China—A Model Country, Lanzhou University, Lanzhou, Gansu, China

Remarks by President Wolfowitz  
October 14, 2005

Thank you, President Li, Vice Governor Fong, Executive Director of the Bank, Ms Zou. Good morning everyone, good morning also to those of you who are joining us from Xi'an, Chengdu and Beijing through the Global Development Learning Network. I appreciate your warm welcome this morning.

I realize that China has entered the information age in a spectacular way so I think I have to begin talk as I would in the United States, by saying-please turn off your cell phones.

I am also extremely impressed to that so many of you are able to listen to a lecture in English without translation. I can't imagine the same thing in an American university in Chinese. Although I know many students are working at it. We will also publish a text of most of what I say so you can read it afterwards if you miss parts.

I must say, it is pleasure to be back at a university. And particularly in a job where the job is promoting development. To think about you students who are in a unique opportunity in your lives-what you are learning in the university will greatly enhance your ability to contribute-not just next year or the year after next but half a century, if you think about it, on the average for about 50 years. It's a wonderful opportunity. None of you would be here if you had not worked hard and studied hard to earn this opportunity but instead of thinking of it as something that belongs to you, I think you should think of it as something that society has given to you and that you have a lifetime to pay back and I'm sure that most of you will.

It has been five years since I last visited this China...it's been 22 years since I first visited China. But it's my first visit as the President of the World Bank and I'm very pleased to be able to be starting the trip in Lanzhou, and in Gansu where the World Bank is supporting projects to help poor communities raise their living standards.

During my visit, I am already learning, and I hope to learn more, about the remarkable progress that China has made in achieving economic growth and fighting poverty on a massive scale. I am also here to listen to how the World Bank can help China to tackle the development challenges that China continues to face.

Yesterday, I met, in Dongxiang County, with people who had been cured of tuberculosis through a program funded jointly by Government of China, the World Bank and the United Kingdom.

I also saw the results of a program the World Bank started with the Chinese government in the 1980s to restore forests, reduce erosion and boost the income of farmers. The Loess Plateau program, which was duplicated in provinces elsewhere in the country, is also helping people here in Gansu improve their lives and protect the environment.

China and the World Bank have a strong partnership today. Over the last 25 years, we have worked closely on more than 260 projects worth nearly $40 billion. Let me repeat that number-$40 billion dollars. Even in China, that's a big number. Together, we have built highways and schools, power plants and facilities to provide clean drinking water.

The World Bank also shares knowledge of what we've learnt elsewhere in the world about works and what doesn't work in the global fight against poverty. The extraordinary results achieved in China over the last 25 years offer many important lessons for developing countries around the world today-and the World Bank is working with China to share those lessons with other countries.

Let me say a few words about China's impressive economic performance:

It is clear from everything...any day you pick a newspaper in the United States or in Europe or in Japan or in the developing world that the world is paying a lot of attention to China. China has emerged as the fastest growing economy in Asia, lifting more than 400 million people out of poverty in the last twenty years.
That's never happened before in history.

In the last twenty years, per capita income in China has quadrupled (has increased by four times) and Gross Domestic Product has increased by six times. That is a stunning record-by any standard.

Much of the credit for that success goes to the energy and ability of the Chinese people. But that energy and ability owes much to strong policies that opened China to trade and to the outside world.

We know today that economic development depends on a number of factors; some of them are not measurable in numerical terms. And some of them wouldn't have been considered economics in a classic economics course. One of the most important factors in economic success is leadership.

And China's rapid rise in the last quarter-century probably could not have been achieved without the extraordinary leadership of Mr. Deng Xiaoping. He not only launched ambitious economic reforms, but he also opened China to the world and helped to unlock the enormous energy of the Chinese people, who have generated great income and wealth.

Today what your country has done is an inspiration for countries. Two months ago, I was in Pakistan, and I was talking to a woman from a small village who was participating in a World Bank-funded rural development project. I asked her whether the success of her project could be reproduced in other parts of her country. She didn't speak English but somehow she knew about China and she knew about Japan. And she said, with very strong conviction, through a translator-she said-"Why not? The Japanese have done it. The Chinese have done it. Why can't Pakistan do it?" Your example is inspiring millions of people around the world to say, "Why can't we do it?" It is a wonderful story.

But there are other stories of China. And you are probably more aware of them than I. There are challenges, still many challenges remaining. When we think of China in the west, increasingly we think of Shanghai, and Guangzhou and Beijing and skyscrapers, and trade surpluses and economic growth-and above all, as I just said, we think of impressive reductions in poverty.

As China's economy has grown, China's impact on the world as grown also. Most of those impacts have been positive. With competitive wages and a well-educated labor force, China has created trade opportunities in assembly, processing, and other labor-intensive production, bringing low-cost manufactured goods-electronics, textiles, toys-to consumers all over the world.

But there is another part of China story. In spite of your successes-and in part because of your success-China faces three major challenges today-one of battling continued poverty, one of confronting environmental decline and the third of lowering barriers to global trade.

Let me talk about each of those three challenges:

Like other developing countries with expanding economies, as China grows, its demand for energy is also growing. Today, China consumes twice as much energy per unit of GDP-of Gross Domestic Product-as do Western economies. There's a lot of room there to be more efficient in energy use.

So there is clearly scope to promote policies that encourage conservation and improve the efficiency of energy consumption.

This should not come at the expense of development. In fact, more efficient energy use will promote more rapid development.

As China's economy grows, its environmental impact also grows. China's success, for that matter, America's success, Europe's and Japan's success place great strains on the resources of this planet.

The responsibility for protecting our increasingly fragile global environment falls on developed and developing countries alike.
As the largest developing economy, with growing market power, China could become a world leader in renewable energy, vehicle fuel economy, and energy efficiency in manufacturing and construction. The World Bank can, indeed, the World Bank already is, helping China to find ways to do that.

And China is clearly up to the task. The successful launch, two days ago, of two astronauts right here in Gansu province, proves that China can master the world's most advanced technologies. Let's give those astronauts a hand.

During my visit, I will attending the meeting of the G-20 finance ministers this Saturday in Hebei province, where they will be discussing, among other things, how to address the many imbalances in the global economy today.

This meeting comes at a special moment in history. There has never been a more urgent need for results in the global fight against poverty. And there has never been a stronger call for action from the international community.

If we look at the achievements of the last half-century, there is much to be hopeful for. The last few decades have seen dramatic improvements of in living conditions of poor people around the world.

In the last twenty-five years, the number of people living below $1 a day—what you would call extreme poverty—has decreased by some 400 million—the largest drop in human history, probably. 75 percent of that has been here in China. Other successful countries like India and Brazil have made a big contribution to that result as well.

But even in China, as I'm sure most of you would tell me—especially here in Gansu—that affluence is not uniform. There are nearly 200 million people still living in poverty in different parts of this great country.

The biggest challenge is in Sub-Saharan Africa. That's a part of the world, unfortunately, that has been slipping backwards. Twenty years ago, roughly a 150 million people in Sub-Saharan Africa lived in extreme poverty. Today the number is over 350 million, roughly half the population of the subcontinent.

To accelerate progress in the fight against poverty, rich and poor countries have agreed at Gleneagles, at the G-8 Summit, and again in New York, at the UN Millennium Summit, on a global compact—a deal aimed at bringing hope and opportunity the poorest in the world. Rich countries promised more aid and debt relief—and in return, poor countries promised to combat corruption and strengthen governance and accountability.

But aid and debt relief alone will not lead to successful development. Success will also depend on creating trade opportunities.

I keep stressing trade everywhere I talk. Why do I do that? Because combined with increased aid and debt relief, trade promises to deliver the greatest long-term benefits to the poor. We can forgive as much debt as we like and provide more aid, but unless poor countries can trade and sell their products, they will not escape poverty or debt dependency.

In December, two months from now, members of the World Trade Organization will be meeting in Hong Kong to try to reach a trade deal that could benefit developing countries and give them greater access to global markets for their goods.

These negotiations are called the Doha Round because they were started in the city of Doha in Qatar. It's so often called the Doha Development Round and it presents a historic opportunity to transform the lives of the 1.2 billion people still trapped in poverty worldwide today. That's a striking number, just think about it. As many people as live in all of China live around the world on less than a dollar a day. That's a huge challenge.

In an effort to save the negotiations, the United States and the European Union have made important offers this past week to cut farm subsidies and lower trade tariffs. But unless all countries make concessions, the Doha Round will not deliver results.

Developed countries must take the lead in opening their markets, especially in agriculture. But developing countries, also, particularly the major ones—like China, India and Brazil—will need to reduce barriers to manufactures, agriculture
and services. This serves their own economic interests, but it also encourages trade between developing countries-as we have seen in the last 20 years in Asia.

China has shown astonishing resolve in the last 25 years in fighting poverty, and you have great progress to show for it. With similar resolve, China can successfully work with the Bank and with other partners to overcome the remaining development challenges it faces today.

The upcoming meeting of the G-20 presents a vital opportunity for China and the international community to redress the imbalances in the global economy-to create a more stable and equitable world for future generations.

It is the first time that China is hosting this meeting of the G-20-and this is appropriate evidence of China's growing role as a major force in the global economy.

The finance ministers come from twenty major developed and developing countries. Together represent 65 percent of the world's population and more than 75 percent of economic output. The decisions they take can make a difference for the world's poor-between a life of deprivation and suffering or a future with dignity and opportunity.

And the choices you make, throughout your careers, through the next 50 years of your life, can make a big difference as well.

Working together, we can and we will make the right difference. Thank you very much.