Remarks at Group of Thirty Annual International Banking Seminar

by
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I have just a few minutes, I think, to deal with the challenge of what's facing the World Bank. But I must comment initially that it is not often that this group has ventured forth into World Bank subjects. I have enjoyed debates of the panel of people who so eloquently talk about the events in the developed world. And so to take ten minutes on the developing world is both a pleasure and, I think, a necessity for you all to think about, and I'm delighted that Arminio [Mr. Arminio Fraga Neto, Governor, Banco Central do Brasil] is here because he can give you the real story.

Let me tell you that in the last year or two, and in particular since September the 11th, 2001, there has been a growing interest in the activities of the World Bank. September 11th to an extent was a recognition of the fact that the old concept of rich and poor, in which all those countries outside of the rich countries were considered far away and not important, was indeed false. And we're trying now to adjust to the fact that globalization in its real sense of interdependence is really a fact.

If you look at the millennial meetings of the United Nations, if you look at the Financing for Development Summit in Monterrey, and if you look at the World Summit on Sustainable Development (WSSD) in Johannesburg, everyone is coming to the understanding, coming to the words that the five billion people out there in developing countries that have 15 or 18 percent of the world's GDP are, in fact, relevant to the considerations of the rich world. All the leaders at the 2001 G7 meeting in Kananaskas (Canada) have been saying this. At the last G-7 meetings I attended, it started with an hour that was given to leaders of the developing world, but then the discussions moved into two hours. This is how important the G7 is taking the issues of development and the developing countries.

Gradually, we have seen the emergence of the fact that the rich countries have to work closely with the developing countries to help them develop. And obviously from a moral and social standpoint, the question of development of those five billion people is important. The questions of trade and finance and drugs and crime and now terror on September the 11th make us realize that the worlds of the rich and poor people are connected and that you cannot have a meeting of the Group of Thirty, or of any such body without thinking about those people out there.
And beyond, there's the issue that in the next 25 years, the five billion who live in the developing world that we now have out of six billion people on the planet become seven billion out of eight. In the next 25 years, we'll see two billion more people enter the planet, and all but 50 million will go to the developing countries. So the world is changing, if we go 50 years, it's nine billion people on the planet and it's eight billion people out of nine who may be living in the present day developing world. And when we have a panel here again, about 25 or 50 years from today, the population of Europe will be smaller and older, and the United States will be larger and demographically different in terms of the composition of the people and Japan also will, I think, be stable but older.

So I hope that we're all still around at that time to look around, but it will be a different world, for even now it is a very different world that we're facing.

And what has been happening in these halting steps of Monterrey and Johannesburg, people are starting to get themselves geared up for the fact that equitable development of our plant is an issue. It's an issue, if you look at Jean Claude's [M. Jean-Claude Trichet, Governor, Banque de France] statistics - 50 percent of the exports of Europe are, in fact, to those people out there in the developing countries. Combined, that represents three times the size of French exports to the United States.

So when you add into it that China and India, which are 2.3 billion people out of our present population of our planet, growing at, depending on your view of the statistics, 5, 6, 7 percent a year, and becoming major powers, the function of the World Bank becomes more relevant and will, I think, become increasingly a necessary subject for the Group of Thirty.

So what happened at the Monterrey and Johannesburg meetings? It was a chance to speak up and many leaders including myself tried to say, well, development has moved forward, and, of course, there are some that have been in advance of the curve and been saying this for years, but this move forward has now had enough discussion. We've now got to act on our promises to help the people in the developing countries advance in their efforts. The important thing is to face up to trying to get a better equilibrium in the world, to try and build the developing countries advance in their efforts. The challenges will be manifested in many ways, but you won't have peace.

I'm not suggesting that poor people run out and immediately become terrorists. In fact, they don't. But imbalances in the world give an opportunity for people of ill will to come in, motivate, grow, and to foment differences and difficulties. And, secondly, communications now is such that everybody knows what's happening everywhere else in the world. If you're in the middle of China or in Central Asia, television, as you all know, and radio gives you a view of what is happening everywhere in the world.
So what we've been saying is that it's necessary to deal with poverty and development, and in dealing with them, embrace a new paradigm for development. There's a new understanding. And it's a very simple understanding. It's one that was repeated in all the big conferences of this year and in the new initiative for Africa (New Partnership for African Development - NEPAD). Very simply, it is that the rich countries say we need the poor countries, and we've got to help them build capacity, and we've got to increase development assistance, and we want to make it effective—I see John Taylor (U.S. Under Secretary for International Affairs) here—and productive and all the things that John wants to make it, and we will do that. So we need to increase development assistance. We also need to deal with the question of trade and subsidies. And the rich world has now said that, and all the leaders of the rich world have said it. Everyone has said it. But we now have to act on it.

And the leaders of the developing countries very simply have said we don't want a hand out or a free ride and we don't want to be treated as children. We want to run our countries. We want to deal with the question of legal and judicial reform. We've got to have financial systems that are at least as good as yours, and that, by the way, has given us some difficulty, and that the corporate world should be at least as clean as yours, and that also has given us a bit of difficulty.

And that we should fight corruption. And the developing countries are saying, we want to undertake these reforms, not because you're imposing on us, but we know that we have to do that to have stability in our countries. And then we have to have education and health. We have to have a comprehensive approach. We need infrastructure. We need to respect our cultures. And we need to move forward, and we also know that it's not going to happen overnight.

All that came together in the millennial goals—goals for education and for health and for AIDS and for maternal mortality and for the environment—because the other thing that combines us, as all of us are coming to recognize, is the environment. It used to be a thing for greens to talk about when many of us were young. It's now a thing that we need to think about because it's impacting on us. It's very clear. It's an economic issue. It's a social issue.

So the question of the balance, the question of where we're going, is no longer a subject of debate. There is a basis on which we can move forward. And there is a more democratic basis in most of these countries that will ensure that we do move forward. And, of course, we're being brought home, as I'm sure was discussed earlier, with some of the immediate challenges that imbalances in parts of the world also create imbalances in the developed world and vice versa—the financial imbalances that we're facing now and the political imbalances that we're facing—will have effects on the developing countries.

These are the issues that we're discussing, and the really crucial issue is no longer to have an analysis of it. The analysis is very clear. We're getting used to talking about it. The leaders are getting used to
talking about it. But it's not yet in our gut. We're not yet acting. And I think the importance of the Johannesburg and Monterrey meetings was that we're trying now to say, well, we've been talking about it, intellectualizing it, saying that it is important for our kids, it is an issue, the future's clear, but we really do now have to act.

And so what we're trying to do in the Bank is trying to bring about action which is not just the Bank's, but links the work of the Bank and the bilaterals, civil society, and the private sector. People like George Soros [Chairman, Soros Fund Management], who I see in the third row, is a marvelous example of what can be done from the private sector and from civil society.

These are the people that now need to come together. It's no longer a game. It's no longer something for the way out. It's no longer something for the greens. It's at the very essence of peace and at the very essence of what is important for the Group of Thirty.

Thank you.

MR. : Thank you, Jim, for such an inspiring and insightful presentation. We have a few minutes for some comments and questions from the audience that has been overwhelmed.

Audience. : I'd like to thank you for a good presentation. While the focus of the Bank and many international organizations has been on economic growth along with the problems I'll call systematic, some of the policies are really not the making of the Fund and the Bank, but need to be dealt with in other forums. Now, I believe that some of these difficulties could be handled if there was a perception that developing countries do not necessarily want to have handouts. What they want is opportunity. And that some of the difficulties that they're encountering have to do with the fact that they have been asked to level the playing field, they have been asked to give up a lot of the protections even in agriculture and so on. And yet the developed world does the opposite. That's not what they need. They need to be able to earn in order to purchase goods from the developed world. And difficulties of the global economy may well be because the developing world is not given the opportunity to trade. So I'm not sure that we are dealing with the problems, so to speak, and I think we need a level of policies that require developing countries to remove subsidies, assistance, protection, and so on to be reciprocated by the developed world. I'm not saying that now you have to keep them. I believe that there may be need for adjustment programs, and a period of assistance before countries can compete effectively.

MR. : Thank you very much. So we've raised the issue of trade liberalization and I agree with your assertion.

MR. WOLFENSOHN: I agree.

You know the last sentence of the question was aiming to provide more work for the World Bank. [Laughter]
MR. WOLFENSOHN: Well, first of all, I think that's an excellent statement. I will, next week, be meeting with Mr. Supachai (Mr. Panitchpakdi Supachai, Director-General, World Trade Organization, Geneva) in Geneva because the trade question is absolutely central. I think the points you make are very relevant, and there is no question that you can't deal with the issue of aid unless you deal with the question of trade. And we've been saying that for a long time, and I think it's also unfair to expect developing countries to lower trade barriers to create a level playing field—not all of them have done that, but some have—and not have a response from the developed world. We are really actively working on that.