Mr. Krasnoff, Dean Cooley, and Professor Yung , and ladies and gentlemen. I'm very happy indeed to have been invited to make this lecture to you today. I was pressed by my former partner, Paul Volcker, who told me that if I didn't do it, our friendship would end.

[Laughter.]

So it was one of those arm-twisting exercises, which was done very quickly. I don't know what you have on Paul, but you must have something.

And I'm extremely happy always to come back to New York, and particularly to address young people who are interested in the field of international business, and try to encourage them to understand a little more about the world that I live in, which is the world of the five billion people out of the six billion people on our planet that live in developing countries.

Let me give you a little background on that. The reason, of course, that I'm interested in that is that that is the function of our institution, the institution that is now nearly 60 years old and which started after World War II as the institution that would interest itself and be active in the question of post-World War II reconstruction.

After a time of dealing with post-World War II reconstruction, they ran out of reconstructions to do, and they became interested in the field of development. And the institution has continued to function fighting poverty since that time.

Just to scale it a little bit, we're owned by 184 countries. We have done something like $350 billion worth of business since our founding. We have business that we do on the order of $20 billion a year. We have offices in more than 110 countries. We're linked by satellite so that we run as a very modern business with something on the order of 1,500 videoconferences a month. We have 12,000 people. And many of them, like you, come out of business schools, come out of law schools, come out of
economic schools, anxious to devote themselves to the issue that we're engaged in.

But, in addition, we have a subsidiary called International Finance Corporation, which spends its time dealing with private sector business, because as I'll say later in my remarks, private sector is an integral part of the issue of development because unless you can give people hope, unless you can create jobs, there is no way that you can build growth or, indeed, build peace.

Now, what about this issue of imbalance that was mentioned earlier? We feel that the world is somewhat imbalanced, and let me just give you the broad parameters.

I've told you already that five billion people live in developing countries and a billion in the wealthy world. The five billion people have about 20 percent of global income--actually, a bit less--and the one billion people have a little more than 80 percent.

That in itself is an essential imbalance at the beginning, and Professor Yung referred to its repercussions in terms of GDP per capita. He mentioned the 2.8 billion that live under $700 a year--that's $2 a day--and the billion two hundred million people that live under $1 a day. And this would be an interesting statistic were it not also for the fact that it is also a cause of frustration and, I would say, instability in a number of the countries where this imbalance occurs.

Within countries, you also have a very large discrepancy between rich and poor, which is sometimes addressed by revolution and at other times by more positive change, as we now see is happening in Brazil with the election of President Lula, who is trying to reconstruct the country on the basis of a more equitable future.

Now, why is this of interest to a business school and not just to a bunch of philosophers or sociologists or people who have high moral values and feel that there is some inequity in the system and that they should do something about it?

Well, in the next 25 to 30 years in which you'll be working, the growth of the world will all be in developing countries. By the year 2030, the world is a world not of six billion but of eight billion. And all but 50 million of the two billion go to developing countries. So you'll have then a world of seven billion out of eight, plus or minus 50 million. And that means that the growth potential in the next 25 or 30 years and, indeed, out to 2050, the continuing growth, when you'll have nine billion people and eight billion out of nine. You will find them in, by the best estimates that we can do, assuming a 3.5-percent growth rate in the developing world, which is roughly what it is today, at that time we'll have a world not of $35 trillion of global income, but $140 trillion of global income. And you'll have 40 percent of it from the developing world.

That means that the $7 trillion that you've got today is multiplied by five to six times in that period of years, and so you have this enormous
potential in terms of growth which we see throughout the developing world. That's all throughout the developing world, but it's not coherent in the developing world, because India, China, Brazil, Mexico, some of the major countries represent a significant amount of this growth, with countries in Africa thus far having really limited growth in terms of the base that they have.

You'll probably know that in Sub-Saharan Africa you have 47 countries with a little less than 600 million people and a total GDP of about $350 billion, of which South Africa is more than a third. And so you have in these countries, 47 of them with very small markets, very tiny capacities within the country. You have instability and you have inherent poverty.

So there are two things that you should really understand: first, that the rate of growth in the developing world was twice the rate of the growth in the rich world; and, secondly, the numbers are becoming very large so that you'll have by 2050 more than $40 trillion in the developing countries, and that is a marketplace that is worth seeking in terms of international business, and one that we're seeing now people throughout the world making an effort to impact.

Now, how does this fit to the way in which we work and in terms of politics and in terms of the reality of stability of the planet?

Well, in the year 2000, all the leaders of the world, you will remember, came together in New York. If you were seeking to get around at the time of the General Assembly, you will certainly remember it because we had nearly 200 Presidents present, and it was impossible. But what they did was they all made speeches, and they came up with a set of projections about what they thought was necessary for the next century. And they concluded essentially Millennial Goals, all of which related to the developing countries. And they said we have to halve poverty by 2015, halve the percentage of positive, that is, of the number of poor people. We have to improve infant mortality and maternal mortality by cutting those figures by half. We have to draw the line on environmental degradation. We have to get all kids in school. And we have to get water to people. More than a billion people don't have access to clean water, and nearly two billion people don't have access to sanitation.

So they put these as the objectives, not because they wanted to play the numbers game but because they knew that in the event of not dealing with this, you will have a world that was lopsided and unstable. And if you read the speeches, President after President came forth and said our responsibility is this. And President after President said we are no longer two worlds, the developed and the developing world; we're now linked as one world. We're linked by trade. We're linked by finance. We're linked by the environment. We're linked by disease. We're linked by migration. We're linked by crime. We're linked by drugs. We're linked by just about any measure that you can imagine. And, finally, we're linked by terror. And that became apparent on September the 11th when, for those that thought there were two worlds, we were rudely awakened as the World Trade Center collapsed and this imaginary wall came down.
And so the Presidents at the year 2000 talked of one world, and they said we'd better be ready as we go forward to think not in terms just of the comfort of the rich world, but we must understand that poverty somewhere is poverty everywhere; that disease somewhere is disease everywhere; that crime somewhere is crime everywhere.

In the year 2025, Germany will have less people than it does today, and they will be older; Europe country for country will have less people than it does today; and our country will be older, except that we'll be embellished half by immigration and half by natural increase.

But throughout the rich world, there will be waves of immigration and changes which in many countries people are significantly concerned about. I've just been in California for the last week, and it has been some time since I toured the state. But I can give you a firsthand report from the field that if you don't speak Spanish, in many parts of it you are severely limited in terms of the ability to converse.

And you know this, and you know that it is true in our Southern border, and you know the important impact of Latin America on our own country.

And so with these objectives in mind, in Monterrey at a meeting and in Johannesburg at another meeting, the rich world and the poor world came together and they said we've got to deal with this. And the poor developing countries came forth not because they were insisted upon by anybody like us or someone who was putting mandates on them. But they came forth and said we have to do several things if we're going to attract business, if we're going to attract jobs, and if we're going to grow.

They said the first thing that we have to do is to strengthen capacity and government, education of government officials.

The second thing they said you have to do is you must have a structure, you must have a legal and judicial system which sets a framework in which business can operate. You must protect rights. You must protect the property rights. You must have a contractual environment in which people can operate and know that they can realize their correct views.

The third thing they said we must have is financial systems which work, financial systems that are clean, that don't favor just a few families, and that are coherent, from micro credit through to financing larger corporate structures.

And the final thing they said is that unless you combat corruption, unless you confront this cancer which is in our societies, there's not much that you can really do that's effective. And that, of course, is what many people have found in relation to developing countries.

And let me say quite quickly that developing countries are not the only people that are involved in corruption. Until three years ago, in the majority of European countries you could deduct bribes for tax purposes. So it was hardly perceived in many European countries as being morally wrong. You could, in fact, buy your business and make it a deduction for
your own tax purposes. In the last several years, we've have an OECD convention which has, fortunately, outlawed this and recently a UN resolution that is in keeping with it.

Then the rich countries said, if you do that, we will help you build capacity, we will open our markets for trade, and we will increase development assistance. Well, what has suffered, of course, in the time since that agreement was reached is that some capacity building has been going on, but we have had a stop in Cancun in terms of the adjustments, if you like, to trade, happily now reopened by Bob Zoellick and Pascal Lamy, the negotiators for the United States and for Europe, giving the possibility of a reopening of the trade talks. And the third thing was that they said that we would increase aid.

Now, what is aid at the moment? You have a $35 trillion global economy, and we have roughly $58 billion of aid, of which only about half goes in cash. And what are the comparisons to that?

Trade restrictions on agriculture--trade boosts on agricultural products are not $58 billion. They're $350 billion. Rich countries--the United States and Europe--have subsidies and tariffs which protect agricultural products, which would be the main export from developing countries, to the extent of $350 billion. And we now spend close to $900 billion on defense.

So you have this lunatic situation in that you have everybody coming together at the time of the Millennial Assembly saying the really important thing in terms of stability and in terms of growth is to reach out and build the developing world on an equitable basis. And our response is $58 billion in aid, of which only half goes in cash; $350 billion to stop trade, essentially, in agricultural products will make it so expensive that it's very difficult to export; and, finally, in order to protect ourselves, we spend close to $900 billion on defense, of which our own country spends $450 billion.

And the position of the Bank is very simply this: that if you really want to have stability, if you really want to fight against instability, or even terror, the best way to do it is to project hope and growth and business. And that is where business comes in. Business comes in as a necessary element both in influencing our own government and other governments to try and take a more proactive view in relation to developing countries; and, secondly, to seek out opportunities in those developing countries, but only if they make good business sense. I'm not suggesting that we should turn business into a charity, but to take a view in terms of what are the developing countries and seek investment, which has continued, interestingly, right through this period of direct investment, still on the order of $120 billion a year. It did reach at its peak $160 billion a year.

So this is the interest of business, and what we're finding through the work of IFC is that there is a growing appetite and a growing interest of business. It varies, of course. Probably 90 percent of it goes to 12 countries. But we're seeing growing interest in Asia. Of course, the countries that you know that have become very competitive, the so-called...
tigers have been there for some time. But even in South Asia now, in Pakistan, in Bangladesh, certainly in India, we're seeing a growing awareness and a growing interest. We're seeing in Central Asia a growing interest and in parts of Latin America a growing interest.

It is becoming, so far as we are able to see, a fascinating opportunity for corporate America to enter this marketplace with socially responsible development.

So we have now a situation of the two worlds fused into one. Developing countries will have double the rate of growth that there will be in the rich countries - and we will see a five, six times increase in the current level of business in developing countries over the next 45 years.