

Making Globalization Work for the Poor of the World

by
James D. Wolfensohn
President
The World Bank Group
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I am really delighted to have the opportunity to be here. I feel a little bit like a student at a university coming to defend his thesis, worrying about an examination, and I spent until 3 o'clock this morning thinking how I was going to approach this august group, hardly slept, and have some prepared remarks, but look forward very much rather to responding and interacting on questions on a subject that is of great importance to us as it is to you. And I want particularly to acknowledge the contribution that Juan has made by putting this group together and in particular for giving it a human aspect, which is something that I believe we share.

I spent a lot of time last night trying to think about definitions and what is globalization and what are the issues that might be important to you, and I wrote just a little bit of an introduction which will be the only thing I read in the course of this period. Just to make sure that I can get down some of the basics. And even as I look at it now, I am not sure I am going to read it, because I think all of us know, and I am sure you who have studied this so significantly in recent times, that the interconnections and the interdependence of this world are real and advancing. They have been around a long time. They have expressed themselves in different ways at different periods, going in cycles, but the linkage of our planet in terms of economics, of finance, of information, of crime, drugs, health, of migration, are not things that this Commission or anybody can easily turn back. My friend, [?], spoke of Sanskrit literature and I do not whether he has been here, but if he has he has probably told you about the kupamanduka, the well frog who lives in the bottom of a well and at some moment emerges and sees the world for the first time and is a changed frog, and I guess we are all changed frogs also having come from a place where we were living in our local environment and now all of a sudden the world is there with us and it has impacts and some frogs do well and some frogs do badly, at least I believe that is the Sanskrit story.

So it is with the world in which we live. The forces are there. It is not for this Commission or for us I think to reverse the forces, but what is important is for us to maximize the potential of globalization, knowing as we do, and as I am sure you have studied, that in the recent years

some billions of people have profited and some billions of people have not, and the issue that I think all of us are concerned about is how one can create an environment in which development goes for everybody. And we are all of us I think looking to the hope and the dream of a more socially just world in which all of us can live.

That indeed is the focal point of our institutions. We have a big sign as you go in, which Eveline will know, which is to fight poverty with passion, and that is what we do every day. Ten thousand colleagues, 2,500 of them overseas, 164 different nationalities, who get up every morning not thinking how they can screw up the world or how they can disadvantage people, but rather how they can make things better, and sometimes they become a bit sensitive when they are put in a box of being evil-doers or part of that terrible institution, one of the two, sometimes they become a bit sensitive when they are put in a box of being evil-doers or part of that terrible institution, one of the two, IFI twins, which is a characterization that is given often to us. I was thinking last night of the basis on which so much of the discussion takes place. It is that the UN is good but banks are bad. The World Bank and the IMF are bad. The World Bank is an instrument of capitalist policy, that it is influenced only by the big countries, that its set of conditions which are conceived only in Washington, and then imposed without feeling on every country are set of conditions which has caused the world to diminish in its objectives of advancing the claims of individual people. That NGOs are good, official institutions are bad. I can go through a lot of the characterizations because I come up against them every day, and it is my hope that your report will not follow those characterizations because I think they are simplistic. I think they are 60s, and in some cases, 80s, but they are not the year 2000, they are not what is happening out there. It is not the Bank as it is today and surely our institution has made mistakes as indeed everyone has made mistakes. But surely there have also been advances, advances in global poverty, advances in life span, advances in the rights of women, not anywhere near as far as we are all hoping for in the MDGs but surely there have been some advances, and we are all concerned with the same danger spots. We are less worried about China today, we are less worried about India today than perhaps once we were. We are less worried about Russia today than perhaps once we were. And we are worried about Africa. We are worried about some parts of Latin America. We are worried about Kashmir. We are worried about all the things that all of us worry about.

That leads me to a preliminary point that I would like to make, which is that as we talk in this room about globalization I think it is important to remember that there are two preconditions to our discussions. One is the global economy. It is very difficult by any analysis to see a rectification of social rights or an improvement in the advances on poverty unless you have growth. We can argue about what is growth, and what it is, whether you measure it in economic or in economic plus social terms but there is very little in the minds of I think any economist that it is hard to redistribute existing resources. It is much easier to do it in an environment where there is growth, and where there is a positive approach to development. Mr. de Soto has his own views about the redistribution or the recognition that existing resources which surely

should be followed, but I think even he probably would agree that an atmosphere of growth is an important precondition.

The second element is global geopolitics. To try and speak constructively about what we can do in terms of poverty, what we can do in terms of social justice, in an atmosphere we are concerned with war, where we are concerned with Iraq, North Korea, and many of the other worries that we have, where we are concerned with global terror, where we are concerned about fundamentalism, where people in New York, where I was just a few days ago, now see men in battle dress at the end of each bridge and each tunnel with automatic rifles, with tanks at Heathrow Airport, with an atmosphere of it is a red alert today, or an orange alert today, we have to recognize that whatever we decide here or you decide and recommend here has to be couched within the context of the way our planet is functioning. We cannot just descend and say here is a new road map that can be applied without regard to the broader features of the economy and the geopolitics.

And it has to be said that today is a very difficult moment. We are in a difficult climate, with \$10 trillion dollars in the US, and \$8 or \$9 trillion in Europe, and \$4.5 trillion in Japan, constituting the better part of 70 per cent of the world's GDP, growing at 1 or 2 per cent per annum, that is not enough of an engine, and it is not an engine that will pull along the developing countries. Although there is growth in developing countries, much of it internal, particularly, and much of it in trade, in China and India which are helping push things along but where a lot of people are being left behind. So I say that only to characterize that there is this overlay of general global conditions in which we have to operate, and it is not in a vacuum in which we are operating. So we are affected by that.

The other point that I would like to make is that I think we have to recognize that whilst we are looking at things in the context of globalization and the issues which the President just showed me that you are in addressing in terms of migration, in terms of fairness, in terms of equity, in terms of the rules of the game, in terms of all the things that you are appropriately looking at, that even if you could solve all of those and could write the ticket that you want, with no doubt one person, one vote, to make the World Bank look like the UN, to do all the things that are being suggested, even if you did all that, let me tell you that that is not going to deal with the questions of poverty. Globalization is an issue but there is a whole range of other issues which I have seen now visiting 120 countries which are internal to countries, which relate to the way in which countries operate, and which relate to the ways in which we operate. And there let me say that I think, starting at the outer perimeter, what is critical as we approach the questions of social justice and equity is that the international community comes together in ways different than we have operated up to now. If ever there has been a set of stove-pipes as they are called, which are these iron pipes where everybody is operating within their own environment, it is the way the international community functions, whether it is the organs of the UN themselves which hardly talk to each other, whether it is the UN speaking to us or to the Fund, whether it is civil society talking to official institutions, whether it is multinationals

talking to bilaterals, whether it is academics talking to the community at large, whether it is addressing the question of the faiths and how one deals with the faiths or trade unions.

There are some places as I know one--this being one--where there are representatives of both the governments and trade unions and it is no doubt a unique institution in that sense. But, without the structure of the ILO, it is still necessary for all of us to come together in ways to make more effective what we are doing. Just to give you a little example, everyone is pushing on the question of the efficiency and effectiveness of the international financial institutions and well they should. We have been doing a lot on that for years and now we are asked to judge the effectiveness of our institutions within the context of Millennium Development Goals as though we are totally responsible for the Millennium Development Goals and I have recently been looking at this and part of the problem that we have is that the methodologies do not exist to measure six-monthly how we are doing against 15-year goals.

The methodologies do not exist as to how well the Dutch are doing or how well the World Bank is doing or how well the ILO is doing, in terms of these Millennium Development Goals and yet we are calling for these methodologies which we need to bring about and the measurement is not there but I took a look the other day at the \$50 billion which is the figure which is used for overseas development assistance and I had not read the DAC reports adequately--no doubt everyone has--but I discovered when I read the DAC reports that, of the \$50 billion that is forthcoming, \$35 billion of that is bilateral assistance of which \$33 billion is grants and, of the \$33 billion in grants, it is broken down to \$13 billion in funds for consultants and for education. It is broken down into \$2.5 billion for debt relief, \$3 billion for costs, \$3 billion for emergencies, which leave a grand total of \$11 billion in cash going to the countries from the bilaterals. And, if you then take a look, not at the grants which are that \$33 billion, but if you look at the loans you discover that, after you pay interest, there is a negative flow of \$1.5 billion dollars which brings you to the grand total of some \$10 billion and I am not here passing judgement on whether the money is being spent correctly in using consultants or in technical assistance but, when you look at the question of global effectiveness, it is nonsense just to look at multinational institutions to which the international community gives \$17 billion a year, of which \$15 billion roughly goes in cash to these other places but--and I will be coming out with a paper on this which I will submit to you and which I think you may find interesting--it is that the question of effectiveness is not just effectiveness of international institutions, it is effectiveness of all of us and may I add, it is effectiveness of NGO's as well.

So we have a lot of ground to catch up in terms of the methodologies of partnership as I always quote President Mkapa about the number of forms he has to fill in and the number of visitations that he has. He was telling me this morning that he has got six of my people coming out there to do a \$700,00 loan, about five years too late--is that right? I mean whatever it is, he is very worried, and correctly so about the number of people that come and the way in which we continue to fight each other. So, that is not globalization. That is management. Management. And we are

pretty lousy at it. We are pretty lousy at managing the system and that has nothing to do with structure. It has nothing to do with changing the rules of the Bank, or the rules of ILO. It has to do with human behaviour and these boxes that we put each other in are very hard to break down and we are, I think myopic, all of us, in the way in which we deal with that and then you get to the country level and let me deal briefly with that.

At the country level, what I do everyday and what we have been doing every day is to start with the notion of the countries in control and that what we are there to do is to support the country. It is asserted that the Washington consensus is imposed. I can tell you, at least for the last years, that is we have tried our best to make that not the case. There is a Santiago consensus. You and I were there, which I thought caused the Washington consensus to die. People still talk about the Washington consensus and they do not talk about the Santiago consensus which added the human dynamic to this whole thing and took particular national approaches and when you get to the particular national approaches, there are a few things which I think we are now facing. The first is, that developing countries themselves, and I refer you only to NEPAD and to Monterrey and to Johannesburg, say up front: we need building of capacity and government, we need legal and judicial reform to protect rights, to create rights in some of the things that Mr. de Soto talks about, we need a financial system that functions and we need to fight corruption. This is not something that is addressed by rich countries to poor countries. This is something which poor countries and developing countries understand themselves are a precondition to development.

If you do not deal with those sort of things, you are dealing with a flawed entity. And I am not suggesting that corruption is one sided. It is two sided and we need to pursue rich corrupters and we need to deal with the question of criminalization of corruption, so I am not making a value judgement. But I am saying that if you read NEPAD--which I read again in the last few days--the African leaders are saying that this is what we have to do. And they are saying we need to work in every one of those domains, in terms of corruption, legal judicial reform, financial sector reform, strengthening capacity, and it is not surprising that that is the case. When I first got into the business of trying to do development, it was in 1961, when I went to Nigeria and I went to Greece and then I went to Brazil to try and look at issues of foreign investment and there was a firm then called business international which was the only firm that put out lists of things that you needed to look at. And they were the same lists then that they are today. It was what is rational. You need to invest in countries which have this organized and then you need to look beyond that at the issues of education and health and infrastructure and all the things that I could write a speech on, that are a part of each country's development programme and may I add of the preservation of culture and values.

We are talking extensively in the Bank and have been for years, although not always for the satisfaction of my board, as Eveline might tell you. On issues of culture, on issues of values, on which I got beaten up terribly by my Board of Directors. Now they beat me up less on questions of religion of inter-faith relations. How can you deal in Africa with

education and health without dealing with religious organizations. Fifty per cent of the education is done, 50 per cent of health care delivery is done, 90 per cent done by women. It is absurd to think that you cannot interface with these organizations. Absurd. And yet, a community regarded, when I talked about culture as a luxury. They said this guy has come from Carnegie Hall and something else, he is elitist, but why the hell is he talking about culture. Why is he talking about values. And now when I talk about spirituality they think I have gone mad. But they are issues which are starting to be, which are at the core of human development and you have to deal with those sorts of questions.

And why am I saying all this to you. I am saying to you that the issues include globalization but they are not just globalization. I agree with you that we need to deal with the questions of the ordering of the system, of the unfairness of the system, of how things are not working in the system, of the fear that exists because of some aspects of globalization. But we have to look at this thing in the round. And looking at one, I have to say that the core of much of this is in the creation of jobs and decent working conditions.

We did a study of voices of the poor which characterises the work of our institution. And we discovered when interviewing 60,000 poor people that it is not just money, it is voice, it is dignity, it is safety, it is women not wanting to be beaten up, it is health, it is optimism, it is the chance for the kids, it is education, no different than we have anywhere here. And at the base of it is jobs. People are not looking for charity. They are looking for opportunity. And, I think, all these things we share. So these are the only things that I wanted to say and now I am ready to take whatever criticisms or questions you have. The only thing I would like to say is that I think this issue is very complicated and that globalization and its impact is one element, very important element. But it is far from the only element that is going to lead to a social justice and human improvement, and it is far from the only issue which eventually will deal with the question of peace, because this issue of poverty is the question of peace. And I therefore hope very much that in your reports and the way in which you are addressing these questions, you will give maximum importance to globalization, to the structure of the Bank, of the Fund, of the international system, but that you will not ignore that there is much that can be done without structure and there is much that has to be done by the countries themselves. I am not saying this in an accusatory way. I am saying this in a realistic way and I believe that if we can come together with a greater sense of dignity to each other and recognition to each other and work on management at the international system as well as work on management at the local systems, that a huge amount of progress can be made.

And I would say that the first thing we have to do is not change structures, is change ourselves, because there is a great deal we can do, within even the existing structure. Although, I am not suggesting that you do not change it. There is a great deal that we can pick up if we are honest and if we recognize the urgency and if we work together.