinds of structural reforms that are necessary in order to secure not only short-term, but medium- and long-term growth.

We think his focus on women is extremely important, that Japan is actually losing percentage points of GDP growth because of the low participation of women. So, we think this is really important.

Now, have we seen the rapid increase of women’s participation in both government and in the private sector, in countries in the world? One country that I know extremely well is in Africa, the only country in the world, in fact, where women are a majority of the parliamentarians is Rwanda.

So, cultural factors are important, but we’ve also seen countries make rapid progress in terms of including women in the workforce. This is an issue both for Japan and Korea, to have more women breaking through the glass ceiling, as we say, in leadership positions and more participation in the workforce. There’s nothing simple about it, but I think gender equity in the workplace, a cultural shift, is something that, if there is strong leadership from the top, these kinds of changes can happen.

There are other issues that also have to be tackled in terms of the taking forward of the growth strategy. Reducing labor market rigidities is going to be a big issue and one that, of
course, I know that the Japanese Government is very much aware of, but it will be both difficult and necessary.

You know, the strategy, we think, has been well-managed. The consumption tax will be a major issue. On the other hand, we know that the government is ready to provide fiscal stimulus in order to blunt that effect, but it's something--increasing the revenues for the government is really an important step.

So, all in all, we encourage the Japanese Government to keep going in the direction that it has gone. So far so good: Four quarters of growth has been encouraging, but we agree with the government that further structural reforms will be necessary to really ensure growth in the medium and the long-term.

QUESTION: I am Suk Ho Shin, from Dong-A Ilbo, South Korea.

You said already about the North Korean problem, and you said the political breakthrough which needs people investing--the World Bank investing in North Korea. And I wonder the [unclear] piece [unclear] for the preparation of the political breakthrough.

DR. KIM: Yes. Well, so, the important thing is that we're not a political organization. So, we really can't say that we'd be involved in trying for a political breakthrough, because we're really not part of those negotiations.

But what we will do is we will work very closely with the Korean Development Institute, other experts in South Korea, to make sure that, when the breakthrough happens, we're ready. We're very much following whatever data we can find on what's happening in North Korea, and I think the most important thing for us is, when the breakthrough happens, we would be ready to move very quickly.

And just to give you an example, Myanmar is the most recent example of a country that was very closed and that very quickly became open.

And I think what you'll see in Myanmar is that we're going to work at record speed to, for example, increase the energy supply.

What happened was that, when Myanmar opened, Japanese and Korean businesses, at the urging of the governments, went to Myanmar, ready to make investments, but what they found was that there was no energy.
So, we're working at break-neck pace. We are doing everything we can to increase the energy supply in Myanmar, because it's extremely important for us to show Myanmar that there is a democracy dividend, and we want to be sure that they know that once the--now that they've taken these courageous measures and moved towards the direction of democracy that all of us in the international community are going to move quickly to provide energy, community development--we're supporting directly some of the poorest communities in Myanmar. We have to now help them build the infrastructure to make both the military and the population understand that democracy is the right way to go.

We hope that the lessons of Myanmar are being studied carefully in North Korea, because that's exactly what we would do if North Korea opened up.

**QUESTION:** Thank you very much. I'm Toshiki Yazawa from Nikkei. Let me step aside a little bit from this and ask about emerging countries--emerging markets' currencies are still having quite volatile from [unclear] capital outflows during the discussion of the QE tapering.

**DR. KIM:** Yes.

**QUESTION:** And in particular, the emerging markets such as India or Indonesia or Turkey were badly attacked by markets. And so, could I ask your view on that. What is the risk for these three countries by QE tapering?

**DR. KIM:** Yes. So, what we saw in May when Chairman Bernanke announced the eventual tapering of QE, pulling back on bond purchases, was that the market responded and, as we now know, these markets respond very quickly, and there really was no tapering and there has yet to be tapering, but we think that about a third of the interest rate rise that we'll see at the end of the day has already happened. And the important point is that there is two-thirds more to go, and we think there could be anywhere from a 2 to 3 percent increase in interest rates overall once the tapering is in full effect.

Now, what happened was that the announcement of the tapering exposed weaknesses in some countries' economies, particularly things like countries with high current account deficits, with high levels of foreign debt, found that their currencies were affected and also that their stock markets took a hit.
You know, we feel that, in the third quarter and in the fourth quarter, that some of the weakening that we saw early in the second quarter showed--has--that there--in other words, there's a more positive view. You know, we saw China's growth was 9.3 percent in the third quarter. We think India is firming.

The bottom line is that the QE tapering will continue to expose weaknesses in economies that have weaknesses in them. In other words, not everyone was affected in the same way.

So, our specific advice for developing countries is, because the tapering has not happened and may not happen for a while--no one knows exactly when it's going to start--that now is the time to do those things that they know that they're supposed to do. They have to really be much more aggressive in debt management, they have to really think about the structural reforms that they need to make, for example, to improve their business climate, to think about ways of attracting more foreign direct investment at this time.

Every one of these countries knows that there are structural reforms that they need to make, and now that the tapering has not occurred and we have a little bit of a window, our strong advice is to make those reforms now that you know that you need to make, because once the tapering actually starts to happen and interest rates rise again, it will be more difficult. So, we feel that there is a window for these countries and the markets will expose weaknesses. Now is the time to try to work on these weaknesses.

**QUESTION:** The Korean Economic Daily, Jin Mo Jang. Thank you for inviting me. My question is--I have two questions. First is with the taperings, Korean market has seen the capital inflow compared to other Asian emerging countries.

**DR. KIM:** Yes.

**QUESTION:** And Korean markets stand out among the Asian emerging markets. Some experts said to--said that Korean economy is no longer emerging market. How do you think about that?

And my second question is that you told us that Korean economy is one of the world's greatest success stories but, as you know, Korean economic growth has been slowing last decade, ten years ago, 7, 8 percent GDP growth; now, it's 3--about 3 growth. And I think the export-driven economy by large company has now limits. South Korea face challenge
for boosting the potential growth and making sustainable growth. So, what [unclear] any advice for--

**DR. KIM:** So, that's a wonderful question. Thank you.

So, the--our projections in 2007, Korea had about a 5.1 percent growth rate. And then, this year, we think that the growth rate will be around 2.8 percent. But next year, we think it will go up to 3.7 percent.

Now, those are small numbers compared to historic growth numbers, but in the global context, those are very strong numbers. The fact that you're going to be growing an additional 1 percent in 2014, I think, is good. In terms of the future of the Korean economy, at the G8 meeting, President Park made a very interesting presentation, and she talked about the importance of creativity and innovation for the future of the Korean economy.

This is why, when I go there, I'm doing a whole session on education. Again, I think the question for Korean business leaders and Korean political leaders is, what can Korea do to train its young generation to be the great innovators of the future. So, I'm very interested in her new cabinet Ministry of Future Science and Creativity.

And at the G8--excuse me, the G20 meeting in St. Petersburg, she talked specifically about the business of culture as a new growth pole for South Korea.

Every middle-income country in the world is asking this question: What will be the foundation of our growth? Are we going to be a source of cheap labor? Well, you know, Korea is not that anymore.

Are we going to be a source of process improvement where we're going to take--just do things more efficiently than other countries? Or are we going to be innovators?

You know, Japan has a long history of being innovators, and I think this is the question that Korea has to ask most acutely.

Is our educational system set up to train the next generation of innovators? Are we investing enough in research and development so that the great innovations in technology and culture, in financial services, whatever it is that Korea wants to do in the future are--is Korea investing enough to create an environment where that will happen? That's the question we'll be asking at Sungkyunkwan University, and I'm very interested in hearing the conversation.
You know, I've been reading a lot about the Korean educational system, about the fact that students study from 8:00 in the morning until 11:00 p.m. And the only reason they stop at 11:00 pm is because of the curfew.

And I've, you know, because of my background in education--I've been studying other systems, and I know that Koreans are very interested in looking at the Finnish system.

I just met with one of the leaders of the Finnish educational system to ask him about what they're doing. As you know, they have tremendous innovation in Finland. It's a small country, it's a different culture, but I think that this is a legitimate issue for every country, both Japan and Korea, to ask itself. Is our educational system, is our research and development investment really placing us in a position to be the innovation leaders of the future? I think that's the fundamental question for Korea today looking forward.

QUESTION: Thank you, Mr. President, for taking the time.

I have a question on climate change issues as [unclear] issue for World Bank.

Right now, [unclear] is the Japanese new proposal, reduction [unclear]--this point for other emerging countries, but Japan has an energy shortage problem because of the nuclear power plant not operating.

And do you have any recommending--how Japan should balance their economic growth and environmental sustainability.

DR. KIM: So, once again, this is not an issue unique to Japan.

Next week, I'll be going to a meeting hosted by the Secretary-General of the United Nations and myself for a group called Sustainable Energy for All.

So, I don't doubt the Japanese Government's commitment to fighting climate change, but the change in the projection in terms of carbon footprint just is completely related to the fact that you're switching from nuclear to fossil fuel-driven energy production.

This is a problem for every country in the world, and this is why, as we look at Africa, as we look at Southeast Asia, as we look all over the world where countries are desperately trying to find ways of increasing their energy supply, we--the World Bank needs to play a role in the developing countries in providing the kind of long-term financing that countries need in
order to invest in renewable sources of energy. The most difficult part is finding the long-term capital to invest in renewable energy sources.

So, I'm going next week to the United Nations, and we're going to commit to a major effort to try and find ways to--of funding for the countries.

You know, it's very difficult in Japan right now, mostly because, with the political decision to move away from nuclear energy, they have to quickly now provide energy and they're doing it through fossil fuel.

We would be happy to work with the Japanese Government, but we think that this is not just an issue for Japan, it's an issue for every country in the world. We've got to take much more seriously moving in the direction of renewable energy. Now, let me just give you one example of what we're trying to do: In Burkina Faso, a stable country, where the leadership has been able to build infrastructure, has been able to reduce poverty, but they pay 75 cents a kilowatt-hour, which is about seven times the global average.

So, it's really impossible for them to develop further paying seven times what everyone else pays for energy.

Burkina Faso has a lot of sunlight, so, we're aggressively moving to try to provide financing for them to do solar. Solar mini- and microgrids may be a very powerful solution for them in both increasing the energy supply and reducing the cost.

So, Japan is facing a problem that everyone is facing, and we don't think that this is the Japanese Government saying that they're not concerned about climate change. This is just a question of a very difficult political situation that Japan faces but Japan, like everyone else, now, needs to be even more aggressive at finding ways of using renewable sources to make up the difference.

**QUESTION:** My name is Daisuke Igarashi from Asahi Shimbun. I have a question about the political uncertainty in the U.S., because we saw a government shutdown last month and then still kind of [unclear] a few days ago. So, what kind of impact do you see in the U.S. economy because of this political uncertainty?

And also, in Asia, we are having a discussion--negotiations on TPP, and do you see any impact--you know? U.S. presence in Asia in that region?
DR. KIM: So, you know, nobody knows what's going to happen. We have another debt limit deadline in early February. I think that we all are hoping that a resolution will be reached, because we've been very clear, during the time of the Annual Meetings, all of us spoke out very clearly on what the impact would be of a debt default. A debt default would be absolutely disastrous, and I think that all of us are very hopeful that that will not happen. What the nature of the deal will look like, really, I think nobody knows. But I remain hopeful and I think all of us spoke very loudly about the potential impact of even just the uncertainty, and my understanding is that both the Democratic and Republican Parties are working very hard now to try to reach an agreement, understanding the economic implications.

In terms of the Trans-Pacific Partnership, you know, I personally think that the continued commitment of Japan and the United States to this Trans-Pacific Partnership is one of the bright spots in the global economy. Our hope is that it will go forward and that, for us, the fact that Japan has continued to embrace their participation in the Trans-Pacific Partnership I think is another very positive sign for the future of the Japanese economy. It means that there will be more market opening, it means that there will be more competition, and we think that all of those are very good omens for future growth.

MR. DONNELLY: One more question. All right.

QUESTION: Jin Woo Lee, Maeil Business Newspaper. I have another question about North Korea.

Have you ever--World Bank assess the situation--economic situation of North Korea under your leadership, and if you [unclear] about the assessment?

DR. KIM: You know, it would be impossible for us to do an assessment of the North Korean economy without the cooperation of the North Korean leadership and of the various agencies inside North Korea. So, we haven't really done anything.

You know, we watch every economy in the world. So, whatever data is available, we have it, but this is not based on any kind of deep look. And of course, one of the things that we'll do, if there is a political opening, is immediately move in and try to figure out what's going on.

Just to give you an example of how this works, when we went into Myanmar, what we found was that all of their records were on paper. So, just figuring out where they had gone into
arrears with their repayments took us looking literally page by page through paper-based records.

So, the first thing we did was we sent a whole team in just to take the paper-based records and put them onto a computer.

So, that, I hope, is an indication of our commitment but also an indication of the difficulty of moving. And so, we’re ready to do it and we will do whatever it takes to help. But again, there has to be this political breakthrough.

**MR. DONNELLY:** Thank you very much for coming. We appreciate it.

**DR. KIM:** Thank you.

**MR. DONNELLY:** Again, the embargo is for Sunday at 11:00 a.m., except for the information on the Philippines.