

Address to the Bankers' Club

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by
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Mr. President, My Lord Mayor, Mr. Governor, My Lords, Aldermen, Sheriffs, and Ladies and Gentlemen, may I, on behalf of the guests, thank you. This is quite a night. It's quite a night, Mr. President, because I have a link with the City of London. From my youth, I learned about it from my father who went to the City of London School and, by some extraordinary coincidence, became a Freeman of the City of London for organizing the Victory Parade after World War I.

And one of the few things he was able to leave me with, that have the distinction that this does, was by patrimony to have the freedom of the City of London. And I recall, as an impecunious student on my way to study in the United States, dropping by this building to see if I could pick up the Freedom of the City. I was scared about one thing principally, My Lord Mayor, which was how much would it cost given my state at that time. But I was able to get it and I was duly handed a book which was entitled Rules for the Conduct of Life, which I thought would be of enormous value to me as I progressed further.

And I learned that I had I think at least three privileges. One was that I could wear a drawn sword in the city. Secondly, that I could drive my sheep over Westminster Bridge or London Bridge, I'm not quite sure which. And, thirdly, that I could be hung by a silken cord, instead of something less attractive, were I to become an investment banker here.

In any event, it is, indeed, a privilege for me to be here and one cannot but be overwhelmed by being in this glorious environment. I thank you, very much, Mr. President, for that glowing introduction. I only wish that I was still in the private sector and that I could benefit from it by gaining clients, although with a group like this, I'm not sure there would be too much business for what I was doing.

But now I'm in a different world. Now, I'm in a world of development. I'm in a world that concerns itself not with the ceremonies of tonight, and not with the wonders of the city but with 4.7 billion people out of the 5.6 billion that live on this earth.

I recall with enormous pleasure my time in the City. And I know very well the long and distinguished history that London and this country have had in terms of international development. I was privileged to come here to work at Schrodgers under the leadership of Lord Richardson, who is here tonight, and I'm thrilled that he is here to see me speaking and to hear me. And I learned, as you all know, of the history of this city and the development of many developing countries around the world, of the funds

you sent to the United States, to Latin America, to other parts and, of course, the assets you had sent to Australia in chains years earlier.

And I know very well that you are continuing that tradition, My Lord Mayor, in terms of inviting developing countries to share in the benefits of this city.

But the world has changed and I've learned quite a lot since I left Schrodgers and since I've left private practice. And what I've learned is that it's a different world. It's a world in which there are 1.2 billion people who live under \$1 a day, in which there are three billion people who live under \$2 a day, in which there are 1.2 billion people who don't have access to water, in which there are 120 million children who don't go to school, where there are many conflicts, and many, many problems.

But there are also many opportunities. Because this developing world in which I'm now so heavily engaged is not another world, it's our world. We're linked with this world. We're linked with it because we share the same environment. We're linked with it because we breathe the same air. We're linked with it because our health is dependent on the health in those countries.

The scourge of AIDS which has 16 million people suffering from that disease is a disease which started in that so-called developing world. And having just returned from India, My Lord Mayor, by the end of this century which is just a short time away if nothing is done there will be 7 million cases of HIV positivity in that country. We cannot ignore that.

And we're linked by crime and we're linked by migration because migration comes from countries that do not have economic opportunity. We're linked by war. In Europe, we're linked by the problems of transition economies and what might happen if there is a nuclear mishap in those countries, those countries which are part of the developing world. And we're linked by food and we're linked by famine.

The developing world is not something we can opt out of. It's something that's part of the same world we live in and, yet, from my own experience and my own time both in the City and in the United States, few of us think of it as part of us. It's only when traveling to some 40-odd countries that I have really come to realize that this world is, in fact, our world.

And it's not our world just for social or moral reasons. Speaking to this august group, it's our world for economic reasons. In the years since 1990, 40 percent of the growth in GDP has come from those countries. By the turn of another 30 years, 30 percent of the world's GDP will come from those countries as comes 20 percent today.

It is the home of much of our trade. It is the source of much of our trade. And one cannot imagine growth in the developed world without growth in the developing world. And it's quite easy to see that in the City of London and in other international markets we are responding to that. International bond issues last year were \$88 billion for developing

countries, a significant step from earlier years. International banks loaned \$35 billion, up from \$3 billion in 1990. There is economic opportunity and we are responding.

But the problem is that of the \$230 billion of private capital which last year went to the developing world, 75 percent of it went to 12 countries and 12 countries only, which leaves 140 countries where there is a need for development assistance and for economic advance. So, we still have significant issues to face in terms of this developing world. And by the way, that \$230 billion in private capital compares with only \$50 billion from all the official institutions so that the private sector now accounts for five times the amount of official assistance, up from half official assistance seven years ago.

And you can say, again, well, what's that got to do with me? What does it have to do with us? And I would reply that that is our future. Maybe those of us at this table can ignore it but not our children and not our grandchildren. Because by the year 2025, the 5.6 billion people in this world will be 9 billion people in this world of which 8 billion will be in the developing countries. And the major cities of this world will be in developing countries so that we will no longer think just in terms of London, New York, and the centers of Europe, we will be thinking of Jakarta and we will be thinking of Beijing and we'll be thinking of Sao Paulo and we'll be thinking of cities in Africa because these will be the major cities.

This is what we need to think of now, not for ourselves, but for the next generation. And it's crucial that the bankers in this city, as the home of international banking and the largest center of international banking, recognize that there is something more than the profit motive in terms of our policies and our strategies.

We have to orient ourselves differently from the way we were trained. I'm sure that all of you, like me, were not trained in terms of the 4.7 billion people. It's perfectly possible to exist without knowing that they exist. But our children cannot. And we have a responsibility in the banking community to participate in bringing about a more stable world.

As far as development is concerned, it's no longer an issue of having government to government assistance. After World War II there was practically nothing flowing to these developing countries. And there was, of course, a need to restructure Europe and other countries affected by war. And, so, those in the international community created the Bretton Woods institutions the World Bank and our sister, the Monetary Fund. But, since that time development has become much more complex. We've no longer got just the international institutions, the Bank and the Fund. At the Bank we've diversified and we've got the International Finance Corporation, and MIGA, our insurance company, but there are now a multitude of regional banks. There are also bilateral institutions. And there's the European Union.

So, we have at one level the governmental contributors to this development and, in addition to that, with the onset of freedom and with the development of markets we have a growth in non-government

organizations and non-state actors, so that there is now a partnership not just between government but between governments and civil society. And beyond that, there is, of course, now the partnership with the private sector. And with \$200 billion per year, alone, needed for infrastructure development in developing countries, there clearly has to be a true partnership with the private sector.

International institutions have to change. And private institutions have to change in thinking not just of themselves but of leveraging their activities and their interests to work in partnership with the governments of these countries. And the governments also have to change. And they are changing. And the opportunities are changing.

We're looking at the moment at satellite links with 60 countries overseas. Can you imagine a country in Africa which will be able to jump a generation in terms of research, in terms of training, in terms of accessibility by access to the Internet, by access to interactive television not only for discussions but for training sessions originating in Washington and in London and in Singapore. These aren't things of the future, they're things of today that we're acting on now.

Last week I was in Washington, and I met with 12 ministers in the Cameroon after breakfast. I went next door to my conference room and I had a conversation with 12 African ministers who were sitting in the Cameroon. The potential is enormous and so are the implications. Using their computers and video interchange, our children are going to be as close to Africa as they are to cities in Europe or to regions of London.

This world is not a static world. It's a world full of expectation and hope, but it's also a world of great differences. Low income countries today make up 56% of the world's population but have less than 5% of the world's income. And inequalities between rich and poor countries are growing. And within countries, we have this great division of wealth. In Peru, the difference between the top 10 percent and the bottom 10 percent is 80 times.

Why do I raise this? Because if you have economic disadvantage from one group to another, ultimately you will have social instability. The two go together, they have to go together.

And, so, we have a responsibility as bankers not just to think in terms of immediate profit, but to think in terms of preparing a world for our children. We have the education, we have the technology, we have the vision. And many banks in this room already have the networks. We are already out there. But we must be out there with something other than just looking for deposits and making money. We must be out there thinking in terms of contributing to a better world. If banks insist on environmental conditions in terms of lending, there will be environmental conditions in terms of lending. If banks insist on labor standards, there will be labor standards. If banks join in a fight against corruption, we will at least make a hole in corruption and maybe win the battle. Corruption is not just an issue of developing countries. There are corruptions and there are the corruptors. And many corruptors come from developed countries and many corruptors are clients of all of us. If we

don't want the cancer of corruption to spread in the world we, ourselves, must stand up to it.

In Washington, at the moment, there is a meeting of 2,000 people on microcredit. The banks can make an immense contribution to microcredit. It may not be profitable today but one of the most effective tools in the villages and in the slums is the possibility of getting small-scale loans. I recall as vividly as if it were yesterday, my trip to Uganda when I was in a slum and there was a woman there who, together with other women, was making briquettes out of banana peel. And they would fire up the banana peel and it would become carbon and charcoal and they would press it together and make briquettes to heat. She had started this business with a \$50 loan. And she gave me her accounts in a little exercise book with all the pride of the chairman of General Motors. And I've seen it in India where we are teaching women to run businesses, women that can't read, using cartoon-like figures. And we're training women in basic skills.

These are things which as chairmen we may not need to do, but for the sake of the young people in your overseas offices you should put something into it. Give the younger people a chance to make a contribution to these societies, and to learn something themselves. I have become very humble in terms of learning from the cultures of developing countries. We could all learn from the culture of family in Africa.

Recently I was in Uzbekistan at the Ural Sea, a place that is desolate because as some of you may know it's an environmental tragedy. This is a sea which is gradually becoming salt, affecting the neighboring countries because the water has been siphoned off in improper irrigation. And when I was there I went to a fishing village 20 kilometers down from the sea. But having a fishing village where people only know how to catch fish and dry fish, 20 kilometers from the sea, is problematic. And, so, the people there were living on \$15 a month.

And we went there to this desolate place, my wife and I, two hours in a Russian helicopter and we met a group of young kids dressed scantily, and we talked through their teacher who spoke some English and we gave them some pencils and a few other things. And as we were leaving a little boy came up to me and put in my hand a five-sum note, equivalent to about 10 cents, and then scampered off. And I said to the teacher, what is this? And he said, in Central Asia when a visitor comes we give them money for the next stage of their journey.

I can give you dozens of examples of the sort of thing one sees in the developing world. They do not want charity, they want opportunity. They have the same genomes that we have. They have the same instincts that we have. They want their kids to get an education. They want shelter. They want peace and they want economic development.

We have a lot to learn from that world of 4.7 billion people. And it's only right that the young people within our banks should both contribute and learn, so that we can have a world in which we can profit

economically certainly but more importantly in which the moral and social responsibility that we owe to each other is carried forward.

I believe that the City of London and the banking community can lift its sights and in lifting its sights, help our children and help make the world a more peaceful and stable place.

Thank you.