Global Leadership Conference: Asia and the World Economy

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by
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MR. Graham Allison: We have a few minutes of Jim Wolfensohn, and we would like to take advantage of all the time that we have with him.

He has conceded or agreed to, in addition to making a few comments, answer questions on various topics, and we have mentioned to him that a number of the topics that have already arisen in the conversation will develop into a lively discussion. And, actually, Stan Fischer is also here with us now, so if the question is one that Jim might decide he wants to defer it on to Stan particularly for what was described today as the great victories in the IMF's and Treasury's actions in rescuing the Asian meltdown. I think that is the way it was said. But it may have been otherwise. You might want to say something, Stan.

In any case, for this group, certainly Jim Wolfensohn does not need a long introduction, but I am going to give him a short one, in any case.

Jim has been a visionary leader of the World Bank and only the third of the World Bank's Presidents to get a second term. His prior lives actually are all about what this conference is about: leadership, Asia, the global economy, the private sector, and the public sector.

Indeed, in his multiple lives, he has been a very successful Wall Street investment banker, in addition to his current role as a leader of a crucial institution in the public sector, and of all things, he is an Asian expert, having been born in Australia in the first instance, and a graduate of Harvard Business School. So who could be better fit for the assignment today?

I think one of the most impressive things about Jim has been the way in which he's responded to the very severe criticism of the Bank and the global economy and the Bank’s way of addressing the question of the people who are left behind, criticism evident during the Seattle protest and reflected by the Washington events when the Fund and the Bank met there.
Jim has stood up and said that maybe the Fund is not doing everything just right, that maybe the international community is making mistakes; but that relative to any other phenomenon, the global economy and the role of the Fund and the Bank in it have moved more people from poverty to viable living standards than ever before; that that is not a reason to rest on our laurels, and that there is lots more to be done. And rather than simply dismissing the subject, he has actually been bravely addressing it.

So we are very glad that he has taken out time between an event in Washington and an event in Berlin tomorrow to catch us in between. So we welcome Jim Wolfensohn.

[Applause.]

MR. WOLFENSOHN: Well, thank you very much, Graham, and welcome to you, Stan Fischer, who is going to answer all the questions. It is a pleasure to be the warm-up for your session, and it will give you a chance to capture the mood of this very distinguished audience. I am happy to see so many friends here.

Minos Zombanakis and I were commenting on the years when we went to the international meetings together. We think we are still the youngest and most vigorous people there, but I am afraid our age decrees that. But it is a pleasure to see him here and see so many other friends.

I thought, at Graham's suggestion, that I would start with a very brief introduction, and if he is correct, there will be lots of questions, and if he is not, I will give another speech. But the idea of today, as I understood it, is to give some sense of how we see both East Asia and South Asia and to set a bit of a framework for discussion.

Of course, the first thing that is important, which all of you know, is that in terms of size, the populations of East and South Asia are crucially important for us. As you know, we are concerned principally with the issue of development, and when you say that 800 million of the 1.2 billion who live under $1 a day live in those two areas, clearly for the World Bank these become highly significant areas of focus in our work.

Not only are they highly significant today, but as we look forward to the year 2025, they become even more significant on a global scale.

I think you all know the current statistics that we have got 6 billion people in the world, about 4.8 billion of them living in developing and transition economies, and 60 percent of that 4.8 billion in Asia and South Asia.

In terms of contribution to GDP, the whole of the developing world comprises around 22 percent. But the interesting question for us is what happens in this period that goes forward. I will not bore you with the statistics on who does not have water and who does not have power and so on. I guess you are all familiar with that.
But the thing that is keeping us focused is that in the next 25 years our planet is going to add 2 billion more people, and that will take us from 6 billion to 8 billion. And only 3 percent of that will go to the developed world -- maybe 50 million. All the rest goes to developing countries -- all the rest.

In East Asia and South Asia, it will grow by about 23 percent. South Asia will grow nearly 50 percent. Therefore, half of the increase will go to East Asia and South Asia with, as I repeat, 50 million going to the developed world.

So, given the numbers, we have a real challenge in terms of poverty. Estimates vary as to what will happen in terms of GDP over that period of time. My people variously are giving me estimates of 2025. Today when I called them to get the numbers, they said, "We don't have estimates for 2025." But I can tell you the last time they told me, they said that developing countries contribution to GDP will reach 30 percent of the world's GDP up from 21 percent today.

So you have this image of a developing world which is growing very substantially in terms of numbers and growing disproportionately in terms of rate of growth vis-à-vis the OECD countries. This makes it for us a very, very important area.

Now, within the area, I think you know that in talking about these countries and these areas, there are two dominant countries--one is China and one is India--but with the superdominant one being Japan, which, at 4 trillion in terms of its GDP, dwarfs the whole of the rest of the region. In fact, in today's numbers, East Asia and the Pacific, excluding Japan, generates 1.8 trillion in dollars against $4 trillion singly for Japan, and with South Asia at $560 billion.

So you are talking here, in terms of proportion, about two major countries in the developing world, China and India--India being in the order of 425 billion, China close to a trillion; Japan 4 trillion, and the U.S. 8 trillion.

So it is important to get a sense of scale as we cite the magnitude of these GDP’s: Korea-, which we talk about as the giant: 300 billion; Thailand- 100 billion. Indonesia formerly 200 billion: now down due to the exchange rate to somewhere between 100 and 200 billion; and all within a global economy of 28 trillion.

So it is very important that you should first keep in mind the issue of scale and the potential in terms of growth. For us, this is particularly important due its implications on the issue of poverty and equity. So that is the first framework -- the first building block.

The second building block that I would like to put to you, exposed by the East Asian crisis is that the issue of growth alone is not a guarantee for consistent growth or for lack of problems. In fact, what we saw in the East Asian crisis, which transmitted itself so quickly around the world, was that growth had been terrific, but that the structure had become stressed--the structure in terms of the financial system, in terms
of supervision, control and monitoring; the legal and judicial system, which did not protect rights; the interlinkage between politics, government and the private sector; a great increase in corruption—all of which were going on concurrently with this growth and which in two countries led to a change of government, one rather vigorous turnover in the case of Indonesia, and the other by electoral process in Korea’s case.

Read President Kim's speeches. President Kim was saying: I am coming in because the structure is no good. The structure of the holding companies is no good. We need a better legal system. We need a judicial system. We need protection of individual rights. And we have got to get rid of the corruption.

And, of course, the same was said in Indonesia, where Gus Dur (Abdu Brahman Wahid) is now mandated, and with Suharto on house arrest. That marks a huge change from visiting Indonesia three years ago in terms of the expectations and even the ability to talk about these subjects.

So there is now a new focus in Asia, which is important but which is at risk of getting less attention than it should when in the shadow of economic rebound. Despite the 6.5% growth rebound in 1999, with Korea a case in point growing 10% having slid by 7.5% along with Thailand, Indonesia, Maylaysia and the Philippines in 1998, we cannot ignore the underlying hazardous problems as reflected in Indonesia, in terms of the ability to confront some of these structural issues.

So although economic development has significantly improved in the region with recurrent growth and a remarkable turnaround last year, one of the things that troubles us is that part of the analysis that was given at the time, which was an analysis of inadequacies in structure and lack of protection of rights, seems to be less active and less in the public eye today.

So for us there is that second issue now, and it is of interest to us because 15 million more people went back into poverty -- that is, under $1 a day, and a significantly larger number under $2 a day. And the issue for us is: What is the turnaround, what is the pace of the turnaround, what is the potential for turnaround in a country, in an area where you not only have very substantial poverty, but where you have also very substantial inequities in terms of the Gini coefficients, which are pretty close to those of Latin America and to Africa. So the issue of equity and the issue of poverty for us are front and center.

And then, finally, let me just touch on the issue of the digital divide as another area that is of concern to us.

In my last trip to Asia, during which I went to Korea, Thailand, Indonesia, East Timor and Vietnam, the number one item on the agenda, including in East Timor, was technology. This forces us to recognise that the technology gap cannot be allowed to grow and, in fact, that it is a key to future prosperity and development.
And so for us, what we are trying to do now is to take account of how we can work in East Asia and South Asia, notably in India, where there have been remarkable technological advances and gains in terms of really grabbing hold of these new developments. We at the Bank are trying in every way we can to see how we can take technology in a new age and see how it can be applied in these countries -- not under our leadership, but by giving support to both government and the private sector in those countries. That is another whole area of enormous importance to us.

And, finally, as we approach all these countries, we are looking at them -- we hope by now -- in terms of a comprehensive framework of development. And by that we mean something in which you are not looking just at project after project. Instead, you are looking at something within the sequence of a whole series of elements which go into the development process, starting with structure, and moving, of course, to education, health, infrastructure, rural strategy, urban strategy, environment and culture. These developments are strung together, not by us but under government leadership as they try to bring together the elements of a medium-term plan, not through central planning, but as an attempt to try and get ownership within a community, and where we recognize that the only way to meet the challenge of these next 2 billion people is if we can bring together the work of the governments, multilateral organizations, civil society and the private sector. And we must improve our game a lot of promoting this joint participation.

And what is disheartening for me are the complaints in the streets from some sections of civil society, when for five years we have been reaching out to civil society on the very issues that they attack us on, and where I find the discussion not threatening but often in the form of abuse which is destructive to the dialogue between us and to the future of the Bank.

So, for us, Asia is very important and very large with a huge segment of the poor people. These are people in need of strengthening through the words and deeds of their own governments -- not those imposed by the Bank -- imposed by people in the streets in Indonesia, and imposed by the electorate in Korea. As we look forward and face this challenge of technology, it is important to address the issues and modalities together, in a more comprehensive and a more effective way in order to bring about the process of development.

For me, the process of development is not an academic exercise. The issue of the next 2 billion people and the next billion in Asia is not just an issue of economics: it is an issue of peace. If you do not have equity, if you do not have adjustments in terms of poverty and if you do not have hope, you will not have peace.

So the issue goes far beyond the econometric model. It is an issue that concerns what sort of globe we are going to live in. And I think that what happens in South Asia and East Asia will be central to this process.

So I thank you for allowing me to do the introduction for Stan, and I will be glad to answer the simple questions.
MR. : Thank you very much for such a broad sweep.

MR. : Jim, quite by coincidence, last Wednesday morning we had a long meeting with your representative in Manila who wrote an objective report about every aspect of Philippine development, including a special section on corruption that was repressed by President Estrada.

Do you do this for every country? Because, if so, for every investor they should read these kinds of reports.

MR. WOLFFENSOHN: We are willing to do it for every country, and I think we now have the most effective unit of any of the multilaterals on the issue of corruption.

You should understand that until three years ago, when Michel Camdessus and I decided that we could talk about it, I had been admonished from the first day that I got to the Bank that you do not mention the C word. I said, "What is the C word?" They said, "Corruption."

And I said, "Why can't you mention corruption?" And they said, "Because it is political." And in the annals of the Bank and the structure of the Bank, you were not allowed to talk about political issues.

And I think Michel and I reached the same degree of frustration at the same time, and so we redefined corruption as a social and economic issue.

At the next Development Committee meeting, it was the number one item on our agenda, and every Minister spoke about it. That included every Minister -- whether from a country that might have had a question mark on it or that certainly did have a question mark on it -- because everyone recognized that the corruption issue was probably the single most powerful political issue around.

Corruption is also arguably the most important development issue around in terms of both investment from outside and investment from within. So what we have done is to say that we are ready and anxious to work with any country that accepts the methodologies that we bring to, first of all, shedding a light on corruption, and then on the methods that are used to strengthen governments, to diminish regulation, to install transparent bidding processes and all the other useful policies,

There are 47 countries in which we are now operating, but it is by invitation. We basically do not go to a President—I have only done it once—and call him or her a corrupt something or other.

Actually, this is a true story. A President came to me at a private dinner, and he said, "Will you level with me?" And I said, "Well, you can go down in history as the most corrupt President in the history of your country or you can turn around." I said, "I don't much care which it is because I am not a citizen. But you will just have to see how you are remembered." And this particular guy decided he wanted to turn around, so we are involved in a soup-to-nuts process of change.
I will not say that it is easy. When we first started to talk about corruption, people would shrug their shoulders and say, well, it has been around forever, the power is there and so you cannot do anything about it.

But I think the power of the people on the issue of corruption is stronger, and I am moderately hopeful, not that overnight you will establish preeminent ethical standards in every country, but I see a lot of movement on the corruption front. And the one thing which is remarkable is that even if we're not asked in, you now talk about it with everybody. Even with the countries that we would regard as most corrupt, we are able to talk about corruption.

If you take the thing that we have done recently on the Chad-Cameroon pipeline, which, according to Transparency International, are two countries that are at the lower end of the ethical scale, the whole basis of our discussion regarding the pipeline was to try and construct something that would be transparent, that would allow the inflow of funds to go into a single repository account - with a dozen outsiders, including two extra NGOs that we just added last week, with an international accounting firm accounting for it, and I tell you, that would have been inconceivable without the power of the people and the power of discussion. And so I was much encouraged by this, and I can give you lots more examples.

Having said that, it has to be voluntary and, more than voluntary at the leadership level, you really in our experience need to get the community involved, because they are the ones that can bring about the change.

MR. SEMMOTO: I am Sachio Semmoto (ph), a Japanese entrepreneur and former professor. I would like to ask one question. There is a huge gap between the United States, and parts of Europe, who are developing technology and which achieved tremendous success in economic growth, and the majority of Asian countries. And if I look at the Japanese situation, the major reason behind this is information technology and entrepreneurship.

And as for technology, I think we can come to some sort of solution, but as for entrepreneurship, many of Asian countries are lacking it, which prohibits generating enterprise.

With regards to the Japanese situation, the Government has done a tremendous job in preparing and changing the financial systems but the great difficulty lies with the culture or sense of values embedded in that society.

As the leader of the World Bank, how do you tackle these kinds of very difficult issues?

MR. WOLFENSOHN: I am having trouble changing 10,000 people inside the Bank in terms of the culture of the institution, so to suggest that I can answer that question is something that I find very difficult.
I think changing a culture in a country is a result of a number of things. First of all, my observation in the countries that I have visited is that, there is a recognition from the top that something needs to be done. Secondly, a lot of your bright entrepreneurs are now in California or in Northern Virginia. Masayoshu Son, who runs SoftBank--and I think there is a representative from SoftBank here -- while he did not develop the technology initially in Japan, now has over 300 companies in his portfolio, and he is seeking to bring them to Japan. That is another way that you might be able to do it.

The availability of funding and tax laws that go with it and a culture of risk is something that this country has preeminently. But there are signs that it is changing. I have just been to Jordan, which did not have that sort of culture, but the King is a new King and he is trying to generate that culture.

Their neighbor in Israel is a phenomenon in terms of technology. India, in terms of technological development, is becoming a significant international player.

I think the marketplace will do it, frankly. I think if there is enough pressure on Japan that you feel you have got to help develop the culture, you will do it in a Japanese way. I do not think the World Bank can come in and help you, but I have a lot of confidence that the Japanese and the Koreans and--I might just share with you that I had a meeting with the Secretary General of the Communist Party in Vietnam on this subject, and he was stoic in his questions to me, and not very forthcoming. He asked me what I thought of his country -- one sentence -- then another single sentence on what about technology. So I gave him my views. What about something else? A total of about 20 words. And then he launched into a 25-minute speech on the role of entrepreneurship and technology in Vietnam, a speech that Steve Case would have been proud of making.

So I think that you find that cultures will change. If you had told me that the Secretary General of the Communist Party in Vietnam would be talking about private enterprise and risk-taking in Vietnam as the future of his country, I would have said you are crazy. I think that the market will dictate and provoke accordingly.

Your country, and in Asia generally, will be the fastest-growing area in terms of connections, and in terms of the growth of computer-usage. It already is. China is another area that has experienced a dramatic change in terms of its involvement.

So I think that there is no way of avoiding this. It is not a question of whether you should adjust. It is only a question of when. Otherwise, you will just get beaten to the punch.

MR. : In your very good remarks, you spoke of a shortage of power and a shortage of water in reference to the poorest countries. How, given the capabilities of the World Bank, do you envision the allocation of your resources and your ability to impact the poorest people of rural electricity projects or water projects or massive health vaccination projects versus some of the other programs oriented to cultural change
and technology development? Where is the World Bank's thrust? And in a rough sense, what is the break-down of its resource allocation?

MR. WOLFENSOHN: In terms of power, there has been a huge reduction in the amount of funding by the Bank and IDA--IDA being the arm of the Bank which makes concessional loans--a huge reduction in the volume of money that is put into power, for the simple reason that much more of it can now be done by the private sector.

The growth of independent power producers has been dramatic, and so the demands on us for major funding of power projects has diminished considerably.

IFC, our private sector arm, is doing more in assisting the private sector. But for us, the key in these huge big-money items, like power and telecommunications, is to get the private sector in.

To give you an example, the numbers for developing countries are broadly the following: ten years ago, private sector flows to developing countries were around $40 billion net. Public sector flows from institutions such as ours were around $60 billion. Two years ago, at the peak of private sector, we reached close to $300 billion, when public flows were around $50 billion.

So from being two-thirds of the size of public flows ten years ago, private sector investment became six times the size. And even though there has been a fall-off in Bank lending and portfolio investment over the last two years, actually picking up a bit now, there has been no fall in the rate of foreign direct investment, which is still around $170 billion. So the evidence points to the increasing significance of the private sector in these issues.

Now, in the case of water, all our evidence suggests that private sector management of water is a very good decision for most countries, firstly because there are huge line losses of water in most of these countries through lack of investment, and, secondly, the whole pricing structure is something that the governments are very reluctant to get into, particularly on wastage in the rural areas in cultivation.

So you will see that the private sector is more and more involved in water, and I hope we will be doing less and less on that front except in shifting our concentration on to issues of how you save water, how you use drip irrigation and how you select different crops which overlap with our rural program.

But we are going to have another very big problem with the issue of water because in the next 25 years, 2 billion people are going to move into cities and towns. There is going to be a huge demographic shift. And that is going to put a huge extra weight on water-supply in cities and towns, as well as in the peripheral areas around cities, which are essentially becoming slum areas that are very difficult to manage.

So what we are doing, Ken, is to start with the proposition that if we can get the private sector in, we would like to do it. But there are
issues, like water, which are highly politicized, and so it is not just for us to tell people how to do it. Globally, our experience has been that bringing in water management companies has been a very good investment nationally.

We still allocate 40 percent of our lending to projects in infrastructure, but more and more of our work is going into the structural area and into what you might call the softer areas of health and education. We are committing $2.5 billion a year at the moment to education, for example, with the largest factor in financing AIDS. Because if you don't have education and health and if you do not have capacity building in governments, you can throw as much money as you want into a country, and it is not going to work. So we are focusing a lot on that type of activity.

MR. : Let's get the microphone, please.

MR. : You mentioned in your remarks the problems with the NGOs, the fact that you had made a major effort to reach out to them and incorporate them over the last several years in your decision-making process, and yet you run up against the kind of criticism that you have seen over the last couple of years, and in particular, most recently at the last meetings.

My concern is: How does one deal with these groups in the future? Admittedly, many of them are divided among themselves. They are in conflict with one another if you dig down to the next level. But the problem in the U.S. and other industrialized countries is that these institutions, these groups, have the capability of doing a great deal of damage both in terms of blocking appropriations for the World Bank and the IMF, and in undermining the WTO.

What from your experience would you suggest in terms of a more effective dialogue for individual governments like the American Government in broadening the base of support for international institutions rather than in the current environment allowing that to erode because these groups are so vocal in their opposition?

MR. WOLFENSOHN: Well, Bob, I think it is a very difficult question, and let me start by saying that I am not feeling like a victim--I mean, I do feel a bit like a victim, but I am sure we are not doing enough, and I am sure there are a lot of things that we are doing wrong. So I start by looking introspectively to see what we can do differently, how we can go out and hear what they are saying.

A lot of what has been said goes back to the '60s, that we are a tool of the capitalists, that it is a Zionist conspiracy and that the United States did what it did in Asia because of American desire to push down the Asians--many criticisms which are invalid.

But they are concerned about some serious issues: the environment, questions of conditionality, debt. There are a lot of issues which are attractive to the public that they can come out with.
Now, none of those are usually clear-cut. I think we have a fantastic case on debt. Michel and I actually invented HIPC. We invented the debt forgiveness initiative. We were heroes for about a day, and then people said you have not done enough. And that will always be the case until you forgive all the debt. But there is $200 billion of debt in 40 HIPC countries and $375 billion in 63 low-income countries. And what people forget is at least so far as the intermediary institutions are concerned, we borrow money in order to lend it. And if we forgive more than our capital, we have to impinge on – well we simply cannot get to that point.

Of course, the Fund is much richer than we are, as Stan will tell you later, because they have gold reserves. So they have all the money they need. Is that right, Stan?

[Laughter.]

MR. WOLFENSOHN: You see, they are rich. We are poor.

But I think the answer is that you have got to go at it group by group and persist, and stand up when they attack you.

We are reaching out now—we have a group that has been working with the religious groups, started two and a half years ago by the Archbishop of Canterbury and myself. We have got 14 major religions that are focusing on religion in development. We have never reached out to religions before. We are doing it with foundations. We are doing it with trade unions. We have got a number of NGOs that are committed. We have 80 representatives in the Bank now overseas who do nothing but interface with NGOs.

Typically, our relationship with NGOs in the field is very constructive. It is the Northern NGOs who beat us up.

And the problem is that everybody assumes that if you are an NGO you have the moral high ground and that you must be right. And that is the reaction of most Congressmen because NGOs affect the votes. We do not have any influence on domestic voters.

So the only other thing that I am doing is that in every country I visit now, I visit the parliamentary bodies. It is absolutely standard practice for me now to visit the parliamentary bodies in the countries I go to, to try and build a little bit of weight in the parliamentary bodies that when they hear these stories, they know there’s another side to the story.

I think we have got to do more of it. I think we need to use the Internet more effectively, because it is the Internet that is being used against us. We do not know how many people are going to come to Prague. I was in Prague last week. Some estimates said five to ten thousand. Other estimates were 100,000. Well, God forbid we should have 100,000 people in Prague. The objective is simply to stop the misconception and miscommunication. It is a delicate and difficult issue. If you have got good ideas, Bob, I would be delighted to hear them.
MR. TAN: I am a banker from Malaysia. In dealing with future financial crises, is there anything the World Bank is going to do differently? I mean, is it going to be adopting a one-size-fits-all sort of approach?

The second question I have: Is the World Bank going to be more of a global organization? Sometimes, perhaps wrongly, it is perceived as U.S.-centric.

Thank you.

MR. WOLFENSOHN: On the crisis-strategy, you should probably talk to Stan this afternoon on that subject. But certainly we have never approached it on the basis of one-size-fits-all, because each situation and the way the crisis ensues is different. So the one thing I can tell you is it will not be one-size-fits-all.

It would be my hope that the Bank as an institution becomes less of an emergency lender than a long-term lender. But having said that, if a country is about to sink and someone calls you up at midnight and says unless you come in as part of the package, India will be overrun by tribesmen from the north, for example, I do not know what you do. But as a principle, I think what we are looking at is to have the Bank more as a longer-term lender and less as a crisis lender.

But I think what Stan and I would tell you is that what we are trying to do is to make the international financial system, the so-called architecture, more transparent, more informed, so that you may be able to avert the crisis and so that you can move preemptively rather than wait for the fault to happen.

Having said that, when we have got it all built up, there probably will be new ways that crises emerge.

As to the question of the Bank being an American institution, that is simply not correct. As a good example, two weeks ago we made two loans to Iran against American opposition. The Chad-Cameroon pipeline was against the U.S. consensus--well, in the end they came around on it.

We are getting beaten up mercilessly on a western poverty project in China, in Qinghai Province, because of a global coalition on Tibet. While the Bank is most vocal here, it happens to be global. And I must tell you honestly that we simply do not just respond every time the Americans ask something.

Having said that, we are in Washington. And any Congressman or Senator who does not know the rules feels he can call you or write you. And the Treasury is just down the street. But if you contend that this is an instrument of American policy, it simply is not. The Board is much more vocal now, and with a greater balance in Europe, the shareholdings of which supercede that of the U.S., and with Japan being the largest funder of overseas development assistance, it is impossible now to assert that the United States has all the weight.
It is a very important shareholder -- there is no doubt about that -- and very important in the media.

I think the time when they were really in this position was in the East-West conflict times, when the Bank was an instrument, if you like, used to stop the Russians having an aircraft carrier in Angola. So we put money in for development through the Bank, and it was seen as being part of that dialogue. But those times are over and what I hope they have been replaced with, is a universal view that we should do something about development. But that has not coming as quickly as I would like.

MR. : We will take just one last quick question and answer.

MR. : Joe Nye Jim. Going back to Bob Hormats; question about the NGOs, a week ago Bob and I and others were in this room dealing with the problems of the future of the WTO with a number of people who were WTO experts. I would not argue there was a consensus in the room -- but I think a large number of people felt that the only way to solve this NGO problem was to split their coalition, and to do this by essentially bringing some of them to the table. And the ones you bring to the table you require to have accountability themselves in their membership and in their budgets. They claim to speak for democracy and for accountability, but they rarely practice it.

So essentially by co-opting some who live up to certain standards they themselves proclaim, you begin to split their coalition. You could also create, as you did with the World Commission on Dams, a trisectoral coalition in which you have some representatives of public, private, and non-profits who could provide ideas for how to update the system.

But essentially I think the key question for you, if these types of ideas make sense, is: How much do you think you can follow such a strategy of splitting their coalition? Because they are now claiming, erroneously, that they stand for democracy. But unless you get some of them essentially to face down the others, I think you're going to be faced with situations like Prague and no allies.

So just take your thoughts one or two steps further on that, please.

MR. WOLFENSOHN: Well, I start with the proposition, which I have followed, that if there is any serious suggestion on an inadequate performance by the Bank in terms of its impact on poverty, I am prepared to discuss it transparently, whether it is on conditionality or dams or environment, because I start with the proposition that the aims of the NGOs and the aims of the Bank are the same.

So if I am getting up in the morning and doing things that are not constructive, I would like to know about it. So we have an open-door policy for consultation, and it is an open-door policy. And I am going to keep that, and that is why we have the Commission on Dams and the Commission on Conditionality. We are prepared to look at anything, because why would I not listen if someone can suggest a better way of doing something. We are doing it on timber policy and we are doing it on water, to name just a few areas on the list.
During the period around the spring meetings, we invited 300 NGOs to come in and talk to us. Twenty-two NGOs signed a letter saying that they had nothing to do with these gatherings. Those that did not protest did so inconspicuously.

The AFL-CIO did not participate in the demonstrations against the Bretton Woods institutions. But if you read the press, you would not know that. And we did, in fact, have a seminar for a whole day with NGOs, but it got no press.

The problem I think is that they are very unwilling to offend each other in the NGO community. However, we do have very good relationships with half a dozen of the really leading institutions and are doing joint ventures with them -- for example, with the World Wildlife Fund we are saving 50 million hectares of forests and so on. But I would be surprised to see the head of the World Wildlife Fund out there with a banner saying "We Love the Bank." It is not going to happen.

I think we have just got to do a better job fostering closer ties to people. I think we need to listen to everything that they are saying. We need to publicly try and diffuse it by addressing it in the open and hope that by doing this the heat will come down.

But you read a huge amount of rubbish out on the internet, which is a new tool, and we heard too much abuse in Seattle and Washington.

I am not diminishing the true critics, but I must tell you that 95-percent-plus of the people there did not have a clue about the difference between the Bank and the Fund and WTO. They did not know what they were doing. But it does not help when you see it on the television.

Everywhere I go now they have police out. Recently, I received two honorary degrees -- one was in the Midwest and one was in the Middle East -- and in each case, I had demonstrators.

In the one at Michigan State where they had people standing with their backs to me and people screaming in the back, I told them a joke, which diminished the -- I might just tell you the joke. Have I ever told you the sheep joke? Do you know the sheep joke?

MR. : Go ahead.

MR. WOLFENSOHN: This is how you change the argument. I said to these people at Michigan State.

You know, we hire consultants at the Bank, and we had one that we hired who went out to Uzbekistan for us, and he came in to a field with a farmer who had sheep. And he said to the farmer, "If I can tell you how many sheep there are in your field, will you give me one?" And the farmer said, "Yes." And the guy looks around. He says, "There are 840." And the farmer says, "That is the most amazing thing I've ever seen. Take one."
So he bends down, picks up an animal, starts to walk to his car, at which point the farmer says, "If I can tell you which university you went to, will you give it back?" Now, remember, I'm a Michigan State University, and their big rival is University of Michigan. So the guys says, "Yes." And so the farmer says, "You went to the University of Michigan." And the guys says, "How did you know?" He said, "Well, you picked up my dog."

[Laughter.]

MR. WOLFENSOHN: Now, at that moment, the class exploded with laughter. I said, "I am a Spartan," which is what Michigan State is. When I got my degree, there was a standing ovation. The whole audience went up like this. Any thought that I was an ogre from the Bank was gone, because all I had done was to show them that I was on their side and I had made a funny joke.

It is not deep, is all I can tell you. It is not deep. And the 20 demonstrators at the back were yelled down.

So, I do not know. If I had more good jokes, I could probably deal with it.

[Laughter/applause.]

MR. : I would only say that as citizens among the 6 billion, we are very lucky to have Jim in this job, and we are glad that he is prepared to confront even people like Michigan State as well as those in the Middle East. So let us say thanks again to Jim Wolfensohn for being with us.