Remarks at World Economic Forum: "Strategies To Fight The Globalization Trap"

by
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ROLF-ERNST BREUER: Welcome to tonight's session on "Strategies to Fight the Globalization Trap." I am delighted that, in spite of the late hour, so many of you took the trouble to come. And I am overly happy to have the support of a wonderful panel to discuss this interesting topic.

Unfortunately, I have to give apologies for two members of the panel who, very much in the late minutes, could not make it. That is, for one, the President of the Republic of South Africa, who just phoned me and explained to me again what he explained to the public at large already this morning, namely, that he has to deliver a State of the Union message tomorrow in South Africa, and due to what he called the confusing weather conditions in Davos, he had no choice but to leave early. He sends his apologies and says that we are in good hands whenever Jim Wolfensohn is present, because he agrees to the dot with what Jim Wolfensohn has to say regarding the globalization trap.

The second victim unfortunately is our friend, Göran Lindah, who was here, as some of you might have noticed, yesterday and the day before. He caught so bad an influenza that his doctor said today 'that is a no-no, you don't go to participate in this panel.' So, once again, apologies from his side. He would have loved to be with you and to discuss the topic which is close to his heart.

Instead, I am overly happy that we were successful in arranging for having Phillip Knight, the Chairman and Chief Executive of Nike, with us today and replacing Göran Lindah, as Mr. Knight will present the businessman's view on the globalization trap and strategies to fight it.

I am more than honored and very happy to greet the President of Indonesia to my left, and everybody who knows the C.V. of the President will appreciate that he is one of the very exceptional mixtures of an excellent representative not only in politics, but of a very successful life in academia, and a very intense interest in the arts. So the President of Indonesia is a participant in the panel discussion of a very high value to us because he represents so many aspects of the topic we can use to come to some result.
And last, but by no means least, I say welcome to Jim Wolfensohn, and it is bringing coal to Manchester or owls to Athens if I try to sketch what his achievements in his life have been, but he for one is an exception as well because he excels, and excels in his life already, in academia as well as in business, as well as in the arts, before he became the President of the World Bank. So, once again, welcome to all of you.

The topic we are discussing this evening really deserves that we bring into it everything we can because the globalization trap these days is a catchword and practically on everybody's lips. It is put into a context of an age of discontinuity and globalization, adds to this discontinuity, and has been the reason for reaching new dimensions in this regard. People say we live in an age of constructive destruction, of creative destruction, and that it is globalization which increases the speed of this development even more, in economy as well as in politics, and in society at large.

The critics of globalization and those who call that the globalization trap have gotten support from quite a few critical publications recently. There is the famous book, "Economic Horror," by Viviane Forrester. There is the book of "Limits to Competition" by the Group of Lisbon. And last, but not least, of course, the results or non-results of Seattle contributed to the impression that globalization is rather a trap than anything else.

The concern with regards to globalization centers on two aspects of the problem. The first aspect is an increasingly imbalanced development in the way that globalization is the reason for the winner takes it all and the losers are left alone and can even [inaudible] the losers in the game, and this in two respects: The first respect is within countries, and the second aspect is between countries.

So within countries, the argument goes: What globalization creates is the 20/80 society: 20 percent of the population profits from globalization, they are the ones with high skills, good education, mobility, and they profit; whereas, 80 percent suffer and are the victims of poverty, of lack of information, of disease and what have you.

The other aspect between countries is that developing countries obviously in the last 30 or 35 years or so were not overly successful in making it. So looking back, the history of developing countries is not an encouragement after all. It is more that they are stuck in the poverty trap, and the globalization increases that. So this is concern number one.

Concern number two with regard to globalization is that public interest is becoming secondary to individual interest, or turn it the other way around, that globalization drives development, whereas government is at a
loss to control it. And there are quite a few examples underlining this sort of critical argument. One is that the national regulatory sovereignty is at a loss in controlling globalization, the actors as well as the results, and another is that countries, because of globalization, increasingly lose the national cultural identity -- that nobody cares anymore in the environment of globalization for the roots and the history and the culture, and that globalization just runs it all over. This is the critical side.

On the other side, of course, there are a lot of people who see that the creative components of globalization provide a lot of opportunities as well. That goes for the economy, and economists tell us that globalization is the reason for the long phase of worldwide prosperity, and that goes for politics and society as well, especially in combination with information technology, namely the availability of more information for more people, and as a consequence, a better education and mobility, they increase the welfare of many, many people.

So what is needed is an offensive strategy to fight the globalization trap, and there are three ways, I could imagine, where progress can be made: the first being a closer cooperation between the public and private sector to improve education and infrastructure, the second being to use the markets to solve problems rather than rely on government regulations, and the third is make global communication facilities a tool for global cooperation.

So far with my sort of introductory remarks, ladies and gentlemen, what I now would like to do is call on Jim Wolfensohn to give us from the point of view of the World Bank an overview on how he sees the influence and the consequences of globalization on as many countries as are either customers or past customers or potential customers of the World Bank.

Jim, the floor is yours.

MR. WOLFENSOHN: Well, thank you very much, Rolf.

Let me start by saying that I would like to set the background to this discussion as I see the issue of globalization. We live in a world today of six billion people, and 4.8 billion of them live in developing or transition economies. We live in a world where three billion live under $2 a day and a billion 200 million live in what we call absolute poverty, under $1 a day.

Within the countries, there is vast existing inequity. In countries in Latin America, in countries in East Asia, in countries in South Asia, there is broadly a trend that the rich get better off and the poor get less well off as years go on.
We also face a trend of growing population that in the next 25 years we will have another approximately two billion people on the planet. And so we will move from six billion to eight billion, but of the people that are added, all but 97 percent of the two billion will go into developing countries. So we will see that 4.8 billion move to 6.8 billion.

I give you those statistics to set the framework because globalization did not just descend on us as the single challenge to poverty and equity and development. There is a broad framework which exists already where many of the people in poverty have little or nothing to do with globalization. These are trends that have existed before you had very active globalization and may well continue to operate.

From my experience in the Bank over the last five years, as we have come to look at the question of poverty and the question of equity in countries, globalization is just one of many factors that one needs to look at. And I say that because it is not just the existence of international competition that causes problems in countries. International activity in terms of globalization has, in fact, added to many countries in terms of their development.

When I started in this business, long before I went to the Bank, coming from Australia, I was very well acquainted with East Asia. And I remember going in the early days to Singapore, to Thailand, to Korea, to countries which subsequently became the so-called tigers, who in those days were at a level roughly comparable with countries in Africa. And you are all familiar with the growth curve in those countries as they have benefited from globalization compared to the experience of many countries in Africa, many countries, but not all countries, in Latin America. If you take Brazil as an example, there are huge exports benefiting from globalization, openness of markets.

So it forces you back to think and has forced me to come back to think, as President of the Bank, what are the fundamental factors which affect the development in countries and which impact the issue of poverty and equity and ultimately peace in those countries?

And for us the issue far, far deeper than the question of the trap of globalization, which is a current phrase which is often used, and as the Chairman said, a number of people have written books about it. But to me it's too simplistic. In terms of our analysis, we look at many factors. We start with: Does the country have a decent government? Do they have a decent legal system and regulatory system? Do they have a justice system that works? Do they have a set of laws? Do they have honest judges? Do they have a financial system that works? Is their ability to get funding within the financial system, is it honest? Is it independent?
Does it have a social system that has any format? It doesn't have to be governmental. It can be tribal; it can be familial. But is there a social framework which can withstand the stresses and strains?

And then there is the issue of corruption, which Peter Eigen of Transparency International, as he will no doubt identify himself later, but he is a guy who is saying that the issue of development in countries is adversely and significantly affected by the issue of corruption.

I haven't yet talked about education or health or technology. I have talked about fundamental structural issues in countries which can be addressed with or without globalization. These are the fundamental bases on which you can have effective development in a country. And if you have fundamental structural work done, then you have a much better opportunity of both having equity in your country and engaging international interest in your country and engaging the possibility of you being able to compete.

Then, of course, there are other issues. There is education, and all its ramifications; there is health, power, water, communications; there is rural strategy; there is urban strategy. And let me add that that is another significant issue in the next 25 years as two billion people move into cities and towns. So the issue of governance and the way in which one works in terms of urban and rural strategy is a tremendous management job in itself that one needs to deal with, independent of the issue of globalization.

Then there is the issue of environmental strategy, the issue of cultural strategy, as our Chairman mentioned; extraordinarily important that countries should have the capacity to retain and develop their indigenous cultures so that they can move forward with some historic base and some sense of their origins.

I give you those examples not to distract you from the issue of globalization, but to say that the issue of development, when you think of it, is an issue which is multifaceted and which cannot be pinned on one single issue of globalization.

Now, the issue of competition which comes from globalization, the notion that the poor are kept poor, that the digital divide can affect you, of course, needs to be examined. But there are two aspects to the digital divide. It is very clear that about six times more per capita is being spent in OECD countries than in the rest of the world and sometimes even 20 or 30 times more than in developing countries. And this issue of connectivity, the issue of availability of information, the issue of education is clearly a challenge that needs to be faced.

Just yesterday in the United States, they were talking about a program called Quick Start, which is to get computers in every home, in every
slum, in every low-income area in the United States. And I thought, my God, if they are worrying about this in the United States, what about the countries in which we are operating where there is not connectivity?

Well, the answer is that it is, of course, a challenge in terms of educational levels and in terms of the world in which we are moving into. But I can tell you of dozens of initiatives which are now being taken, by us at the Bank and by others, to try and help bridge the digital divide and to bring to developing countries the opportunity and accessibility to Internet and to e-commerce.

You may be amused that one of my colleagues was recently in Ethiopia where there is a very sparse coverage in terms of Internet. And in a room like this, he asked, "Is there anyone in the room who has access or is using e-commerce?" thinking there would be no one. And a man put up his hand, and he says, "What do you do with Internet and e-commerce?" He said, "I sell goats." And the man said, "How do you sell goats? Where are all the outlets?" He said, "Well, there are a lot of Ethiopian taxi drivers in New York and Chicago and Washington. And when they want to send their family a goat, they come in on Internet to my website in New York, and I pick it up and I am selling goats. And I have a very good business."

So I just tell you that there are many people around the world who are accessing Internet, and we are being overwhelmed with examples--from Brazil which ten years ago had no real Internet access and now has substantial Internet access; from countries which are putting computers in the schools. We will be--we are now four years away from our ability to put wireless technology into every village with either a solar dish or battery-powered or even wind-up radios and computers, able to access information. And we at the Bank are putting together what we call a global development gateway, which will allow villages, towns, governments all over the world to access this information base.

The potential of the digital divide is as great as the dangers of the digital divide. And what we are finding in terms of our clients is an anxiety and a readiness to try and come out on the positive side and take advantage of these opportunities.

Then, there are the global challenges that people face in health. We had a meeting today on a global vaccine initiative. This is a global initiative to deal with the question of immunization on a global scale, Bill Gates, the Bank, WHO, UNICEF joining together a global initiative to try and bring about immunization in countries who are losing three million children a year needlessly today because of lack of immunization.
The global initiative is now coming to try and see if we can bridge that gap. That is not a negative of the globalization trap. That is a positive from the globalization.

We are looking at everything from water to forestry to the environment. These are all issues which are on the plus side. And what I wanted to do was certainly not to indicate that there is no challenge because of opening markets. There is indeed a challenge. But there are two sides to it. There is the possibility of being a tiger, which we have seen demonstrated in East Asia. There's the possibility of being a laggard. But the reason that it will lag has got nothing to do with the fact that globalization occurs. It has to do with the internal management and the will in the countries. It is possible to change in the countries if there is good leadership.

Now, the question is often put to us: At what pace do we open our borders, either in terms of inflow of capital or in terms of tariff reductions? Here it has to be two ways. I have been immensely critical of the OECD countries in terms of protection against agricultural imports from which many developing countries would profit. In fact, if we were to remove the tariffs on agricultural products between OECD and developing countries, between $20 and $25 billion worth of extra trade would flow into developing countries.

There are inconsistencies in the system. You cannot talk about forgiving debt if you are not going to open your markets. You cannot talk about stimulating countries if you are not going to give them a marketplace in which to sell it. You cannot talk about moving technology in the countries if you do not have education.

These are all interrelated issues, but I have the belief that the majority of the leaders that we are dealing with are confronting this issue as a multifaceted issue and are not looking at it simply as a singular issue of the unfairness of international competition.

I believe that globalization can bring with it--not necessarily will bring with it, but can bring with it many advantages to our clients. And what we are looking to do is to try and adjust to what is a new revolution.

Alvin Toffler talked of it 20 years ago -- "The Third Wave." This new wave is with us in terms of the technological wave. We cannot stand here and complain about technology or burgeoning trade or investment. If you just take the issue of money flowing to developing countries, ten years ago private sector investment was around $40 billion a year in developing countries; funding from the World Bank and others was $60 billion, twice the size. In 1997, public investment from us had dropped from $60 to
approximately $50 billion, returning in 2000 to 52 billion and at its peak, private sector investment was $304 billion.

This is not something that is reversible by debating. It is not something that we should score. It is the reality. Multilateral investing is reality. The digital revolution is reality. And the challenge, in my view, for our clients is to adjust in terms of a Comprehensive Development Framework, bringing together the government, private sector, civil society, and multilateral institutions to meet that challenge.

Yes, there are problems in globalization, but don't make them the singular issue. Don't think that it is just one issue in development. The issue is poverty. The issue is management. The issue is multifaceted. And I hope that gives you something to shoot at when it comes to questions.

ROLF-ERNST BREUER: Thank you, Jim, for this very enlightening contribution, which sets the floor for our forthcoming discussion.

I would now like to call on President Wahid, and what we would like to hear from you, President, is the view from an Asian country which, after ten years of continuing growth, fell into what we used to call the Asian crisis. And in this context, of course, people ask: 'Is Indonesia, for instance, a victim of globalization or is it just a consequence of errors committed long before?'

So, President, may I ask you, the floor is yours.

PRESIDENT WAHID: Thank you very much, Chairman.

I think it is very instructive to hear or to listen to Jim Wolfensohn, and basically I agree with him that nothing can substitute for competition, because, you know, we have to understand that age-old, let's say, sickness has affected us from the very beginning. There is a discrepancy between the rich and the poor. It happens everywhere. And I think we have to take this into account.

In taking this into account, we have to always remember that globalization means that the richer can become—the rich can become richer and the poor can become poorer. But this is really the trap that we are always [inaudible] people by a richness and poorness.

The trap is there, because before me the trap is that you have to [inaudible] people. It's very simple that if you don't [inaudible] people but you let people lose themselves what they would like to be, what they would like to be floating to, then that's called [inaudible]. That's the so-called [inaudible]. The [inaudible] is when somebody feels that he—to get his rewards in life, he gets what he tries to achieve in life.
So you see [inaudible], you see material gains can be [inaudible], and I don't want to become rich, I don't want to become, you know, let's say, measured by income I have because, actually, for more than 20 years I lived without income. So whatever I got from my lectures, from my writings, from whatever source, then I keep it and give a part of it to my wife to make our life sustainable. And the others I will give that to charity to make other people to live as I live--not to make them richer, because I know that they don't like to be treated like that. They don't want to be rich.

So this is the real question, whether we would like to be measured by the GNP or by the income or by whatever else, but whether we will develop ourselves fully.

I spent nearly 20 years fighting for democracy, fighting for rule of law, fighting for freedom of expression, sometimes with the threat on my life, and now I am still being hated by so many people who call themselves the true Muslims and I am a false Muslim.

And this thing that both myself [inaudible] we are--we can be seen as the victim of modernization, victim of globalization. But, of course, we have our own situation. I have to overcome this very misplaced understanding about myself because when I say that I like to be tolerant to other religions, to other ethnicity's, to other people, it doesn't mean that I belittle my own religion, my own ethnic origin, my own language.

So this is very important to remember always, that I would like to make myself to be understood by the others. So if that way, then I don't measure myself, my identity, with money. So this is why I agree with Jim Wolfensohn that I see competition is the key to reach a new level of understanding between us, that those who would like to be successful, they have to work very hard to get that kind of result.

The second thing to remember also is that, although we don't have [inaudible] but there is a universal acceptance of a level of life, if you attain that level, it mean that you can free yourself from poverty. You can have any education you want, either it's a basic education or university level of education. That's not important. What is most important is whether you understand yourself, you understand your society or not. So many Ph.D.s from the developed countries cannot work in the developing countries. Why? Because they don't understand their own people. So they work in the modern sector, the so-called, you know, private sector or we can say profit-maximizing sector.

But there are many millions of them who don't care about that thing. So how both practical [inaudible] each own ability to master life. This is what's important for me.
So, in my view, those peasants who till the land, with the buffalo, you see, and singing along the way to till the land, it's better than those government employees with their [inaudible] clothes. This is important to understand, that sometimes we don't want material gains but, more important, so-called by Jim Wolfensohn, cultural approach. So we want to [inaudible] our own self. So if I measure that by income, by whatever, I will be a failure. But I think that I am not a failure because now I am a President.

But I never measure people by income or by material gain. That's why we [inaudible] in the country, the so-called ordinary people actually are not ordinary at all. They understand very well that there is this man who fights for us, who doesn't think about material gains too much. Of course, we have to live by material gains, but not too much, not to overstress that. Material gain is important, but it's not the only one in life.

So I think this is the more important thing. So as long as globalization means that the gap between the rich and the poor will not go uncontrolled, then it's okay for me. Why? Because in the history of mankind, there are always poor people and there are always rich people. And don't think that the rich people gain everything. No. There are many, many instances of the failure of the rich people and the success of the poor people. In fact, what we see in our society now are successful people in business, in the army, in the government sector, everywhere, especially in their economic life. They come from two families. They improve themselves. They go to certain lengths. So if they then try to measure everything by material gain, then people will see them as a failure. But if they use their material gains for the benefit of other people, then people will say that, 'ah, this is a good man, or good woman, for that matter.' I say this because my wife is a woman fighter.

So, in this sense, I think the most important thing to do now is how we can keep the legacy, whether it's cultural, it's pedagogical, or historical, or whatever, but not ideologizing the differences between the poor and the rich, because sometimes when you ideologize poor people so they become heroes, then certainly they are not heroes themselves, and the rich people as sinister [inaudible]. We can live now because there are so many rich people who contribute to the commonwealth of the nation. Without having this kind of attitude, then, of course, the rich people in the countries will leave out poor people. But I hope that we can effect policies that will make it necessary for the rich people to understand the needs of the poor people and they will go together, improving the life of the poor. In that way then the rich, you see, also [inaudible] themselves in experience, not only in material gains.

So, in effect, it can be seen better the rich people can be asked to do things that are unthinkable in the past. Of course, we also always have the [inaudible] part of the rich people, but I don't believe in that kind of sinister club that all rich people are bad. No, no, I don't believe
that because--yeah, I know many, many rich people who actually are shy about their richness, who always talk to me about how they can help the poor.

So this we have to encourage more and more, and because of that, you know, what was said by Jim is very important, that we have to think about the gateways, and the gateways can be termed in the education or status or in social status or in whatever status you want. You know, when I gave lectures, you see, I was rich, because every time there was this envelope given to me with so many rupiah there. It depends on me whether to take it as my, quote-unquote, gain or just as God's [inaudible] to me that funds could be tendered to other people who need them.

So now the question, if we stratify that into national policies, then it will be whether we'll be able to avoid the so-called natural calamity like death, like disease, like, you know, whatever things are detrimental to people's health and people's life. Whether we are ever to provide for them, we acknowledge the differences between people that we cannot erase this at once, as said by Jim. In effect, we have to acknowledge the fact that not all of those things can happen because they are, you know, caused by globalization. The question of globalization is different.

Of course, we have to tame globalization so that it can redirect globalization to the benefit for mankind as much as possible. But it is also foolish to expect that everything will be met by globalization. Globalization is a fact that is already there, and we cannot refuse it. But the problem now is how to redirect part of the globalization for the benefit of mankind as a whole.

Thank you.

ROLF-ERNST BREUER: Thank you very much, President Wahid, for your thoughtful words with regard to globalization and that oversimplifying globalization and its detrimental effects on mankind does not mean that we have found a solution.

We turn now to business, and it's Phillip Knight, who is not selling goats to countrymen in the United States, but shoes to each and everybody around the globe, I guess. And the question to him, of course, is: Is it just that globally active enterprises profit from globalization in business and the small- and medium-size ones have to suffer? Or is there more to say about that?

You have the floor, Phillip.

MR. KNIGHT: Well, first of all, originally Göran Lindah, who is the CEO at ABB, was supposed to sit in this chair. I think his credentials are
obvious. My credentials are that I was walking in the wrong part of the Congress Hall at the wrong moment.

Thirty-eight years ago, when I was a student at the graduate school of business at Stanford University and taking economics courses, the professors taught that when two countries traded, each country was benefited. And that was true even if one country had very high tariffs and the other had low tariffs. Even the low-tariff country benefited.

I didn't ever know if that was really right or not, but I always answered the questions that way on the test so that I made sure I passed.

But since that time, I've had considerable experience watching the impact of trade in impoverished countries around the world, but principally in Asia. The first shoes that we ever imported were made in Japan, and that was in the year 1962. The average factory worker in a shoe factory in those days made $4 an hour. But since that time, obviously, Japan has changed dramatically. I have no idea what the factory rate is today, but I would guess it's in excess of--I said $4--no, I meant $4 a day. I would guess that rate is over $100 a day today. Japan, which was originally a 100 percent source country for us, now sources nothing for us. But it is our second biggest market.

After manufacturing a lot of product in Japan, we began manufacturing product in Taiwan and Korea. That year was about 1974, and the average factory worker in those countries was making $4 a day. Since that time, you've seen both those countries benefit from international trade enormously so that now that they have very, very large middle classes and not only have benefited economically, but in countries that really were ruled by dictatorships are now, in fact, truly democratic.

Perhaps the most interesting country that we've dealt with is the People's Republic of China. Obviously, I grew up, as I suppose many of you did, hearing that China was the most impoverished country in the world and people were starving and famine was common. I've heard Klaus Schwab talk many times on the emotional impact of seeing enormous poverty in different parts of the world, and yet with that sentence, I've never heard him recently mention the word "China."

China, which was absolutely as poor as I expected when we went in there in the year 1979, basically over the next 20 years has lifted itself and its people enormously. What was once thought to be a hopeless case as far as manufacturing shoes at the quality level that Nike demanded is today, in fact, our largest source of shoes, and that we have watched the middle class grow and communications increase dramatically with the general populace of that country.

How did they do that? I really don't have the answer to that, but some of the answers lie in some of the things that Jim Wolfensohn said: basically, leadership, the education of the people, and -- [tape ends].

--electricity, that sort of thing, allowed that country to compete successfully in the global economy. Let me say, before I show that I have
really no solutions to this problem, that there are a lot of myths around the word "globalization," and let me talk just briefly about two of them.

The first one is that as far as in our specific business, it's believed I think generally, at least in the United States, that the lowest labor rate produces the lowest-cost shoes. That simply is not true. There are many other factors that enter into it: productivity, efficiencies, roads, electricity, the capacity to deliver infrastructure in other and related industries that have to support the shoe industry, so that basically the lowest labor countries for us--of the only five countries that are manufacturing shoes in any significant quantity for us today, those lowest labor--the two lowest labor countries are only three and four in terms of the lowest end product to us.

The second myth that's commonly held, I believe, is that the businessman cares only about earnings per share. And I think the businessmen that I know, and particularly the ones that I have met here, although they care deeply about their shareholders and also about their employees, they also care about the world around them. Essentially they care about their place and their reputation and what they do with their time on this globe, and they're as distressed by worldwide poverty as any other section of society.

I think ultimately the hope lies not with business by itself, but essentially I can't get to the 4.8 million impoverished people in the world with enough shoe factories in the thousand years lying out ahead.

I think that government has to take a leadership role. I think there's a proper role for it in addressing this problem. But I think that doing that, they'll find the business community making every effort to be cooperative.

ROLF-ERNST BREUER: Thank you very much, Phillip. It's now up to you in the audience, ladies and gentlemen, to raise questions to all members of the panel. Please introduce yourselves and give notice to whom you want to direct your question.

The lady in the second row, please? Wait for the micro.

QUESTION: I would like to thank President Wolfensohn for pointing out how poverty is such a complex issue and also [inaudible] on government management. But I would like to ask Mr. Knight, who was commending China, and I agree with you, it lifted itself out of poverty, but it did it also because it was limiting births, not always in a very ethical way, but it did do birth control, and also it did have a dictatorship, strong government. So is that what you're advocating also for other countries who are poor?

MR. KNIGHT: Not at all. Obviously I think that the People's Republic of China is by no means the perfect government. What I think is instructive is that they basically were really in many ways the most impoverished country, and that they have lifted themselves up dramatically. And I would say it was not because of a lot of the policies that they have, but I would look for what I know of, basically the areas of education and the
infrastructure that they have built. They have enabled themselves to really lift themselves up economically.

I think those are the lessons that should be learned, not necessarily the repressive lessons.

QUESTION: I have a question to President Wahid. President Wahid, I am a friend of yours and supporters of yours, and I have a question for you. We reform Muslims were very happy that you were elected as the President of the greatest Islamic nation, and there are other Muslims, those who threaten your life, I mean, to me they are the untrue Muslims, those who are against globalization, these and true Muslims, which I call them fundamentalists, they believe that globalization is the [inaudible] of Christianity or a conspiracy of the West against the Islamic um-(?) against our Islamic community. And you and I, we are for globalization, and we don't want to be losers. We want to be winners. And we want to join the liberalization process.

Indonesia is a very important country. We reform Muslims, we have high expectations in you, and we think that Indonesia could have under your leadership as the spearhead of enlightened Muslims to check a model for the world of Islam, that the world of Islam [inaudible] civilization is not going to be [inaudible], is not going to go into a ghetto. It wants to be part of the globalization process and to have a prominent place.

Do you think these hopes can materialize under your leadership?

PRESIDENT WAHID: Professor, as far as I am concerned, we are [inaudible] the origins of [inaudible] because when Islam is seen not as culture, not as (?)-zation, not as a way of life, but seen from the perspective of institution, the Islamic law (?) then, of course, you tend to defend Islam in the way you can, and this by making the other side look bad. (?) Islam is a way of life. Islam is, you know, an inspiration for me. It's morality for me. You know that I never tasted a single drop of (?) or beer in my life because I promised my grandfather [inaudible] I won't do that. And that's enough for me. I don't care whether the other people disagree with that or not. It's [inaudible] business of mine.

So I think this so-called, quote-unquote, cultural Islam is important, and please remember that the majority of Muslims, when we have around 1 billion Muslims now in the world, the majority of them, around 800 million people, think this way. Otherwise, I wouldn't be President, of course.

So, you know that we also have to differentiate between the so-called true Muslims because they practice every day, in their everyday life, and the so-called nominal Muslims because they say they are Muslims but they don't do anything to enhance Islam. For me we are the same. The practicing Muslims as well as the non-practicing ones are the same in my view. That's why people like myself always win in the elections because of (?) . Don't be afraid of that. The militants are always there, and we have to do very much to educate them, but it's impossible to [inaudible] them anyway. So we have to be [inaudible]. We have to have dialogue with them, not consulting them, but educating them as best as possible.
This we have to get the mind of people [inaudible]. Even in my family, there are militants. So why not? They can live their own religion, and me, myself, I have my own version of Islam. So that's why I now [inaudible] my Islam.

Thank you.

QUESTION: I am from Morocco. President Wolfensohn, if I understood you well--sorry--globalization can be an opportunity more than [inaudible] for countries, for certain developing countries under certain conditions that you have developed. I feel that one of the problems of globalization today is perhaps that it is not enough global. In other words, as far as globalization is more or less synonymous to free trade both ways. We realize more and more that free trade is often working only in one way, even for those countries with little or no problems of corruption and acceptable social and political countries such as mine.

MR. WOLFENSOHN: Well, I think in your country you are rising to the challenge, if I understand correctly what your government is seeking to do, and I think that they are basically saying that if you keep the barriers around your country or if any developing country keeps the barriers up and is afraid to face global forces, then their experience and all our research has shown is that their growth rate drops.

All the evidence that we have in terms of globalization points to the fact that if a country can bring together the factors that I spoke of in terms of governance, education, and so on, and can have transitional arrangements for adjustment when you expose countries to competition, then they will come out better. That is, in fact, what your government is seeking to do, if I understood my last conversation with them.

I think it is the right way to go. If I were Morocco, I would not be afraid of competition. I would get on with it and, as some of your neighbors are doing, really press forward.

I think that you can be challenged that you should have the courage to do it, and I think in the case of Morocco you have every reason to do it. But not being Moroccan, it's probably easy for me to say that. But I do say it when I'm in Morocco, which is quite often.

QUESTION: I am from Sao Paulo, Brazil. One of the facts of globalization in the presence of the World Bank, is the divorce between politics and economics. Politics mainly in developed countries is becoming more and more local and we get more and more local--the themes of politics are extremely local. And we can see it in the nation of the U.S. or even European countries where there is a move to nationalism and to internal issues. And the economy is more and more global.

How in your function--how do you reconcile these two extremes, and where do you think this divorce will take us in the next 20 years?

MR. WOLFENSOHN: Well, I think you've hit on the greatest dilemma we face in the way the economies and political systems are working today. I never
cease to talk in the United States about the fact that the United States has to recognize that it’s not only in times of war or conflict that it needs to think about international responsibilities. This is a view that was also taken by Secretary Summers. And it is based on the fact that if you listen to the current presidential campaign, there is scarcely a word about poverty and about development.

But the simple fact is that whatever the politicians say, we are becoming more and more planetary citizens. We are linked by health, by environment, by crime, by drugs, by immigration, by trade. There is scarcely any aspect of our lives which is not affected by global forces—the air you breathe.

Today the realities are that no country can be exempt from global forces, particularly when you think that two billion people are being added to the planet, our common planet, in the next 25 years. But that development in terms of the interdependence is not visible in the short term. It is inevitable. It is happening every day. Issues of poverty and equity around the world are as much an issue for the rich as for the poor because they will create conditions of lack of peace, they will create conditions of terrorism, of crime, of instability. And our kids are going to face this issue.

My hope is that political leaders will, in fact, understand that interdependence is a fact of life, that where the problem is exactly the one that you’re speaking of now. It is not visible in the short term, and in political campaigns almost anywhere in the world, with the exception perhaps of the Scandinavian countries and maybe Holland, where they have a more international outlook in their domestic political scene, the real issues are difficult to see. The short-term issues are upon you now.

And I think that one of the great dramas we have in terms of the issue of global trends is exactly the one you're speaking of. It is the lack of understanding that for everybody in this room, and particularly for our children, the issues are planetary. They are no longer just national.

But you have hit, I think, the single most significant problem I run into every day of my life, and it is the reduction of interest in terms of foreign involvement and the fact that this absolutely inevitable truth is not yet visible. And it takes people in this room, business leaders, political leaders, to try and lead. It would be my hope that meetings like this might cause us all to do so.

QUESTION: I am from the University of Israel. Sooner or later--maybe sooner--a new head will be elected for the International Monetary Fund, and my question is to President Wolfensohn. Maybe if Bretton Woods discussion would take place, there would be no international organization. Maybe people would form today one international organization with one arm dealing with the macro level, with the policy level, and another arm with the project level. But I believe at the moment it will be two institutions, IMF and the World Bank. I would like to hear from Mr. Wolfensohn that given the fact that the World Bank is not only a project institution, and given the experience in the last
three years on globalization, on the macro policies in East Asia and Russia, how do you see for the next decade the distinction between the World Bank and IMF as far as the macro policies?

MR. WOLFENSOHN: Well, I think that you need to have, for any form of development, what I call the other side of the balance sheet, not just what I described in terms of the organizational framework, but you need growth. You need economic growth in order to create jobs or to give you stability. And so I think there is a natural division between the activities of the Monetary Fund in terms of dealing with crises and in dealing with macro policies, which, by the way, it does not just for developing countries, but for developed countries as well. The IMF deals with all countries. The World Bank deals with developing and transition economies.

Both of us, in terms of the speech that Camdessus made a few months ago, are committed to the issue of poverty. I think that the Fund is now more focused on the individual than it has heretofore expressed itself to be, and what we're doing in the Bank is dealing with the issues of longer-term issues on development.

But I think we and the Fund see it exactly the same way. The issue that we face—in fact, all of us face today—is the issue of equity and poverty. The poverty issue is not an issue that can be put aside. Not everybody, Mr. President, I guess, is happy in their lot in poverty. There are very few men with your vision and understanding. There are many people that live in poverty happily, but there are many who feel frustrated and don't.

And I guess that what we're trying to do in terms of the work of the Bank and the Fund is address the joint policies of the Bank and the Fund to assist governments in doing what they do. It is not for us to dictate to the President of Indonesia what he should do or the President of—or the King of Morocco or the Prime Minister of Morocco what they should do.

There is a very strong issue of cultural base and objectives. In Bhutan, the Constitution, interestingly, talks about maximizing happiness, not maximizing GDP. And I think that's wonderful. And, you know, sometimes I wish I were Bhutanese, except it would take me a time to learn the language.

But these are issues which must be left to the countries. I think there is a natural division between the Bank and the Fund, and I can assure you we're not about to have a takeover in the absence of leader for the Fund.

ROLF-ERNST BREUER: [inaudible] Constitution [inaudible].

MR. WOLFENSOHN: They are looking for a German, Rolf.

ROLF-ERNST BREUER: That's right. I think that [inaudible]. Thank you, Jim.

Second row?
QUESTION: I am from Jordan. President Wahid, Phil Knight mentioned how business leaders have to take a certain responsibility to contribute to the world. I was wondering what can business leaders here do to contribute to Indonesia now that you have instituted stability, what opportunities are there for business people to do well and to do good while doing well.

Thank you.

PRESIDENT WAHID: I think the most important situation is that you clear the air, the atmosphere of trust between citizens of your countries as well as between citizens of the world. So in this sense, people we trust will work as hard as possible to attain their goal, and once they attain their goal, maybe in the first place talk about material gain, but later, if you have enough, then they will think about other things, how their position in life can be better, can be improved by their richness. This is important.

You see, I have met so many people, so-called people with high income, coming to me and saying that they would like to contribute, and it's just the problem of redirection of those people. So the most important thing now is to create the atmosphere of trust between the citizens between different levels of population, and this is very hard because in this modern age people tend to believe only what they see immediately, their own surroundings, not the interests of the people, common interests of all.

QUESTION: I am from Portugal. In this global world where greed and power is so much the driving force of a lot of things, ethnics and religion play a different role very often. How do you see, President Wahid, the freedom movement that you see in your country? As you know, East Timor was a very important point, also important for the Portuguese, but actually, for that matter, Chechnya, Kosovo, the Albanians and Muslims. How do you see this fitting into this globalization trap as well.

PRESIDENT WAHID: Well, I think many mis-information has been heard by the world. You know, that except for Indonesia, there are troubles everywhere, that when I leave the country for a minute, there will be a coup d'etat. Don't believe in them. Those are [inaudible] of people who are worried about my country. But, in fact, the situation is not like that.

So if we take this into account, then we can see with, let's say, being sober what happened in the long run, that the rise of militancy, the rise of bigotry, the rise of hatred, then we can deal with them, as said by Jim Wolfensohn, by education. [inaudible] vision we would like to have to create misunderstanding people or to create people understanding each other? So this is very important.
We have a very long mistake in our education, making people [inaudible] but don't believe in their [inaudible]. But now I see, of course, we have to develop a new type of education which will bring understanding more to the people about each other.

Of course, this will be influenced by the freedom of movement. You know that it can be [inaudible] for example, those in the Middle East, why there are so many militant [inaudible] in the Middle East. It's simple. Because in the Middle East, [inaudible] is done by the government. So then in the Middle East you have to develop a new tradition. The NGOs are a tradition. In this sense, the NGOs [inaudible] to, let's say, recommend or to present alternative voice. And the government has to learn to accept them because sometimes those alternatives are very good.

So my own example that for 20 years I fight for human rights, for freedom of expression, et cetera, and while there were, you see, the oppressive government, but compared to the others it's not so oppressive because we have the tradition of the so-called multi-(?) culture. The Grand Palace of the King and the small palaces of the educational facilities.

So in this thing, we have 500 years long tradition [inaudible]--I mean, the place where Muslims learn life as well as their religion. So in this sense, a kind of a tradition to differ from the kind of things that are provided by the government. So in the end we, of course, overcome the government in this way.

Don't think that we'll win forever. Maybe next time the government side will take over. We don't know. But, anyway, the tradition of dialogue happens, which I don't see in the Middle East anywhere, for example, in Egypt. So the government has so overcome the opposition by making everything run by the government. It's not--it's not right, because that [inaudible] only for the underground the chance to be heard by having an alternative, totally different alternative that sees the government to be top-down. But not like in my country. The first thing I did when I was elected President, I will offer examination by the [inaudible] I will pardon from President Suharto because he was the President [inaudible]. So this cannot happen in the Middle East. Everywhere I go there, you see, it's always the government.

ROLF-ERNST BREUER: Ladies and gentlemen, time is running out, and instead of trying to summarize the discussions of tonight, let me quote Amartya Sen, the recipient of the Economics Nobel Prize in 1998. He says: "It is important to see the market mechanism as only one important institution in a multi-institution world. It cannot deal with all problems and inescapably needs supplementation by other mechanisms. On the other hand, what a market can achieve within its own domain is invaluable, too. We need to see the market mechanism in a fuller context."
So far, many thanks to the panelists, many thanks to all of you in the audience. Good night for now.