Trade—the Missing Link to Opportunity, National Press Club, Washington D.C.

Remarks by President Wolfowitz
December 7, 2005

Transcript courtesy of the National Press Club

MR. WOLFOWITZ: Thank you very much. I'm not quite sure -- excuse me. I'm -- I had a touch of laryngitis. I'm going to try to -- hope it doesn't hit hard for the next hour.

There are certain occasions when it's -- you're speaking and you've been given a(n) introduction that's so lavish that it's good to call to mind Lyndon Johnson's comment when he was once introduced, and he said, "I wish my late parents could be here. My father would have been so proud, and my mother would have believed it." (Laughter.) This isn't that kind of introduction. (Laughter.) But I do want to thank you nevertheless for an introduction that I would say is reasonably fair and not balanced. (Laughs.) (Laughter.) If it were balanced, you would have included all that stuff you left out. And I do thank you for that. (Laughter.)

It's fun to be here. I was thinking as we were eating, partly by Myron Belkin's (sp) comment -- I guess he spent quite a bit of time in Japan with the Foreign Press Club there, and I've spoken at the Foreign Press Club in Tokyo and the Foreign Press Club in Paris, and this group, and I think those are the three of such composition that I've addressed. Myron (sp) did have experience in India and I guess with a similar group in India. And the striking thing, and something that needs to be worked on, is that there are clubs like this in Tokyo and in London and in Paris and in the United States; there aren't enough of them in the developing world. And India, in this respect, is an exception, but hopefully it's an exception that will set a model for others in the future. I'll say a little bit more about that a bit later.

But I do think that if you're going to understand development, it's about more than just economics. I'm going to say this; it's about institutions. And I think a free press is one of those important institutions.

I think, unless I wasn't listening carefully enough, one of the things you did leave out was -- or didn't, touched on briefly -- was my time as American ambassador in Indonesia. I was there for three years, and at least half of my job, maybe more than that, was dealing with development issues. I still remember, and I think Senator Dole still remembers -- the current Senator Dole, that is -- getting a delegation of senior members of the U.S. Senate, including her husband, to visit family planning clinics in Indonesia during their visit. Actually, they all went except her husband, and they told her husband afterwards how much he would have learned if he'd gone.

Development is THE thing in a country like Indonesia. It's THE thing for roughly 80 percent of the world's population that is struggling to catch up with those of us who have the great advantages of living in developed countries.

People ask me why does the World Bank matter, why did I take this job; in particular, since I talk so much about Africa, why do I think Africa's important? And many thoughts come to mind when I answer those questions. Five years ago I remember reading a whole account and lots of statistics about sub-Saharan Africa. I was very moved by the terrible conditions in that part of the world.

And one statistic that still sticks in my mind to this day is that by the -- the prediction five years ago that by the year 2005 there would be as many orphans from AIDS in sub-Saharan Africa as there are children east of the Mississippi. I asked my staff the other day whether that prediction in fact had come true, and they said, unfortunately, yes.

When I encounter people in the U.S. or in other developed countries in Europe or in Japan who ask, "Why should we care about Africa," to me the answer is obvious. Africa has the highest proportion of poor people -- I mean sub-Saharan Africa; it's shorthand, but that's the part I'm talking about most here -- sub-Saharan Africa has the highest proportion of poor people of any region in the world. Roughly half -- slightly more than half of the 600 million people
on that vast subcontinent live on less than a dollar a day -- think about that: less than a dollar a day, what we define as not just poverty, but extreme poverty -- a number which has doubled in the last 20 years. Twenty years ago, there were roughly 150 million. Now there are more than 300 million, half the population.

That tragedy is compounded by the HIV/AIDS epidemic and preventable diseases, like malaria, that kill children by the millions every year.

That's why, from the day I was first selected for this job, I said that my first priority would be Africa, to help do what we could at the World Bank to help sub-Saharan Africa reverse the cycle of poverty and deteriorating living conditions.

In fact, my first destination as president of the World Bank was Africa. In a poor village just outside of Ouagadougou, the capital of Burkina Faso, I met some impressive young students whose attitude toward work and study was remarkable. And I was even more impressed that their parents, who are poor people, worked hard to scrape together a hundred dollars a year so their children could go to this school, which was known for quality. It's a place where people are working hard to give their children a better future, and I saw that throughout my travel in Africa.

I really believe that Africa can become a continent of hope and that we at the World Bank -- put more broadly, we who have the advantages of living in developed countries -- have an obligation to help them.

This has been the U.N. Year of Development, the year the international community committed itself to making headway in the fight against poverty and to provide hope to the 1.2 billion people that I mentioned who live on less than a dollar a day.

We've accomplished quite a bit in that year. At the Gleneagles Summit in July, of the eight industrialized countries, the leaders of those countries reached a landmark agreement to double aid to Africa and to cancel the multilateral debt of the world's poorest countries. Two months later, at the annual meetings of the World Bank and the IMF, our shareholders, 184 countries in all, brought that Gleneagles Summit promise closer to fruition. It started with a letter to the World Bank from the finance ministers of those eight countries committing themselves to cover the costs of debt relief dollar for dollar, so that the World Bank would be able to continue serving the long-term needs of the poor. That was crucial in September in accomplishing what Trevor Manuel, the finance minister of South Africa and the head of our Development Committee, described as taking a G-8 agreement in Scotland and bringing it to a G-184 agreement in Washington in September.

This week we've been hosting donor countries in Washington to finalize a viable financial plan which is crucial to implementing that initiative. I met with them this morning, and they are taking the final steps on the path to fulfilling that promise. They are laying out a detailed schedule and burden-sharing arrangements for the additional resources that the donors have promised to IDA, the concessional lending arm of the World Bank. And as we're meeting here at lunch, I'm told by my staff that the Deputies Committee of IDA is in the process of reaching a strong consensus, and will report to the Bank Board positively this week. It's very good news.

But we need to press ahead with other matters, and particularly with a trade agenda. As important as aid is, as important as debt relief is, the opportunities that can be generated by trade are far more significant. Trade is the missing link to jobs and opportunity. Unless the people of Africa and other poor countries have access to markets where they can sell their products, they will not escape poverty or be able to give their children a better future.

Next week, ministers from 148 countries are heading to Hong Kong for the trade talks under the Doha Round called the Doha Development Round. Over the last few weeks, we have seen expectations for progress in Hong Kong diminish as negotiations remain deadlocked over tough issues, and particularly the issue of support by rich countries for their own agricultural producers. But as we're meeting here this week, I'm told by my staff that the Deputies Committee of IDA is in the process of reaching a strong consensus, and will report to the Bank Board positively this week. It's very good news.

But we need to press ahead with other matters, and particularly with a trade agenda. As important as aid is, as important as debt relief is, the opportunities that can be generated by trade are far more significant. Trade is the missing link to jobs and opportunity. Unless the people of Africa and other poor countries have access to markets where they can sell their products, they will not escape poverty or be able to give their children a better future.

Next week, ministers from 148 countries are heading to Hong Kong for the trade talks under the Doha Round called the Doha Development Round. Over the last few weeks, we have seen expectations for progress in Hong Kong diminish as negotiations remain deadlocked over tough issues, and particularly the issue of support by rich countries for their own agricultural producers. But as we're meeting here this week, I'm told by my staff that the Deputies Committee of IDA is in the process of reaching a strong consensus, and will report to the Bank Board positively this week. It's very good news.

But we need to press ahead with other matters, and particularly with a trade agenda. As important as aid is, as important as debt relief is, the opportunities that can be generated by trade are far more significant. Trade is the missing link to jobs and opportunity. Unless the people of Africa and other poor countries have access to markets where they can sell their products, they will not escape poverty or be able to give their children a better future.

Under the current rules, rich countries are able to keep barriers highest on the goods produced by the poorest countries. Consider this example. Little Mongolia, that exports to the United States just about $240 million a year, pays more in tariffs than Norway does on $6-1/2 billion of exports to the United States. Bangladesh, one of the poorest countries in the world, is charged the same amount of tariffs on its $2 billion of exports to the United States that France pays on $30 billion of exports. It's simply not fair. And the answer, by the way, is not to pick on Norway and France; the answer is to open opportunities for those poor countries.
Countries sitting at the negotiating table must look beyond their own vested interests. And remember, that if Doha fails, it’s the world's poor, those 1.2 billion people who are not represented in Hong Kong, who will suffer the most.

Seventy percent of the world's poor live in rural areas. They depend on agriculture to earn a living and to feed their families. Rich countries, the developed countries, spent $280 billion annually on agricultural supports. Think about that number: $280 billion a year. That's $5 billion a week, or $1 billion for every workday that go to help farmers, often quite rich farmers, in rich countries and paid for by taxpayers and consumers. Ultimately, in fact, it's the taxpayers and consumers in rich countries that shoulder the costs of these support programs. Consumers pay roughly of that total $168 billion a year in higher prices, and taxpayers pay $112 billion a year in direct subsidies.

If you compare those amounts with the amounts spent on aid, the differences are striking. The U.S. and Europe spend up to $3 billion -- excuse me, $3 in support to their farmers for every dollar they spend on aid. For Japan, the figure is even higher: roughly 500 yen spent on their farmers for every hundred yen that goes to development assistance.

But the real damage is not just the waste of resources, it's the damage done to farmers in poor countries who are denied markets to sell their goods.

It's their children who go hungry, who are deprived of clean water, medicine, and the most basic necessities of life.

And agricultural tariffs also hurt poor countries by blocking them from moving up the production chain. Even though 90 percent of the world's cocoa beans are grown in developing countries, those countries produce only 4 percent of the world's chocolate. Why? Because many tariffs escalate with the degree of processing. In Europe, raw cocoa has a tariff of -- negligible tariff of only one- half percent. Semi-processed cocoa, on the other hand, pays about 10 percent. But by the time you get to finished chocolate, the tariff is a prohibitive 30 percent.

A pro-development outcome for Doha can level the playing field with enormous gains for rich and poor countries alike. The World Bank estimates that full liberalization of trade and goods alone could generate $300 billion a year in additional production for the world economy. Developing countries would gain $86 billion of that share, a number larger than the annual total of all development assistance. And those numbers can and will grow as producers in poor countries are able to take advantage of new markets.

Take the case of Rwanda. With market access, Rwanda was able to boost its coffee exports last year to the United States by 166 percent. Coffee exports also make up more than 80 percent of Rwanda's exports to the European Union. And today, Rwanda is growing at about 8 percent a year, in large part because of fast-growing coffee exports.

If the Doha Round does create trading opportunities, the gains will not materialize overnight, however. Many poor countries will need help in taking advantage of new opportunities. They'll need help to build infrastructure, to improve institutions, and to reform weak policies.

Let me give you a concrete example -- literally concrete, in part. The Lahore-Karachi corridor, which links Pakistan's major ports in the south with major cities in the north, is the country's transportation lifeline. The port's roadways and railways along that corridor handle 95 percent of Pakistan's external trade. But poor services and road conditions are doubling travel time. And that's not all. The cost of transport insurance and related services are three times higher than what they are in Europe. And long and cumbersome Customs procedures have encouraged broad giving and broad taking.

Many businesses in Lahore are competitive -- or would be competitive in the world economy, but by the time their goods reach port in Karachi, many of them have lost their competitive edge. About one- third of that increased cost is due to poor infrastructure -- to real concrete; but two-thirds are due to regulatory obstacles and informal barriers. Problems like these are costing Pakistan's economy dearly, perhaps as much as 4 percent of GDP.

When I was in Pakistan in August, we talked with President Musharraf, Prime Minister Shaukat Aziz, and agreed that the World Bank would work jointly with the government of Pakistan to -- on an accelerated project to open up more rapidly the Lahore-Karachi corridor.

But that's the kind of work that's going to need to be done all over the world if Hong Kong and Doha do open trade opportunities.
To help developing countries break down barriers like that, international donors, including the World Bank, have pledged to add more resources into the trade agenda. We are working closely with our partners in the IMF and the World Trade Organization on what we call an "aid for trade" package to help poor countries improve their investment climate, invest in infrastructure, and empower people.

For the World Bank itself, in just the last two years, our trade-related lending has doubled to a level of $1.1 billion this year, and we expect that number will go up.

But that's not all we're doing. One of the most exciting things I found when I came to the Bank is a project pursued by our private sector on the International Finance Corporation or IFC, called the "Doing Business Report." That report surveys business regulations in 155 countries and ranks them according to the ease of doing business.

It's an invaluable in helping countries determine where reforms are most needed. I was struck having -- as I said, spent time in Indonesia looking at the obstacles for foreign investors in Indonesia or in other developing countries, more generally -- to realize that that perspective, while valuable, is very different from the perspective of a small businessman in a small country like Burkina, for example.

In Burkina Faso it costs one and a half times per capita income to register a business. And when the per capita income is only $300 a year, that doesn't sound like a large number if you're multinational corporation. If you're a poor Burkina -- that's what they call themselves -- just trying to scrape money together to get started, it is prohibitive, and the effects are dramatic and I believe could be relatively easily changed by putting a spotlight on those problems, which we're doing.

Another thing we're doing is -- through the IFC -- launching an export-credit facility that addresses the crucial need for export finance in these poor countries. And I was delighted at the early return from this project, which has just been under way for three months, and in just the first three months, the IFC has had to double the projected amounts for these export credits in the first year from 100 million (dollars) to $200 million. And most interesting to me, the demand in Africa has been projected from 4 million (dollars), initially, to now 40 million (dollars). There's a real demand for trade opportunities in the poorest countries of the world, and we need to help them exploit that.

But it's not just about aid, debt relief or trade. Good governance is a crucial piece of the development picture. In the last 40 years, people have learned a lot about what works and what doesn't work in the field of development. And I think we've learned that development is about economics, but it's about much more then just economics. There are other sometimes, I think, almost mistakenly called soft factors -- just because we can't measure them easily doesn't make them that soft -- that influence the ability of countries to develop. And one of those or one that really encompasses many is good governance.

In a system that protects the rule of law, freedom of the press and the role of women in civil society, people can hold their leaders accountable for doing their jobs and doing it well. And the data indicates that they generally do it better in those conditions. When their institutions can ensure accountability and transparency, governments are more likely to make decisions based on the interests of their people. They're more likely to focus on delivering better services, creating jobs and improving people's lives.

The rule of law matters for development because knowing that law can be upheld, that rights are protected, that contracts will be enforced encourages people to invest in their future. And I don't imagine I have to persuade anybody in this room -- if I do, you're probably at the wrong lunch -- but a free press also matters for accountability and therefore for development.

During my years as ambassador to Indonesia, I saw what courageous journalists in a developing country could do even as they struggled to report the truth under an autocratic regime. The knowledge that a free press brings to people gives them the power to make informed decisions, to expose corruption, to demand action when governments are not delivering. Research -- empirical research by the World Bank shows that countries that defend civil liberties, protect the freedom of the press and allow civil society to operate freely do a better job of tackling corruption than those that don't. Statistics also show that in countries where women enjoy more rights, there's less corruption.

In countries where more women are in political office and in the job market, there is less corruption. That is one more reason why it is so important for women to be full participants in the development process.
Corruption is a disease that drains resources and discourages investment. It is costing the developing world, just in direct costs alone, we estimate, about $80 billion a year, an equal amount to the total of all development assistance. And its larger effects on discouraging economic productivity are almost impossible to calculate. If corruption is not tackled, reforms will have little impact on improving people's lives.

And we in the developed world and we at the World Bank have obligations here as well. As I've commented on many occasions, every corrupt transaction has at least two parties -- unfortunately, sometimes more than two. And if we're talking about bribe-giving in the developing world, very often the bribe giver is a company from a rich country.

And at the World Bank we're working with countries that request our help to strengthen legislation and institutions, so they can combat corruption. We're working to help them recover stolen funds. We had a landmark agreement in September signed between the government of Nigeria and the government of Switzerland to return to the Nigerian people nearly half a billion dollars, $489 million, that had been stolen by the former dictator Abacha and salted away in Swiss banks.

But good governance is not just a challenge for our partner countries, developing and developed ones. It's also important to own operations within the Bank. It's part of our job to protect the resources that we've been entrusted with that need to go to help the poorest people in the world.

And we know very well that Bank-financed projects are vulnerable to corruption, and we're doing something about it. Our internal investigations unit conducts regular audits and vigorously pursues allegations of fraud. An anti-corruption hot line has been set up for firms and individuals, including our own staff, to report on bribes and misuse of funds. And we publicly blacklist firms that engage in bribery in our projects. Last fiscal year we investigated 350 cases.

And we've also set very high standards for our own staff. Our policy on internal corruption and fraud is zero tolerance, and that is applied consistently to staff at all levels in the Bank. It's an area where I -- that I personally feel very strongly about, and I intend to see that we in the Bank match our good words with good actions when it comes to our own conduct.

Let me conclude on the note that development needs to be a well-balanced process that includes all the instruments available and all the elements of society. I've talked about aid, I've talked about debt relief, about trade, about good governance, about fighting corruption. The bottom line is all of this work needs to be measured, though, by the results that we are delivering for the people who depend on us the most: the poorest people of the world, those 1.2 billion people living on less than $1 a day. It's principally for them that the World Bank exists and that we have to work for every day.

I'm very happy that I came into a World Bank with a world-class staff and with excellent management.

Our biggest challenge lies in Africa, and I'm pleased to see that there's a lot changing there. Africans in increasing numbers are stepping up and taking charge of their future.

I saw it vividly in Rwanda. And remember, Rwanda is a country where only 11 years ago genocide claimed the lives of 950,000 people. Nearly a million people were killed. I was especially impressed by one Rwandan woman, by the way, who had worked in the World Bank early in her career, who had a successful business career here in the United States and went back to Rwanda to start a flower-growing business in her country that successfully exports high-quality roses to Europe. I asked her why she did it, and she said, well, I'll tell you what I told a reporter the other day: I came here to grow beautiful flowers on the ashes of genocide. It's partly because of dedicated people like her that Rwanda's economy has been growing well for the last seven years.

But Rwanda's not alone. Africa is on the move, moving away from the hopeless continent which a leading magazine described it on its cover just a few years ago to, I believe, a continent of hope. And my aim, too, is to ensure that we remain focused on helping countries that are doing the right thing to turn the corner, to help them deliver results for their people.

We have to ask ourselves at the World Bank Group every day whether we're doing the best we can to bring hope and opportunity into the lives of the poor, whether the resources made available to us are being spent wisely, so that we can live up to our mission of helping free the world of poverty.
Thank you very much. (Applause.)

MR. DUNHAM: Great. Thank you. We have dozens of questions on the World Bank and a lot of questions about Iraq, so I'll try to cluster them.

Start out with trade and the WTO. The major industrial countries seem to be downplaying the prospects for success in the Doha Round, and a lot of the developing countries are nervous about may or may not happen. What would you consider success for the Doha Round, and what do you expect to see?

MR. WOLFOWITZ: Success is very measurable. Success is measurable in the concrete opportunities that are opened up for countries to benefit from trade. And particularly in the area of agriculture, where, as I said, so many of the world's poor depend on agriculture. Such a difference could be made if the market barriers that I talked about could be eliminated or at least lowered substantially.

I think everyone understands that. The question is, can we muster the political will to get it done? And Hong Kong may not be the final deadline, but we don't have a lot more time because the fast track authority that is so crucial to getting any agreements through the U.S. Congress will expire, I think at the end of next year or effectively maybe the very beginning of 2007. We basically have 12 months, and we can't start at the end of that period.

So I would just urge -- and for those of you who write these stories, I don't think you could write them enough -- people need to understand, those people who were mobilized -- and I was happy to be at the Live 8 concert in Edinburgh and to see that energy and enthusiasm for debt relief and for development assistance. We need the same kind of energy and enthusiasm and political support to say we've got to do something about these indefensible agricultural barriers.

MR. DUNHAM: A lot of people who have been critical have suggested that you were placed at the World Bank to pursue a Bush administration agenda around the world. How do you see it? What is your role at the World Bank, and what is your relationship vis-a-vis the Bush administration?

MR. WOLFOWITZ: Well I guess I should say first of all I work for 184 countries; I don't work for the Bush administration. But I think in fairness it has to be pointed out President Bush does care a lot about these issues. In fact, those statistics I mentioned about AIDS were statistics I was reading in preparation for a meeting with him in Austin five years ago.

American assistance, development assistance has increased substantially. It's way -- under his administration -- way short of where I'd like to see it, but it's moving up. The commitment to AIDS and PEPFAR, the commitment to Millennium Challenge Account, it's real. And I'm not saying this by way of saying it's adequate; what I'm saying is by way of you asked about his agenda, and I feel very much that this priority in Africa is part of this president's agenda.

But more importantly, I think it's part of this country's agenda, the United States. I'm there as a international civil servant, but I can't stop feeling a certain special responsibility as an American. And I really have been delighted to find that Africa is not just an interest of the African-American community here, although that community by the way now includes an impressive number of successful first generation African immigrants -- I've had -- experienced five times in just the last six months random events from a drugstore in Cleveland Park to a shopping mall in Durham, North Carolina of having immigrants from Kenya, Tanzania, Nigeria, Sierra Leone, Senegal come up and thank me for what the bank is doing for Africa.

But there's another strongly interested community, and that's the Evangelical Christian community. Americans understand, I think, the moral importance of trying to do something for Africa. Where I run into the biggest challenge, the biggest skepticism, is, okay, we understand that people have a need there, but didn't you just tell us the situation's worse now than it was 20 years ago, and haven't we poured an enormous amount of money in in those 20 years? Unfortunately, the answer to both of those questions is yes. But what is different now, I believe, is what I said - - referred to in my opening remarks.

There are a lot of different attitudes in countries like Nigeria and Rwanda, Burkina Faso, Malawi, not uniformly -- there are some that I haven't mentioned; I can't do an exhaustive list. It's an attitude that says corruption is our problem, we have to fight it; it's your problem also, don't just leave it to us. But one finance minister said to me: we need to stop talking to Africa about our colonial history as an excuse. It was a terrible period, it's left us with a terrible burden, but
we're not going to solve that by talking about it; we're going to solve it by taking responsibility. And I think that's what's changing and I think the more we can help persuade the American people that things are changing and the money will be well spent, which is why I talk so much about results, I think we can get somewhere.

MR. DUNHAM: A specific question about corruption in Argentina. In Argentina as in other countries, there are some World Bank loans that don't seem to reach beneficiaries. What are you doing about that problem? It talks specifically about Argentina and then just generally with Africa, where money does not seem to reach its intended beneficiaries.

MR. WOLFOWITZ: Let's first of all make it clear that even though there are corruption problems in projects -- and those are the ones we hear about. We don't hear about all the ones that are working.

And when I was in India, I was really just blown away by a program we visited in the Indian state of Andhra Pradesh, the capital of Hyderabad. It's a state of 78 million people, so it's larger than most countries in Europe. And we visited a joint project of the World Bank and the government of India that had empowered between 6 (million) and 8 million people in that state, most of the women, and most of them from what they euphemistically call the scheduled caste, meaning the untouchable caste, through a program of microcredits, and they call them self-help groups, to a truly remarkable statewide movement. And that was a good use of money. I just -- I'm going to talk -- I'm going to answer the question, but I don't want the premise to be all these projects are terrible.

When we find one where there's trouble, our policy is to make sure the problem is fixed before we start lending more. And if there are people involved in our projects or companies involved that misbehave, they need to be sanctioned. I've been encouraged; a number of governments that have said to me when I've said we think there's a problem with one of their programs, they say please give us the information as quickly as possible because we want to make an example of our officials and do something about it.

So the toughest dilemma comes when you have a project that is doing some good work but you know there are some problems in it. And people say, well, are you going to hold up the 80 percent that's good for the 20 percent that's bad? And I think we have to -- it's a dilemma, but I don't think we can settle for 80 percent. I think we have to move to a gold standard; maybe not overnight, but with time. And I think if people come to understand that this is not the way you do business anymore, I think a lot can change.

MR. DUNHAM: There are five questions that have come in about Armenia, so let me boil it down to one. What more can the World Bank do to facilitate free trade and greater economic activity in the South Caucasus, and working for a resolution to the Turkish and Azeri blockage of Armenia, the last closed border in Europe?

MR. WOLFOWITZ: I think I'd have to take that one for the record. But let me just say it was exciting to me when -- I went to Bosnia principally to be at Srebrenica for the 10th anniversary of the horrible massacre there, but I was pleasantly surprised to find what an important role the bank had played in both Bosnia and in Serbia in helping to move those countries forward on the path of economic development.

And this is -- I mean, one of the things that's fun about this job is development is a unifying mission, and you can get a lot of people together across a table to put their political differences aside for a little while if it's going to bring better incomes and better jobs and better futures for their children. And the bank has played a surprisingly strong role throughout former Soviet Union and Central and Eastern Europe, and we are active in the Caucasus.

The question correctly points out that you can only get so far in development when you have significant political barriers in the way. Sometimes some members of my board try to say the articles of the bank say we're not supposed to get involved in politics. I read them as saying we're supposed to stick to development matters.

That's a different way of saying it, and the question it points out, that this issue of blockade, to use their word, is not just a political issue; it has development effects. And I think one of the nice things about the bank is that we can come in with the credibility of a multinational institution and the focus on the development mission, and people listen to us a little differently than they listen to a national government.

MR. DUNHAM: Next year Russia chairs the G8. In terms of a development agenda, what would you like Russia to do, and what can we realistic expect from Russia as the host of the G8?
MR. WOLFOWITZ: An interesting question. And of course, I think this will be the first time Russia hosts the G8 summit. And I talked a lot about it when I was at Moscow with officials at all levels, including President Putin. I think they are determined to have a successful meeting, and I think that determination's going to bear fruit.

I -- it won't surprise you -- spent some time saying -- the Gleneagles summit in Scotland gave a special focus to Africa. It really was special, and for me in my job it was fantastic, what was it, my seventh or eighth week in the job, to have the leaders of the eight industrialized countries come together with, with eight or 10 of the leading countries in Africa and make these commitments to development. And I said to President Putin, I hope you won't let that fall off the agenda. It doesn't have to have the same prominence it had in Gleneagles, but there were important promises made in Gleneagles, and St. Petersburg would be a good place to check on how people are keeping their promises.

Beyond that, I think there's obviously strong interest in Russia in some of the poorer countries in their neighborhood, and poverty is as severe a problem in parts of Central Asia as it is in Africa. And when you're poor at 7,000 feet and 10 degrees below zero, it really hurts. It's a tough, tough place to be. So I think -- my guess is that will get some attention.

There's a lot of interest in issues of both energy development not just by the Russians, but by the developed and developing world. And I think a lot of interest in what I would call health security issues, of which the current concerns about avian flu are the most immediate, pressing examples. But I'm afraid there are going to be many more in the future.

MR. DUNHAM: Thirty-nine hundred children die every day worldwide from diseases that could be prevented by access to safe drinking water and sanitation. What is the World Bank doing to expand access to safe drinking water in rural areas and villages around the world?

MR. WOLFOWITZ: That's a good question. The premise to the question's absolutely right.

And I think it's important to keep it in mind as these shocking figures about AIDS grab our attention or specific diseases like river blindness, which we've made huge inroads against, or malaria, which continues to be a horrendous killer. And some large fraction of those numbers you mentioned are children who die of malaria don't have to, but clean water is a big part of it.

And clean water is a little less dramatic, a little less compelling to specific donors than these specific diseases. So one of the things the World Bank is doing is trying to emphasis that if we're going to address these health problems effectively, we need to look at the whole public health system. And, in fact, you need to look beyond the public health system; you need to look at investments in things like water.

And when I was in India, we agreed with the government of India to put a big investment in rural infrastructure. And roads and water are the two big pieces the World Bank is going to focus on in that regard. One of the things that makes it a complicated organization is that development is a complicated business. And you -- it's very compelling to -- we had a fantastic woman from Nigeria came to the bank the other day -- an AIDS survivor -- who talked about he problem of AIDS. It's a very, very compelling story and you want to go and do something about it. But you've also got to do something about the sort of less exciting business of making sure that civil servants get paid adequately so that the health ministry functions so that when you do do something about AIDS, you have a delivery system that can perform.

And I think part of our job is to help those organizations -- including an impressively growing number of big private ones like the Gates Foundation -- to make sure that when they target on a specific problem, the system is there to help them deliver.

MR. DUNHAM: Since we're running a little short on time, I want to transition to Iraq.

One of the reporters here wants to know how your involvement in the Iraq war has affected your relations with bank staff and with member countries?

MR. WOLFOWITZ: Not noticeably, believe it or not. But the bank staff are probably too polite to say so. But the truth of the matter is -- I mean, it was striking. When I went to Africa, which was my first foreign trip, I thought I might get a
lot of questions about Iraq. I didn’t get a single one. I think it’s because Africans care about Africa. They care about what you’re going to do about Africa. And that’s where we’re going to be measured.

And I think, in fact, increasingly, bank staff understands I’m as serious about the issues I’m pursuing at the bank as I was about the issues I pursued in earlier jobs, including the last one. That’s what they’re looking for and that’s what they want. So I have found it -- sorry to disappoint the questioner -- surprisingly not evident, at least in my face.

MR. DUNHAM: Looking back now, how do you account for the intelligence failures regarding weapons of mass destruction in Iraq?

MR. WOLFOWITZ: Well, I don't have to, and it's not just because I don't work for the U.S. government anymore. I mean, in my old job I didn't have to. I was, like everyone else, outside the intelligence community and not just in the Bush administration, but in the Clinton administration; not just in the United States, but in the U.K. and France and elsewhere. We relied on the intelligence community for those judgements. So the question is, in a way, how do they account for it, or how did the commissions that have attempted to understand it and account for it?

But I do think part of the answer is on display today in the trial that’s going on in Baghdad. And if you take the trouble to read past Saddam’s outbursts, which I find kind of uninteresting, and read the kinds of things that were done to people in that one incident 24 years ago and realize that it was daily business in Iraq, you understand how difficult it was to penetrate secrets in a country where the penalties for revealing secrets were much worse than death. You say, how can there be something worse than death? Well, just think for a two minutes. If somebody threatens your children or your wife or your parents, it's very easy to be worse than death. And these people spent a lot of time figuring out how to terrorize and intimidate people. And by the way, they didn't stop when Baghdad was liberated.

I still think there's probably a lot that we don't know, and there's a lot that's mysterious here. But hopefully over time we'll understand it better.

MR. DUNHAM: If you knew then what you know now about the weapons of mass destruction, would you still have favored the invasion to topple Saddam? And how would the administration's reasoning have changed if you knew there were not the weapons?

MR. WOLFOWITZ: Well, I always believed and I still believe that there were at least three major reasons -- there's some other reasons, as well -- why Saddam was a danger, why that regime was a danger. Both with his weapons of mass destruction programs -- and by the way, I don't think anyone has claimed that he didn't have the capacity, once out of sanctions, to generate those weapons. We focus a little too much on this question of what was actually there when we got to Baghdad.

But I believe David Kay and Charles Deulfer have both made it clear -- lots of people have made it clear -- that once free from the sanctions, Saddam would have been back in business. Remember, he built these things. There's no question he had them 14 years ago, and there's not much question he could have had them again in the future.

But that was only one of the reasons. I think his support for terrorism in various forms was the second reason. And his genocidal treatment of his own people is the third reason of the principal ones.

But if you ask what difference would it have made, I think one of the biggest differences is that if we could have been convinced -- and I'm not sure based on the evidence we know now that we could have been absolutely convinced -- that there was no danger -- absolutely no danger -- somebody could have given you a Lloyds of London guarantee that weapons of mass destruction would not possibly be used, one could have contemplated much more support for internal Iraqi opposition and not having to have the United States take the job on the way we did.

If you have any doubt about it, read Bob Woodward's book. I'm not going to swear by every detail of it, but it's demonstrated over and over again that when General Franks was putting his plan together, one of his major preoccupations and one of the reasons the military plan emphasized speed over mass was to prevent the use of weapons of mass destruction. It was the sense that the greatest danger in taking this man on would be that he would use them. If you could've given us a guarantee that they wouldn't be used, there would have been other policy options available probably.
MR. DUNHAM: Do you think there were enough troops to pacify Iraq after Saddam was toppled? And if so, why has the resistance to the U.S. occupation continued at such high levels? Also, someone wants to know, in retrospect, what should have been done differently with respect to the invasion and the aftermath?

MR. WOLFOWITZ: I think it's clear that when Baghdad was liberated, Saddam didn't stop fighting, didn't stop paying people to blow up Americans and Iraqis. He stop attempting to terrorize his people. And even after he was captured in December of 2003, the people closest to him -- and I don't mean ordinary Ba'ath Party members; I mean the members of those terror organizations like the Fedayeen Saddam, the Iraqi Mukhabarat -- the intelligence organization, the special security organization -- mobilized and continued an effort to bring back some version of the old dictatorship, maybe even bring back Saddam. I mean, he still stands there and says, I'm the president of Iraq.

I think you've got to understand the problem in that way before you just say, well there's a problem -- and by the way, every war has difficulties in it -- because there's a problem, more troops would have answered the problem.

I personally don't think more troops would have answered the problem. I think more troops would have tended to create a problem. And I'm not alone in thinking this; General Abizaid has said it pretty eloquently.

A big part of our problem is the appearance that the United States was, and perhaps remains, an occupying power. And I think the best thing we could have had from the beginning is not more American troops, but more Iraqi troops. And I'm really pleased to see that I think the effort that's been undertaken with enormous imagination and creativity by the U.S. military and led by a remarkable -- (inaudible) -- Major -- now Lieutenant General Dave Petraeus has, I think, really brought the Iraqi military and security forces along a long way, still a long way to go.

But let me say this too, since it's rarely reported. I read a Brookings Report not so long ago that said Iraqi military and police have lost 3,700 killed in action since June of 2003. Our numbers are high and going higher, approaching 2,200 American killed, but the Iraqi numbers are even higher. These people are fighting for their country, fighting for their future, and I believe they'll win.

MR. DUNHAM: Okay. Before I ask the final question, I'd like to make a presentation of the National Press Club mug --

MR. WOLFOWITZ: You think I --

MR. DUNHAM: -- and a certificate of appreciation. This is before we ask the final question. (Applause.)

And now, before I get the mug thrown back at me -- (chuckles) -- there's -- one of the reporter here points out, former Supreme Court Chief Justice Robert Jackson, lead Nuremberg prosecutor, called wars of aggressive, quote, "the supreme international crime." The -- a lot of people have attacked you very personally around the country and around the world. I wanted to get your sense of what it's like to be on the receiving end of all of this. How you deal with it, if you take it personally, or if you and the other neo-conservatives see this as having been worth whatever the costs are to you personally and to the nation?

MR. WOLFOWITZ: Personal questions are hard. I suppose the most personal part of it is, I've been to a lot of funerals. I've spent a lot of time with wounded soldiers and their families. The price that American soldiers, sailors, Marines -- one Coast Guard's been actually killed, first time since World War II -- is high. It's been higher in past wars in sheer numbers, but it's high. And every one of those statistics is a personal tragedy. It always makes you think.

I still think that what's been done for the United States and for the world is something that's important to be done. It's incredibly important to win. I'm really in awe of the commitment that these servicemen and women make -- the support they get from their families; the determination of the severely wounded to go back to living productive lives. And you're not going to find any uniform view among a group as diverse as that, but it is pretty stunning to me how much most of them believe in what they've done. One severely wounded soldier said, I would prefer to have my arm back, but I believe it was the right thing.

And I just think we as Americans should -- I think the whole world, frankly, should be enormously grateful to the Americans and British, other coalition forces who've sacrificed the way they have. And I think the real judgment of this is going to be the historical one. Five or 10 years from now we'll know what happened, which is crucial to judging things. But I believe that those Iraqis who voted by the millions for a new country will succeed in building a new
country; that it will be an ally in the Muslim world for tolerance and freedom; and that people who sacrificed so much to make it possible will be eternally in our debt.

Thank you. (Applause.)