World Bank Executive Director, Joong-Kyung Choi, Moderator: Now, it’s time for today’s guest of honor Dr. Wolfowitz, the President of The World Bank Group. He is a well-known diplomat and foreign policy expert and he has accumulated various experience in the field of diplomat and politics and he got the bachelor degree in Mathematics in Cornell University and got a PhD degree in Political Science at the University of Chicago.

Now, he is commenting here on the fight against poverty. Now let me introduce Dr. Wolfowitz.

[Applause]

Paul Wolfowitz: Thank you Dr. Choi, Minister Chung, Deputy Minister Kim, Chairman Hyun, President Hong, distinguished guests, ladies and gentlemen.

(In Korean)

[Applause]

Let me translate, it’s always good to be back in Korea. And I have been here many times, the first time was 25 years ago as a State Department Official. I have been here as a State Department official, I have been here as a Defense Department Official, I have been here as an academic, this is my first opportunity to be here as President of the World Bank, and I must say I think Korea for reasons that our previous speaker just elaborated has a very special place in the history of The World Bank, in the hearts of those of us who work at The World Bank.

I would like to thank President Hong, in the Korea Trade Investment Promotion Agency for organizing this seminar this morning. I think the fact that you work so hard over breakfast is a sign of part of what’s made Korea successful. I am also grateful to the Ministry of Finance and Economy and the Ministry of Commerce, Industry and Energy for generously co-hosting this breakfast discussion.

The World Bank particularly appreciates its partnerships with KOTRA and with the Korean Development Institute, Korea’s most prestigious development research organization. And I am happy to see that my old friend and Johns Hopkins alumnaus Chung Won Joong has joined us also, thank you for being here.

We believe these partnerships provide us a window in Korea’s best private sector practice, trade promotion, development research and knowledge.

I would like to just say a word before I go into my remarks to express deepest condolences on behalf of the whole World Bank Group but also on behalf of myself personally, on the occasion of the tragic death of Dr. Lee Jong-Wook, Director General of the World Health Organization. It’s a great loss for the development community worldwide, Dr. Lee was an extraordinary health champion for the world’s poorest people. His leadership and dedication to public health issues were critical to address in global health problems. He was a friend and I feel this loss personally. I still remember our first meeting when he said,
the most important thing is make sure our institutions tell it like it is— he did tell it like it is and we will miss him. We will do everything we can to honor Dr. Lee’s legacy by continuing our close cooperation with the WHO.

As I said, although this is my first official visit to Korea as President of the World Bank, it’s far from my first visit to this country. And my first visit was 25 years ago when I was the Head of the US State Department Policy Planning staff and I came here for planning talks and I remember at the time Ban ki Moon was one of the junior officials with whom we interacted on that occasion, he has gone on to bigger and greater things, as have so many of you; its a pleasure.

Korea is a country with a remarkable story to tell about successful development. Only 50 years ago, Korea was a small poor country with a closed economy. It was emerging from a long period of colonial rule, the devastation of World War II, followed by the devastation of the Korean War and a state of virtual economic collapse. Relied heavily on an outpouring of foreign assistance to recover and to rebuild. In 1960, the average Korean above the age of 25 had a barely three years of schooling. With virtually no natural resources of its own and so many obstacles to overcome, Korea’s prospects in the 1960s seemed dim. Indeed, I remember when I first started reading development literature in the mid-1960s, it was not uncommon to find Korea referred to as a hopeless basket case.

Forty years ago, there was a word, oriental fatalism, described the attitude that was prevalent I guess, even then, in this part of the world, that life had been miserable for 4000 years; it would continue to be miserable for another 4000 years. And Oriental fatalists believed nothing could improve; fortunately they were wrong, dramatically wrong. As I said back then, many observers thought this country was doomed to failure. They said it was a country without natural resources, a country burdened with corruption and it’s almost amusing to read it now, but you can go find in the literature, a country burdened with a Confucian culture, that taught the gentlemen don’t work and they express their contempt for manual labor by wearing white clothes and growing long fingernails. That was a long time ago. Now many people say that same Confucian culture is one of South Korea’s biggest strengths, that it’s the very reason why this country and so many others in this part of the world, became outstanding economic successes. But in truth, I think the success is attributable elsewhere and it is the product of sound policy decisions and we have just had a wonderful exposition in that history. Sound policy decisions that unleash the creative potential and the energy of the Korean people, that amazing self-discipline and what is often called Korea’s Tae-kwon-do spirit or courage in the face of adversity.

In many times I have been to this country over the years, the progress I have been able to observe is simply stunning. By the 1980s Korea had transitioned from a borrowing country to a donor country. As everyone here knows so well, the economy suffered a severe set back during the Asian financial crisis in 1997 and 1998, but the recovery since then is also spectacular. And I think credit should be given not only to the economic policy that enabled this country to recover but to the political structures that allow those decisions to be made.

Today, Korea is the world’s 10th largest economy and a full member of the OECD. Its citizens stay in school longer, live longer and are more prosperous by far than they were 40 years ago. For example, by the year 2000, the average Korean over the age of 25 had gone to school not for 3 years but for more than 10 years; that compares to 9 years for Japan and the United Kingdom, two of the most advanced countries in the world.

Korea advanced two to three times as rapidly as major developed countries. They also advanced more swiftly than other major developing countries including East Asian tigers. Koreans know that they have a strong economy and they are world leader in technology and in education, and the demonstration effect from Korea’s economic advances helped build momentum among countries in East Asia and around the world; who wanted the same success and it’s still at work.
I was in Pakistan in August and meeting with some people from a small village and they’d had in some ways dramatic development success on a small scale in their village, and I asked this one woman, if she thought that their success could be reproduced elsewhere in Pakistan; and I should point out this is was a woman who didn’t speak English so I have to assume she wasn’t reading the Financial Times, she wasn’t reading the *Wall Street Journal* but she knew, she said why not, she said Japan has done it, China has done it, why can't Pakistan do it. What I could have pointed out to her was the reason China did it was because they saw Korea doing it and they saw Taiwan and Singapore doing it. You’ve really had a big effect far beyond your borders.

One of the strengths in the World Bank group is that we offer more than just loans. We are also able to learn lessons from the achievements in one country and share them with other countries that want to follow in their footsteps. Korea is just the kind of model the World Bank likes to be able to point to, when working with other countries.

Our work with the Korean ministries, with KOTRA, with KDI and other partners, provides a unique opportunity, share lessons from Korea with other developing countries in the region and beyond. So, what lessons can be learned from them? How did Korea manage to overcome oriental fatalism? Can we use those lessons to defeat today’s Afro-Pessimism. One answer is that Korea persevered with its approach even though it meant making long-term costly commitments by both the public and the government. The government of Korea pursued three actions that help lay the foundation for strong economic performance.

First starting in 1960s, Korea has been investing in its people, particularly by spreading access to education at all levels from primary school through tertiary education. And that power point slide that you showed Dr. Kim, with the education advances is, that’s a stunner. I want to take it around the world with me: it’s quite a story. Today, 89% of college age Koreans are enrolled in university, that compares with 83% in the United States, 55% in France and only 63% in the United Kingdom. And the young people performing well, they rank second in international examinations on mathematics and science. Second, Korea also invested in the physical infrastructure needed to support an export oriented industry, including transport. Third, Korea took steps to sustain the development of the rural economy to help prevent income inequity between the urban and rural areas. That effort didn’t just help poor people in rural areas; it also helped the urban areas by preventing or limiting the spread of slums in urban areas. Once the government had laid a structural foundation, they pursued two approaches to spur economic development. First, they led an initiative for export led industrialization. Their strong partnerships with new and old private firms was critical to success. Businesses offered the entrepreneurship and managerial talent needed to drive Korea’s rapidly expanding export industry. The discipline at having to compete in international markets, instead of competing at home for political favors, produced industries that make quality products efficiently.

Korea is a compelling example of the importance of the private sector to promote economic growth to create jobs and to offer opportunity for poor people to transform their lives and to give their children a better future.

Second Korea made itself not only a strong exporter, but also a leader in the information technology field. Universities and research institutes such as KDI helped to expand the country’s capacity information technology and any other technologies in the early years. Their major companies began to expand their research and development capacity. This research capability is now one of this country’s greatest assets. Korea is I think the world’s most wired society, thanks in part to far sighted investments, but also to the individual energy of Korean people. It has by far the largest proportion of Internet subscribers in the world and I am told that 100% of your schools are connected to the Internet. Korean researchers are already among the leaders in certain areas of electronics and telecommunications, and they are now branching into new hi-tech fields. I suppose one could say you better do that because there is another one of Dr. Kim slide show that Chinese are chasing you, they are chasing hard. You have got to go to a higher level. You didn’t put it that way, but that’s what the message is, right.
Yesterday, I had the opportunity to visit something called the ubiquitous dream home, Korea’s IT Innovation Center with Minister of Information and Communication, Mr. Roh. It was a very impressive exhibition of ideas, some of them absolutely intriguing; some of them may not meet the market test but the only way you know this, is when you have ideas. We saw a robot that would clean the house after you leave, saw some incredible applications already on the market of cellular telephone technology. And indeed I think with a population so Internet savvy and so wired to the latest technology, you have maybe the greatest platform for market testing of new communications and information technology products anywhere in the world. I think that is where the future lies for Korea.

Korea’s leadership brings with it certain responsibilities and today many countries particularly in Sub-Saharan Africa, are still where the Korea was 40 years ago. Except they are not heading up, they may be heading down. These countries could learn a great deal from Korea’s experience. For the World Bank group and for the international development community, Africa poses the single biggest development challenge. Nearly half of its population lives in what we define as extreme poverty, that is to say a dollar a day, $365 a year or less. Making up the region with the highest proportion of poor people anywhere in the world. It’s a home to just a little more than 10% of the world’s population, but it has 60% of the people in the world living with HIV AIDS. 15 million of its children have been orphaned by AIDS, 15 million that’s more than the total number of all the children in this country, its more than the total number of all the children in France or in Germany and 34% of boys and 44% of girls in Sub-Saharan Africa don’t even complete primary school.

Let me say, a word though about what continues to amaze me and impress me in all kinds of settings is the spirit of human beings, of individuals to overcome adversity when they are given a chance. When you have the opportunity, it’s amazing. Two weeks ago we entertained in Washington, a group of AIDS orphans from Uganda called The Children of Uganda- 24 of them who produced the most incredible exhibition of African song and dance, it was absolutely wonderful. Beautiful music, beautiful dancing, most amazingly of all beautiful smiles. You would never know from enthusiasm and joy that these young people project, that every single one of them had lost parents. One young woman had lost four of her five siblings as well. These are kids who’ve had enormous tragedy in their lives, but thanks to an American foundation that supports some thousand AIDS’ orphans in four different orphanages where these kids come from, they have a chance to have a better future and they work hard at it. And every single one of them has plans to go to university. That’s what people can do when you give them a chance and I think we all have an obligation to give African children the same kind of chance that you have given your children.

One of the places that has to start is with education. Today 34% of boys and 44% of girls in Sub-Saharan Africa don’t even complete primary school. Again, compare that to the chart we saw on education system here, but it can be changed. We have something called The Fast Track Initiative, which is meant to be a partnership with lower income countries, many of them in Africa, where they commit to a long-term educational plan and the donors commit to long term funding. If you stop and think about it, the reason you have to do that is there is no way you hire teachers and build up schools, if you’re dependent on year to year hand outs -this year from USAID, next year from the UK maybe next year from the World Bank. You need some kind of long-term financing and we are trying to provide that long term financing in return for commitments to getting kids to school.

The challenges in the Africa are simply enormous, but for every Afro-Pessimist today, I think there were more than one oriental fatalists 40 years ago. And in many respects Africans are already starting to prove the Afro-Pessimists wrong. Today there is some 15 African countries that have had sustained real growth median of 5%, over the last ten years. That’s a story that’s not total nearly as well as the story of AIDS and suffering and poverty, but it’s a true story. And African seems to be aware of it because in a Gallup poll taken late last year -- worldwide poll taken among 50,000 people, Africa came out as the most optimistic region in the world. People were asked whether they thought 2006 would be better than 2005, to my surprise actually 57% of the Africans expected this year to be better than last year. It’s slightly better than East Asia at 54%, it’s a lot better than Europe, which was down around 30%. And, you know, the Europeans are very prosperous, but not very optimistic. The Africans seem to be the other way
around. And I do think they have reason to be hopeful, not just those statistics I mentioned about economic growth in some 15 countries.

Ten years ago experts said that it would be impossible to connect any large number of people in Africa to telecommunications. The needs were simply too large, the distances too large, the infrastructure too weak. Markets didn’t work but instead of listening to the pessimists, the wireless industry went ahead and they have now connected more than 65 million subscribers across the sub-continent. That’s still only 10% of the population but it’s a huge increase in a short time. The private sector of the World Bank group, the International Finance Corporation played a role in that effort. IFC worked with Celtel International for more than a decade to help them invest 600 million dollars in 13 African countries and reach more than 2% million subscribers. Just 2 years ago, experts left Africa’s Oil and Gas Sector and threw up their hands. They said corruption was so pervasive there, you couldn’t possibly make progress in promoting transparency and accountability in big energy contracts. But since then, more than a dozen African countries have endorsed or implemented what we call the Extractive Industry’s Transparency Initiative—an initiative to commit governments to transparency in the revenue accounts from oil and so that people know where the money is going.

The situation isn’t perfect but it’s an excellent start in such a short time and hopefully -- I guess I have to say hopefully because we are long way from the finish line, hopefully, Nigeria won’t end up repeating the experience of earlier years when most of that oil money ended up in Swiss Bank accounts. Speaking of progress, by the way, I am happy to say, that back in September, Switzerland returned half a billion dollars from one of those bank accounts that belonged to the former dictator, Abacha, and returned that money to the people of Nigeria; that’s progress also. And indeed, when we talk about corruption, let’s not talk about it as though that’s their problem, that’s the African countries, that the developing countries. Actually corruption, as we well know from the recent trials in the United States is not limited to poor countries and the corruption in poor countries is often not limited to their people. For every bribe taker there is a bribe giver and very often the bribe giver comes from a rich country. Probably, I hate to say, it’s some of them from your country; I think we all have a responsibility to crack down. In fact, African leaders are cracking down. President Obasanjo of Nigeria has put the Inspector General of Police in jail on corruption, several other higher officials in Nigeria; the Nigerian Government is on a real campaign against corruption. Last year, just shortly before my visit to South Africa, President Mbeki had dismissed his Deputy President, not because the Deputy President took a bribe, but because one of his key advisors took a bribe. The President of South Africa took some action but so as far as I know, the European company that gave that bribe has still not been punished in anyway at all; that’s wrong.

Another area of progress is that African countries are now starting to benefit from the recent 37 billion dollar Multilateral Debt Relief Initiative for Africa, that was recently completed. It started at the Glen Eagle summit of the G8 Countries in July and finished at our Spring meetings in April. With the right policy environment, those countries should be able to use the funds they now saved to enable more poor people to build better future for themselves and for their children. In addition to that success with Switzerland, Nigeria has also paid off the debt incurred by the old military dictatorship and started to build a policy environment to make the best use for the 750 million dollars in -- their government will now save each year on debt service payments. They have introduced what they call a Virtual Poverty Fund to make sure that, that money goes to the people who need it and that it’s tracked in a way that’s publicly accountable.

Any explanation of Korea’s success and it’s nice to hear people thanking the World Bank and believe me especially when, some people ask what has the World Bank accomplished? I would like to say we are responsible for your success, 5.7 billion dollars worth. But we know and you know that we were a helping hand but you did the real work. It could not possibly have been done without the good policies of successive Korean governments and hard working Korean people and the same is going to be true in Africa. It’s Africans themselves who have to take the lead but who increasingly are taking a lead in turning their continent around. But there too, I am proud to say, that the World Bank group is working as a partner with the African countries to support and to improve the lives of their citizens. At our 2005 Annual Meetings, last September we launched the World Bank Group Africa Action Plan. That plan involves 25 priority initiatives to support African countries and their own individual National Strategies to accelerate
growth and reduce poverty. The plan includes commitments to support improvements in governance. For example, with our support the Nigerian Government has launched the anti-corruption efforts that have resulted in 40 convictions, including as I said earlier, some high-ranking officials. We are also doubling our infrastructure investments, which were declined sharply in the 1990s. They were 600 million dollars in the year 2000, they have reached 1.6 billion in this fiscal year and by fiscal year ’08, investments are projected to reach to 2.4 billion in infrastructure in Africa.

The World Bank’s support to Africa is also showing some results. We supported Ghana’s efforts to increase telephone access from 5% of the population two years ago to 15% today. Still low numbers but a very positive trend and we’ve helped accelerate an e-Ghana project to create jobs in global information and communication technology services. Eight years ago, only 30% of the children of Ethiopia were enrolled in school. The bank has been a leading supporter of a group of eight development partners to support an educational reform program in Ethiopia and by the end of 2005, enrollment had more than doubled, from 30% to 65%. Africa is making strides, in some places great strides in addressing it’s numerous challenges and I am pleased the World Bank Group is working with them, but I also know that we can’t do it alone. African government, civil societies and private sectors are all critical too. But they can’t do it alone either. We need more bilateral involvement and not just from traditional donors. We need the valuable experience of new donors like Korea.

Korea is an important and increasingly more important partner of the World Bank Group. It’s been a regular contributor to the International Development Association or IDA, the soft lending arm of the bank, since 1977. And Korea has plans to establish a 30 million dollar trust fund with the World Bank. Mr. Choi, who ably represents Korea on our Board of Directors, and I thank you -- is an active shareholder, who brings a strong voice to the international debate on pressing development issues. And he brings the uniquely valuable perspective of this country. In the global arena, Korea has announced plans to double its total overseas development assistance from 0.06% of GDP to 0.1% of GDP by 2009. Needless to say, I’d like to see more but that’s the right direction. And like other emerging donors such as China and Thailand, Korea is showing more interest in Africa. I am pleased that President Roh announced in his recent trip to Africa, that Korea will triple its aid to the continent raising it to a hundred million dollars by 2008.

I know that among the 102 field offices in KOTRA’s global network, several are based in African cities like Johannesburg, Lagos and Nairobi. Those offices can help create Korean companies expand their investments in Africa and provide urgently needed assistance to emerging entrepreneurs throughout the continent. KDI and other Korean educational institutions also have a valuable role to play in supporting research, expert-exchange programs, capacity building and learning programs. Perhaps the most important resource that Korea brings to table is not just dollars or technology or capacity but the ability to extract lessons from your own success and share them with other countries. Korea’s primary emphasis has been on sharing experience with Asian countries but I am also pleased to see your interest in Africa expanding. Your engagement in Africa is vital because that’s where the challenges of the poverty are the greatest. I’ve every hope and a great deal of confidence, that 40 years from now the international community will be able to look at some countries in Africa, may be many countries in Africa, in Ethiopia or Nigeria or Burundi and say, “Well, you have proven those Afro-Pessimists thoroughly wrong.” But there is still 40 years of hard work ahead of us to get to that point and we urgently need Korea to be part of that effort. Confucius was known to have said, “Study the past, if you would divine the future” and Korea’s past clearly holds valuable lessons.

Dr. Kim had two very good questions at the end of the briefing, and I’m not sure I know how to answer them. I think the interesting part is, you can’t take a single blueprint from one country in one time -- you can’t even apply it to Korea now; as you pointed out, the world is different. But I think what you can show is that success is possible, that the basic ingredients of success can work. And for providing a valuable model for other developing countries, those of us in the development community want to say a great big thank you to Korea and it’s people -- or perhaps, I should try to say it in Korean [Korean Language]. Thank you.
[Applause]