

Globalization and the Poverty Challenge

Speech to members of Opportunity International

by

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Introduced by Brooks C Wilson, Chairman, Opportunity International
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J. D. Wolfensohn:

It's a great pleasure to see all of you here as it is a pleasure for me to have the chance to talk to you on two subjects, Globalization and Poverty. They are the two issues that I deal with and I have been really pondering as to how I can do that in the space allotted to me for this speech - how I can bring together two issues that are really so enormous and try to make some sense out of them in a very short compass. So I thought maybe the way to approach it is to share with you the way in which I see these issues, how it is that I feel about these issues and do it in a personal way, trying to explain to some of you who are my friends for so many years, like Brooks, why it is I am doing what I'm doing and not retired like so many of my friends are, those that are still with us, that is, and what it is that is driving me in this task.

Let me start with the issue of globalization and the people out in the streets who try and bring it to our attention. I start very simply with the role of my own institution and trying to get a picture of the world. I look at the world as a world of a couple of hundred countries, with six billion people; 4.8 billion of the people live in developing and transition economies and 1.2 billion of the people live in the developed economies, of which Australia is one. Australia, by the way, has one-third of 1% of the global population. In this world of six billion, 20% of the people of the developed world have 80% of the GDP and 20% have 80% of the world's GDP. I have been criticised by an Australian statistician for not drawing your attention to the fact that dollars have different values in different parts of the world and that I shouldn't use 80/20 and that it should be something else. Well, let me acknowledge tonight that he's right, but I'm using 80/20 because it's the only way that I know how to express it and we are looking at purchasing power parities and that sort of thing. So let's just accept for the moment that there is an 80/20 split in the world. The other thing which is undeniable is that there are three billion people who live on under \$2 a day. And there are 1,200,000,000 (one billion, two hundred million) people that live on

under one dollar a day. There are a couple of billion people that don't have access to clean water, a couple of billion people that have no access to power. Three billion people have never made a phone call. They're the lucky people. They are not disturbed by cellular telephones; they live a calm life. And that is a picture of the planet on which we are operating. Within that world we have Africa, with 600 million people, sub-Saharan Africa, 45 countries and their GDP is less than Australia's. Their combined GDP is around \$300 million, Australia is getting close to \$400 million. You have in the Americas, where I was just in a meeting in Québec with the leaders of that hemisphere; 35 countries, five of whom, namely the United States, Canada, Brazil, Mexico and Argentina, account for 95% of that hemisphere's GDP. You have near us here two countries, India and China, that represent 2.2 billion people out of the six billion people on the planet.

Now why am I giving you these statistics? I am giving you the statistics not to test my memory, but to tell you that this planet is divided up into a number of units and it is certainly not a homogeneous planet and there are probably all too many governments to deal with. If you think we've got 45 governments in sub-Saharan Africa dealing with 600 million people, then you talk about bringing development to those countries, it means you have 45 presidents, 45 central bank governors, 45 leaders of the opposition; 45, that's for the benefit of those Labour friends of mine here tonight. you have really quite some difficulty in addressing the questions of how you help these countries in terms of development. The World Bank is at the epicenter of that because our job is to try to deal with the questions of poverty and to try to deal with the issues of development. We deal with those countries and have been doing so since the end of World War II. We try to deal with the questions of poverty, the issues of equity, the issues of social justice and issues that relate to the lives of people that were described in the video that we saw this evening.

In addition to that, just for perspective, I worry about the next 25 years. Because in the next 25 years, the six billion people on the planet become 8 billion people on the planet and all but 50 million of those people will go to the developing and transition economies. All but 50 million. So in another 25 years, we have, give or take, 6.8 billion out of 8 billion that will live in the developing and transition economies. So that means, of course, that there will be a sudden growth in people and in GDP. I had the pleasure recently of being in Genoa, meeting with the G8 leaders who were sitting in all their glory on one side of the table and I said to them that their successors 25 years hence would be representing, give or take, the same number of people. This was the United States, Germany, the UK, Russia, France. They will be the same size in terms of people. I told them that the people on the other side of the table who were half a dozen governments and presidents of developing countries, they would be representing another 2 billion people. These statistics are very stark but you need to have them as a background if you are going to try to understand either the issue of globalization or the issue of poverty and so the first place to start is with a global conceptual framework.

Now within that framework there are all sorts of other nuances with which you need to deal. For example, the role of women; women who have broadly not had a great stake in terms of development, but who represent an extremely potent force in development. You also have the recognition that the world has changed in terms of its interdependence and this gets to the question of globalization. There are people who say let's turn back globalization. No one has succeeded in turning back the evolution of the world or the force of globalization since Adam and Eve. Certainly it has been going on for millennia. The great economist Amartya Sen who won the Nobel Prize a couple of years ago described it in terms of an analogy with the katmanducha which is a Sanskrit word for the "well frog". 1,000 years ago, in Sanskrit literature, they were talking about globalization by relating it to the katmanduch, the well frog who thought that by living in the bottom of the well it saw the whole of the world, until it got out and then it saw that there were other things. So the Sanskrit literature of that time described through the eyes of a well frog what it is like getting out and finding that there is another world out there. Of course that world then was a world which was coming towards Europe, a world which was bringing revelations and mathematics and many other things to Europe. Now, there is a different form of globalization, but if you think about it, we are linked in so many inevitable ways. We are linked in terms of health, migration, drugs, crime, wars, communication, finance, everything is linking. And international trade represents 30% of the global GDP. The notion of saying stop to globalization is not real.

The question is, how do you adapt to globalization? Because all the evidence indicates that if you put up your hand and say no and try to put a wall around a country, there is no way that you have effective economic growth - at least that's what the economists tell us and that seems to be right. We're just in the middle of a study now but it is clear to us that in terms of our recent study on the effects of globalization on the developing countries, at least 3 billion people live in countries that have benefited from globalization, but there are a billion people living in countries that have not benefited from globalization. And the issue is, how do you react for countries and how do you react within countries for those that have benefits and those that do not have benefits. How do you try to bring about an adjustment? How do you try to ameliorate the problems that people have? How can you bring everybody along? What is clear in developed and developing countries is that you have a growing difference between the rich and the poor within countries and frequently between countries.

Well, you may say, that's a travelogue of the world, but what does it mean? What does it mean to us here? What does it mean to citizens in developed countries? And it means a number of things. The first thing it means, at least in my judgment, is that if you cannot deal with the question of poverty, if you cannot deal with the issue of equity, then you are not dealing with the question of peace. For me, poverty and peace are the same things. You now have thirty wars in Africa. All the evidence suggests that the prime cause of conflict is inequity. It is clear to me also that it is impossible for someone in Australia or in the United States or in Germany or in France to say that what is happening with those 4.8 billion people soon to be 6.8 billion people is not of concern to them. It is of concern to them. We are living in an environment which

is increasingly diminishing in terms of conceptual frame and increasingly interdependent in terms of almost any aspect by which you can judge the planet, whether it be environment or health or trade or finance or drugs or crime or migration.

And so the proposition I put to you is that this issue of globalization is very important to us because the growth is going to come from the 2 billion people in the developing countries. Their rate of growth is higher than in the developed countries, the number of people is higher, and the weight of the world is moving to developing countries. It is not going to be possible for Australians or Americans or the British or anybody to think that you can just live behind a wall. It might be possible for people of my generation and for some of you, but one thing is certain, it is not true for your kids. They will grow up in a wholly different world. A world in which the developing world, and the transition economy, will become dominant in size and the features of which will determine the stability of the planet. That's not a moral judgment, that's not a wild-eyed green talking, it's not someone who has found religion. That's reality. And what is really important for people in this country and in developed countries is to recognise that although this inevitability is not so visible, it is inevitable and that it is really important for us, for my generation, for your generation, and for the next generation to take a stand in relation to responsibility and in terms of what we pass on. And you can say that this is dogma and you can say it's moralising and you can say it's someone who has made a few dollars and he is now going off and doing good deeds, and can come and preach. You can say that Opportunity International is a good example of that, you have a faith based initiative coming along trying to wake you up about these things. It is not faith based, although I am faith based in my own Jewish religion, but I am saying to you that the issue that we are facing is an issue of the planetary bargain.

I have been to 110 countries now. I think I know the planet pretty well. And the issue of poverty is an issue that is common around the world. And it is an issue which is either the stabilising or the destabilising factor and when I give you numbers of 3 billion under \$2 a day and 1,200,000,000 (one billion two hundred million) under \$1 a day and when I tell you that 800 million people go to bed hungry every night, these are real people and as we said earlier they are people just like all of us. We have just done a study of 60,000 poor people and they have the same aspirations as we do. They want the same things for their kids. They want peace, they want opportunity, they want a voice, they want a chance, they don't want charity. They do not want charity. And whether it be through micro-credit or through empowerment in every way that we can, it is absolutely critical, in my judgment -as a matter of self-interest as well as a matter of social equity, of morality- it is absolutely critical that we engage people in the world not on the basis of charity, but of trying to provide opportunity. One such way amongst many is micro-credit because it allows people to fulfill themselves.

We will not solve the problem of poverty or global peace or stability unless we change our perception of poor people from the object of charity to the asset on which you build a better world. I am absolutely convinced of that. The best people you meet when you travel are people in slums and

villages. They are very straight. They know exactly what they want. They are very practical - give them a chance and they will run with it. And the way in which we are positioning our own institution of the World Bank now is to try and build on the real strength of those 3 billion people. If you regard them as a burden it is impossible to solve the problem. If you regard them as an asset there is hope - and I believe that profoundly. And it cannot be done just by writing a cheque. It needs to be done in partnership. It needs to be done by people like you and by your kids and by your organisations who recognise that some work done now, a reorienting of your thinking is not just a charitable act, it is a question of being farsighted and caring about the planet and caring about peace. It's really a fundamental issue. It's an issue of what sort of world we want our kids to be in. It's an issue of what sort of stability you want to have in your business. It's an issue of self-interest and it's a critical issue for Australia.

Australia is part of a region with a lot of people. Australia is a wonderful country, a fantastic country. These few days that I've been here I wondered why I ever left because it's so fantastic. But it is a country of 20 million people, with a GDP of about 1% of the global GDP. A fantastic life. But there is no way that Australia, any more than other developed countries, can be immune from global trends. It's just not possible. I understand that the country is building up its military forces, not for immediate defence but for peacekeeping. Why? Because in a lot of places there is war and there is instability. Australia will be involved in education and in health and in many, many other things. And as a trading nation it's critical that you have places to buy and it's very important that we in Australia understand the rest of the world and see these trends. And I think that this is an incredibly important thing. This week I will be announcing with the foreign minister an initiative we are calling the "Virtual Colombo" Plan, which allows Australia to use its technological skills and the skills of internet and communications to play a major role in the world in terms of ideas and leadership. These are the sorts of things that Australia needs to do in order to project itself and in order to retain a leverage and leading position in a world that outnumbers it rather considerably. But Australia is well off in this because it is an immigrant nation. It has diversity, it has language, it has potential and it has a sense of fairness. The recent studies done here on overseas development assistance demonstrate it. And so I simply appeal to you to think that notwithstanding the size of the country, that there is the possibility to make an important contribution.

Remember, Australia is bigger than sub-Saharan Africa in terms of GDP, but in 25 years sub-Saharan African which now has 600 million people, will have 1,100,000,000 (one billion one hundred million) people. Australia will not grow at that rate, and remember too that good people with good ideas, with moral leadership, with ethical leadership, with good business sense, and with a clear sense of direction and purpose can make a big difference in the world. Whether it be through Opportunity International or micro-credit schemes, or participation or interest or just educating your kids, there is a real moment now to position the country and to position ourselves in Australia in the forefront of the people who are good planetary citizens. So I urge you to think about it. I have had the privilege of working in this field now for quite some time

and I am not running for office and I'm not trying to give you slogans, but as I started the speech I said I'd just share with you my feelings. And that is the way I see it.

A planet that is 6 billion growing to 8 billion people where there is 20% with 80% of the wealth, where the developing world is increasing at an exponential rate, where the globe is becoming smaller, where there is no way to avoid issues by putting a wall around yourself, whether you be a developed or a developing country, where there is a big difference between rich and poor, where poverty means peace and where your children are going to grow up in a very different environment. You cannot wait 25 years to find out. It's time now to really look these issues in the face and do something about them and maybe Opportunity International is one such thing.

I look forward to the day when in terms of moral leadership, intellectual leadership and just spiritual leadership, Australia can be at the forefront in terms of making a better world. Thank you very much.