

NATIONAL PRESS CLUB NEWSMAKER LUNCHEON WITH ROBERT ZOELLICK, WORLD
BANK
PRESIDENT

SUBJECT: "AN INCLUSIVE AND SUSTAINABLE GLOBALIZATION"

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MS. SMITH: (Sounds gavel.) Good afternoon, and welcome to the
National Press Club. I'm Sylvia Smith. I'm Washington editor of the
Fort Wayne Journal-Gazette and secretary of the National Press Club.
I'd like to welcome club members and their guests and those of you who
are watching on C-SPAN.

We're looking forward to today's speech, and afterwards I'll ask
as many questions from the audience as time permits. So if you could
hold your applause during the speech, we'll have as many -- as much
time as possible.

For our broadcast audience, I'd like to explain that if you do
hear applause, it may be from members of the general public who attend
our lunch; it's not necessary the working press.

I'd now like to introduce our head table guests and ask them to
stand briefly when their names are called.

From your right, Daniel Nassif, vice president for news and
Middle East Broadcasting Network, which includes Al Hurra TV and Radio
Sawa; Santiago Tavera, Washington correspondent for Mexican News

Agency; Henry Bryer (sp) at the Latin American and Caribbean Region of the World Bank and an NPC member; Elizabeth Ody, reporter for Kiplinger Personal Finance and a new member of the National Press Club; Rob Dougherty, Washington bureau chief of Reuters; Marwan Muasher, senior vice president of the World Bank and guest of our speaker, and the former ambassador to the U.S. from Jordan.

Skipping over the podium, Angela Greiling Keane, Bloomberg News and chairwoman of the NPC Speakers Committee; and skipping over our speaker for just a moment, Doris Margolis, president of Editorial Associates and Speakers Committee member who arranged today's luncheon; Obi Ezekwesili, vice president of Africa of the World Bank and guest of our speaker; Keith Hill, editor and writer of BNA and vice chairman of the NPC Board of Governors; Norman Fu, bureau chief of China Times; and Klaus Zeelock (sp), bureau chief of ZDF German Television. (Applause.)

When Robert Zoellick took the reigns of the World Bank three months ago, he inherited a massive task. He had to win back the confidence of the bank's staff and the international community, which had watched as the World Bank presidency of Paul Wolfowitz crumbled in the controversy of his management style and leadership decisions, which included giving a nice raise and promotion to his girlfriend.

And over the long term, Zoellick will have to make sure that the World Bank is pointed in the right direction -- that its development projects are helping the world's poor nations as much as possible, which hasn't always happened in the past.

Zoellick came to this task with something his predecessor, an architect of the Iraq war, lacked: a surplus of good will. As former Press Club President Rick Dunham wrote in BusinessWeek, Zoellick's appointment made for a rare experience for George W. Bush: a major presidential decision was greeted with bipartisan praise and international congratulations. And in the words of The New York Times editorial page, Mr. Zoellick is "just about everything Mr. Wolfowitz was not. He is an able diplomat, experienced, and interested in the details of development."

What's more, he has a pretty good resume. Immediately before coming to the World Bank, today's speaker was international vice chairman of Goldman Sachs Group and a managing director and chairman of Goldman Sachs's Board of International Advisers. Before that, he had served as deputy secretary of State. And from January 2001 to 2005, he served in President Bush's Cabinet as the U.S. trade representative, and was at this podium in that capacity several years ago.

Now, though, Robert Zoellick faces his biggest career challenge of all -- using the World Bank's resources in a way that maximizes their impact in the fight against global poverty. The title of his remarks today, "An Inclusive and Sustainable Globalization," pretty much sums up what he has in mind.

Would you please help me welcome back to the NPC podium Mr. Robert Zoellick. (Applause.)

MR. ZOELLICK: Thank you. Thank you very much. (Applause.)

Well, it's a pleasure to be back at the Press Club. Having now served as president of the World Bank Group for some 100 days, I wanted to share my initial impressions and ideas for strategic directions.

I greatly appreciate the encouragement and support I have received. I sense that people around the world in developing and developed countries alike recognize both the need for and potential of this unique creation.

The World Bank Group is one of the great multilateral institutions established after World War II. Sixty years later, it must adapt to vastly different circumstances in a new era of globalization.

The staff of the World Bank Group has helped me learn, shown me our vital work in the field, and offered fresh ideas as we set a course for the future. The board is offering experienced guidance as we strive to turn good intentions and analysis into productive action.

Yet the real face of the World Bank Group is not the one usually seen in Washington or in the drawing rooms of the capitals of our major shareholders. When I visited Yen Bai Province in the northern mountains of Vietnam this August, I met a woman who now has electricity to help grind rice, pump water, power fans, and light her one-room household so her children can study at night because the World Bank financed a Vietnamese electrification project. Electricity now eases the chores of over 90 percent of rural households in Vietnam. As in other societies, rural electrification most of all empowers the women who bear the brunt of daily farm labor.

In Honduras, the World Bank is helping save Pico Bonito National Park through the Bio Carbon Fund, which supports farmers who are shifting from cutting the native Redondo trees to selling their seeds and replanting saplings. As one farmer said, quote, "We still have our trees and I can still make money, even more than I did before. We even take care of the wild seedlings."

In Nigeria, the International Finance Corporation, our private sector arm, helped a single mother in the village of Ovoko to obtain a microfinance loan to become a village phone operator. Villagers used to have to travel a full day to make a phone call. Now this entrepreneur helps her neighbors connect to the broader world while earning money to pay for her children's school fees and medication for her own HIV/AIDS treatments.

Given the opportunity, people everywhere want to build a better life for themselves and their children. That impulse, if given a chance, can contribute to a healthy and prosperous global society.

We live in an age of globalization, yet its contours are very uncertain. Since the end of the Cold War, the number of people in the world market economy has increased from about 1 billion to 4 (billion) or 5 (billion), vastly increasing the productive labor force. New pools of savings are adding to global capital flows. The transfer of

skills, technologies and information is rushing ahead.

The global flow of trade has more than doubled since 1990. Nearly 300 million people have escaped extreme poverty. Yet many remain on the fringes, and some are falling further behind.

We can also see the environmental challenges of this extraordinary surge of growth, with rivers that run black, skies that block the sun, and threats to health and climate.

Globalization offers incredible opportunities, yet exclusion, grinding poverty, and environmental dangers create additional threats.

The ones that suffer the most are those who have the least to start with: indigenous people, women in developing countries, the rural poor, Africans and their children.

It's the vision of the World Bank Group to contribute to an inclusive and sustainable globalization -- to overcome poverty, to enhance growth with care for the environment, and to create individual opportunity and hope.

In the year 2000, the countries of the United Nations established eight Millennium Development Goals, ambitious targets to halve poverty, fight hunger and disease, and deliver basic services to the poor by the year 2015. These goals -- our goals -- are posted by the main entrance of our headquarters building, reminding us every day of what we come to work to accomplish.

These aims of sound social development need to be combined with requirements for sustainable growth driven by the private sector within a supportive framework of public policies.

Now, consider some of the needs. Every year, malaria strikes some 500 million people worldwide, yet we could get close to overcoming this leading killer of African children. It would take an investment of about \$3 billion a year over the next few years to provide every household vulnerable to malaria with treated bed nets, appropriate medicines, and modest amounts of indoor insecticide.

The International Energy Agency estimates that developing countries will need about \$170 billion of investment in the power sector each year over the next decade just to keep up with electricity needs, with an extra \$30 billion per year to transition to a low-carbon energy mix.

An additional \$30 billion per year is needed to achieve the Millennium Goal of supplying safe water to 1.5 billion people and sanitation for the 2 billion people who lack these most basic of necessities.

There is need for another \$130 billion a year to meet the transportation infrastructure requirements of growing developing nations.

And to provide primary education for some 80 million out-of-school children -- another Millennium Goal -- low-income countries

will require about \$7 billion a year.

Now, meeting these needs is not, of course, just a question of money. Nor is it the role of the World Bank Group to finance the investments by itself. It is the purpose of the Bank Group to assist countries to help themselves by catalyzing the capital and policies through a mix of ideas and experience, development of private-market opportunities, and support for good governance and anti-corruption -- spurred by our financial resources. It is the purpose of the Bank

Group to advance ideas about international projects and agreements on trade, finance, health, poverty, education and climate change so that they can benefit all, especially the poor seeking new opportunities. We should be expanding the frontiers of thinking about policy and markets, pioneering new possibilities, not just recycling the passably proven with a modest financial advantage.

So I have been stressing the idea of the World Bank Group to make a point. We have to strengthen our interaction and effectiveness as a group.

Our group has four principal parts. The International Bank for Reconstruction and Development, IBRD, is our public finance arm, providing loans based on market prices, risk management and other financial services, combined with deep development experience.

The International Development Association, IDA, is an aid conduit that provides interest-free loans and grants to the 81 poorest countries, as well as significant debt relief. The International Finance Corporation, IFC, is our private sector arm, making equity investments, loans and guarantees, while offering advisory services in developing countries. And the Multilateral Investment Guarantee Agency, MIGA, supplies political risk insurance. Operating together, we can leverage these tools to ensure that the whole is greater than the sum of its parts.

All of these components share a body of expert learning and experience covering a host of development disciplines. Delivering, expanding and testing this knowledge is, in tandem with financing or separately, is the most important part of our work.

Now, over the past two months, working closely with our board, the management of the World Bank Group has begun to take actions to move forward. This year, we're replenishing funds for IDA, the group's principal financing tool for the poorest countries, and for Africa in particular. This is the 15th IDA replenishment; each refunding covers the next three years.

The generosity of donors is fundamental to the success of this replenishment, and we've been encouraged by their support for an ambitious result. I wanted all donors to know, in very concrete terms, that the World Bank Group will put its money where its mouth is when it comes time to boosting IDA.

So I'm delighted to announce that our board has concurred that the Bank Group should be leading the way by seeking to contribute \$3.5

billion of its own resources to IDA 15. This is more than double the \$1.5 billion we pledged to IDA 14 in the year 2005. With this stronger hand, we will challenge donor countries to commit to an ambitious increase in numbers to help the poorest, particularly in Africa and South and East Asia. South Africa has already set an excellent example by pledging a 30 percent boost in IDA funding, and so now we need the G-8 and other developed countries to translate their words from summit declarations into serious numbers, too.

Second, we're committed to a stronger growth strategy for IFC, the private sector arm.

Third, we'll deepen the cooperation between IDA and IFC to boost the private sector in these poorer economies. IFC is launching new infrastructure and microequity funds for IDA countries. Furthermore, IDA and IFC can co-invest to support public-private partnerships in infrastructure projects, especially in energy, transportation, water, agriculture and the microfinancing sectors. These products can support the integration of regional markets, which is especially important for smaller and landlocked states in Africa.

Fourth, even though the IBRD is very well-capitalized, our loan business has been shrinking. Today, about 70 percent of the poor live in India, China and the middle-income countries that are served by IBRD. These countries have asked us to remain engaged in their search for how best to meet their diverse needs, so the IBRD should be growing, not contracting. Of course, our services to middle-income countries must continue to expand far beyond lending. Yet our pricing patchwork, reflecting adjustments made way back in 1998, confused our clients.

Therefore, in order to better meet the great needs of these developing countries, we asked our board to simplify and to cut our prices so we could expand our lending support to development and to growth, and I'm pleased that the board agreed, clarifying our fees and reducing the rates back to the pre-Asian crisis level. This step can help us catalyze the expansion of our services, but we have a lot more to do. We also have to address the nonfinancial costs of doing business. We aim to be faster, better and cheaper. These steps point the way towards an expanding horizon.

Globalization must not leave the "bottom billion" behind. And this assertion is based on more than respect for the worth of our fellow men and women and beyond an appreciation that any of us could have been brought and born in similar circumstances. Inclusive globalization is also a matter of self-interest. Poverty breeds instability, disease and devastation of common resources and the environment. Poverty can lead to broken societies that become breeding grounds of those bent on destruction and migrations that risk lives.

Globalization also has brought uneven benefits to the billions in middle-income countries who have started to climb the ladder of development since the end of the Cold War. In many lands, social tensions are weakening political cohesion. These middle-income countries need to continue to grow, to offer inclusive development and

to adopt -- adapt environmental policies for sustainable prosperity.

The greater influence of developing countries presents another question: What will their place be in this evolving global system? This is not only a question of how large developing countries will interact with developed countries but also with the poorer and the smaller states in the world. It would be ironic indeed for the Bank Group to withdraw from work with the middle-income countries at the very time that governments are recognizing the need to integrate these countries more effectively in their diplomacy and political-security institutions. So why not integrate them as partners in the institutions of the multilateral economy, too?

Two years ago, I suggested that China build on its success by becoming a responsible stakeholder in the international system.

This is, of course, a challenge for other countries too, if we are to achieve an inclusive and sustainable globalization. And with responsibility, there should be greater voice and representation. We need to advance an agenda to strengthen the participation of developing countries throughout the Bank's work and its workforce.

Developed countries are also facing the opportunities and strains of globalization. The common sense of politics in developing countries -- of publics in developing countries leads them to recognize there's no successful recourse to isolation. Common decency, as well as self-interest, drives them to recognize the interdependence, even as they debate how best to pursue it.

Now, in comparison to the scale of these global challenges, the World Bank Group is a modest institution. Yet along with its multilateral partners -- the United Nations and its specialized agencies, the IMF, the WTO, the regional development banks -- the World Bank Group needs to play an important role in advancing an inclusive and sustainable globalization.

The multilateral institutions have been buffeted and battered. They need to combine deliberations with effective results. They must overcome internal weaknesses and build on their strengths. Together we can show that multilateralism can work much more effectively, not just in conference halls or through communiqués, but in villages and in teeming cities, for those most in need.

So what, then, should be the strategic directions the World Bank Group should pursue?

Today I will briefly highlight six strategic themes in support of the goal of an inclusive and sustainable globalization. In a week, we're going to have in Washington the Annual Meeting of the World Bank Group and the IMF. And on that occasion, I hope to discuss these six themes in greater detail with the governors of the Bank, as well as the broader community of interested parties, including civil society organizations, businesses and foundations.

First, the World Bank Group faces the challenges of helping to overcome poverty and spur sustainable growth in the poorest countries,

especially in Africa. Now, IDA is our core financing instrument for the 81 poorest countries. In these countries, we need to focus intensively with our partners on achieving these Millennium Development Goals. These basic needs can set the foundation for the future.

Yet the message I received when I traveled in Africa in June and in Asia in August was that social development objectives are necessary, but they're not sufficient. The good news is that 17 African countries, home to some 36 percent of the population, achieved average annual growth of 5.5 percent between 1995 to 2005. These countries want assistance to build infrastructure for higher growth, especially energy and physical facilities that can support regional integration. They also want us to help develop local financial markets, including for microfinance, that can mobilize African savings for Africa's growth.

African leaders see great potential to expand agriculture, increasingly through productivity growth. The World Bank Group's forthcoming World Development Report will highlight that GDP growth from agriculture benefits the poorest four times more than growth in other sectors. We need a 21st Century Green Revolution designed for the special and diverse needs of Africa, sparked by greater investments in technological research and dissemination, sustainable land management, agricultural supply chains, irrigation, rural microcredit, and policies that strengthen market opportunities while assisting with rural vulnerabilities and insecurities. And more countries need to open their markets to African farm exports as well.

Now, there's another eight African countries, home to some 29 percent of the population, that have averaged 7.4 percent growth from 1995 to 2005 due to their oil resources. For these states and some IDA countries in other regions, the challenge is different. It's encouraging of good governance and anti-corruption policies to ensure that these resource revenues build a sustainable future for all their citizens.

Second, we need to address the special problems of states coming out of conflict or seeking to avoid the breakdown of the state. When the visionaries at Bretton Woods conceived of the IBRD some 60 years ago, that R in the name stood for the reconstruction of Europe and Japan.

But today, the "R" points us towards the challenge of reconstruction in states harmed by moderate conflicts.

Paul Collier writes in his book, "The Bottom Billion," that 73 percent of that billion live in countries that have endured civil wars, and sadly, these conflicts not only lead to extraordinary suffering for the people involved, but also spillover effects that drag down their neighbors, too. Frankly, our understanding of how to deal with these devastating cases is modest at best. I suspect that we'll need a more integrated approach involving security, political frame works, rebuilding local capacity with quick support, reintegration of refugees and more flexible development assistance.

The bank group's constructive work in Bosnia, Rwanda and Mozambique shows what's possible. IDA's adaptability and quick disbursements have proven vital in post-conflict environments, and we're working with donors to try to increase our effectiveness. Today we're at work at southern Sudan, Liberia, Sierra Leone, DRC, Burundi, Ivory Coast, Angola, Timor Leste, Papua New Guinea, Pacific island states, Afghanistan and Haiti and, among others, often through trust funds that are established by donors and in concert with the U.N. If there's an effective peace accord in Darfur backed by a strong U.N.-African Union security force, the World Bank would want to help there, too.

Third, the World Bank Group needs a more differentiated business model for the middle-income countries. These states continue to face major development challenges. Critical social services and infrastructure remain unfunded. In many cases, rapid economic growth has failed to provide opportunities for the poor. Environmental problems are acute. And there remains a continuing potential for volatility in the flow of capital to these countries -- like those we witnessed in the 1980s and 1990s.

Recognizing these challenges, our middle-income members of the World Bank Group want us to remain engaged with them through a competitive menu of "development solutions." But this engagement needs to reflect major improvements in their financial position and their institutional capacity over the past decade. They want IBRD, for example, to provide much more flexible and better-priced banking services, with less red tape and shorter turn-around times. They are looking to IFC to help with the private sector solutions for undeveloped markets and even social needs. And they're holding us to ever-higher standards of quality, consistency, and cost-effectiveness in our advisory services. In short, what they want is performance, and that's what we intend to give them.

For some middle-income countries, our services will be increasingly in the areas of risk management and the application of global know-how for local needs. We can offer credit enhancements and hedging, neutral expertise that will help build the capacity for asset management. We can encourage local securities markets by helping construct local currency bond funds and indices. We can finance in local currencies to help combine our lending with the management of currency risks. To encourage inclusive growth within countries, we can work with subnational authorities. We are now in the process of developing contingent financial instruments to assist with emergency liquidity needs during financial shocks, as well as insurance facilities to broaden availability and lower the cost of coverage for natural catastrophes, such as those of hurricanes and earthquakes. Now some of these activities may lead us to explore how best to provide knowledge and services for fees, trying to offer our clients a choice of delivery with or without financing.

Fourth, the World Bank Group will need to play a more active role in fostering regional and global public goods. These are the goods that transcend national borders and may benefit multiple countries and citizens. It is our calling to ensure that this agenda is linked to the aims of development.

The World Bank Group has already demonstrated potential to assist in countering communicable diseases through our work on HIV/AIDS, malaria, avian influenza, and vaccine development. We are in the midst of reexamining ways to strengthen the nexus between aid and trade, including through IFC's innovative trade finance project, focused principally on Africa, which within two years has already backed almost \$2 billion of trade.

We're working with our board to significantly step up our assistance to international efforts to address climate change. At our upcoming annual meetings and at the U.N. Climate Change Conference in Bali this December, I hope to outline a portfolio of ways the World Bank Group can help integrate the needs of development and low carbon growth. And we have to focus particularly on the interests of developing countries, so that we can meet the challenges of climate change without slowing the growth that will help them overcome poverty. Our work on regional and public goods will require close cooperation with other agencies that bring specialized expertise, such as WHO, UNEP, UNODC and the WTO.

Fifth, one of the most notable challenges of our time is how to support those seeking to advance development and opportunities in the Arab world. In the past, these lands have been centers of trade and learning, suggesting the potential if they can move beyond strife and barriers to growth and social development. Without broad-based growth, these countries will struggle with social tensions and a large number of young people that can't find jobs. The UN's Arab Human Development Reports offer powerful self-assessments.

When I served as the U.S. trade representative, I worked closely with leaders from the Maghreb to the Gulf who were opening economies and societies. Some had plenty of energy resources and capital but little economic diversity and ability to create jobs. Others were seeking to improve schools, strengthen the adoption of technology, and expand employment through business deregulation and trade. A number were deepening productive ties with Asia through cross-investments, trade, and the growth of service centers.

Our recent Doing Business report shows there is progress. Egypt now tops the list of economies reforming regulations making it easier to do business. Saudi Arabia eliminated layers of bureaucracy that had made it one of the toughest places to start a business, and they also did away with minimum capital requirements.

These are encouraging developments, but there is much more that can be done. An inclusive globalization must deliver benefits for all the people in these states. As Arab governments seek to provide social services effectively to all their peoples, we can try to offer comparative experience. We can assist in creating hospitable environments for business -- whether local or for foreign. For some, we may be able to finance development projects, operate donor trust funds or spur the expansion of private sector services through the

IFC. Today, we are trying to help provide basic social services and support for good governance and private sector growth in the Palestinian territories, which could provide the economic foundations

for hope if the parties choose the path of peace.

Finally, while the World Bank Group has some of the attributes of a financial and development business, its calling is of course much broader. It's a unique and special institution of knowledge and learning. It collects and supplies valuable data. Yet this is not a university. Rather, it's a brain trust of applied experience that will help us to address the five other strategic themes.

Such a capability requires special recognition and sustenance. Yet we also have to keep challenging ourselves by asking, what does it really take to achieve inclusive and sustainable development and growth?

This challenge requires some humility and intellectual honesty. Many development schemes and dreams have failed, but this is not a reason to quit trying. It is a reason to continually and rigorously focus on results and assessments of effectiveness. This is the best way for us to earn the confidence and support of our shareholders, stakeholders and development clients and partners.

These six strategic themes offer a direction to be discussed, refined and improved. But to be successful, the World Bank Group also has to squarely face its internal challenges. We need to use our capital more effectively and focus more on client service. We have to strengthen our ties with civil society organizations and NGOs so we can learn from them. Reflecting the new architecture of aid, we need to work more effectively with national aid programs, funds focused on particular projects such as diseases, foundations, NGOs operating in the field and private businesses interested in development challenges.

As a recent report of an experienced panel led by former Federal Reserve Board Chairman Paul Volcker underscored, we also have work to do in strengthening our approach to dealing with governance and corruption.

The panel gave us an extensive set of recommendations to consider to bolster the work of our internal investigators and make sure that their product is put to best use. We're following up promptly, welcoming the views of others, discussing the ideas with our board and moving towards operational improvements.

My experience has been that the people of the World Bank Group recognize how critical the governance and anti-corruption agenda is. They're proud of the development mission they serve, and they want to uphold the integrity of their institution, and they know that corruption steals most of all from the poor and the powerless. So we will do better together.

The World Bank Group can also offer leadership in this area by integrating good governance and the rule of law policies in a development agenda. Just last month, we joined with the U.N. to launch a Stolen Assets Recovery -- StAR -- Initiative to get developed and developing countries to work together to recover the financial plunder of corruption.

Today I have offered a sense of direction for the World Bank Group, but to really understand what we are about, let me close with the voice of two others.

Deramma is a woman who belongs to a village self-help group in the Indian state of Andhra Pradesh. She is one of more than 8 million women who, with the support of the World Bank, established self-help groups to pool resources. This most basic of intermediation and support services has increased incomes for close to 90 percent of rural households. That's approximately 40 million people. Deramma told us, quote, "It used to be a hand-to-mouth existence. But now we are self-reliant, and we can educate our children. We now have the confidence that we can climb out of poverty."

Dinalva Moura, a mother of three, has been part of Brazil's Bolsa Familia program, which offers small sums of money to parents of 11 million families who keep their children in school and bring them in for regular health checks. The Bank Group offered financial and technical assistance to support the Brazilian government's impressive initiative. Dinalva told us, quote, "The Bolsa Familia program helped me buy food, sometimes even fruit for the children. And they don't skip school, because they know that money depends on their going."

These are the voices that tell you the story of our day-to-day efforts to create new possibilities for the poor. And these are the voices that echo the compelling need for a dynamic World Bank Group that will connect them to other people, to ideas and to opportunities. And that's what inclusive, sustainable globalization is all about.

Thank you. (Applause.)

MS. SMITH: Thank you very much.

We are awash in questions. The first one is, why is "globalization" a dirty word in some circles? And a corollary to that is, how do you respond to reports that globalization and technology have increased inequity?

MR. ZOELLICK: Well, you know, the first one is interesting. When I was trade representative and deputy secretary of State, I used to try to meet with seminars of university students in countries all over the world. And so this was China, Brazil, South Africa, others. And some of this has actually been borne out by some of the studies I've seen recently. The young people that were most enthusiastic about globalization were in China, and in a number of other developing countries, I found a similar approach. And that's because, I think, for them most of all, they could see the possibilities of change. They could see what would happen in terms of a more open society. This is not to say that they weren't anxious about changes and threats to culture and other aspects of globalization, but they could see the possibilities.

And I think it's natural -- if you're in a developed society, globalization involves change, and it's moving very fast, faster than societies had to deal with in the past, whether it be capital flows or information, technology and trade. And change is hard for people. If

you're younger, change is probably a little easier than if you're older. If you're a society that sees that it has a ways to go in terms of development and creating opportunity, it's seen as opening windows of possibility. If you're a group in a developing country that has been kept back -- indigenous people, those that for one reason have been shut out of the system -- it can breed not only fear of change but anxiety about being left behind, because you're seeing information of the world.

So in a sense, it's that logic that has focused our work on the idea that while globalization has enormous benefits, to really be successful, it has to be inclusive within countries, across countries, and sustainable.

And "sustainable" not only has the environmental component, but it also has the idea that politically to be sustainable, we have to broaden the benefits of this.

Now, your second -- and this is true for developed countries too, by the way, if you're going to help developed countries adjust to the process of change. And that's part of the political debate in the U.S. and Europe and Japan and others.

The second question may relate to a report that was in the news today that came from the IMF's sort of regular development report. And it talks about some of the inequity that -- at least the report associated with three items. One was technology, one was investment, and one was trade.

What's interesting is that when you look at the report -- and I just had a chance to look at the summary, and this got lost in some of the news stories -- is that everybody was doing better. The question was the gap between the lowest and those on top. And so this is an important part to recognize, because, you know, I don't think our goal is to have equity at the level that it was in Maoist China. That's a way you can have equity, at least for those that are in the great mass, but it doesn't really create opportunity.

So what this report was doing was two things. One is, I think, highlighting the same issue that I'm trying to highlight today, about the need to make the growth and opportunities more inclusive. But it also had some interesting findings about the causes, and it tended to trace most of them to technology and direct investment than it did to the trade issue, although I saw some commentary that was criticizing that.

But I think in a way it supports the basic message that I'm trying to deliver today and that I hope the Bank can help address, which is, globalization offers enormous opportunities. And if you spend time in a number of countries and look at the changes that have occurred over the past 10 or 15 or 20 years, not the least of which is bringing 300 million people out of destitution, we shouldn't and can't try to stop it or shut it down. But we do need to try to channel it. We do need to try to help manage it. We do need to try to help those that would otherwise get left behind. And one of the roles of the World Bank Group is to try to make sure that developing countries get to see the advantages.

MS. SMITH: As you know, some critics say the vast majority of the World Bank IBRD lending is in countries that no longer need the Bank for development finance. You told The Wall Street Journal that continuing to do business in those countries gives the World Bank influence over their policies, so their growing economic power won't seem as threatening to the U.S. or Europe. Can you point to an example where the Bank was able to successfully influence policies in those countries?

MR. ZOELLICK: Well, let me set the context first on this.

One -- and I made this point in my speech -- first, if our agenda is partly to help the poor -- and your first question addressed that -- you find 70 percent of the people living below \$2 a day in China, India and the other countries that are classified as middle-income because they are IBRD borrowers. So if we're going to try to address the poor, we can't leave these people out.

Second, if we're going to try to tackle issues that cross borders -- say, climate change -- you're going to need to figure out a way to deal with the energy needs, but in a low-carbon path. I was just given a statistic recently that was pretty striking. In the year 2005, China was building a new coal-fired electricity-generating plant of 100 megawatts or higher every two days. So if you're going to try to get at the question of global climate change, you're going to have to try to get at the question of energy generation in developing countries and the coal-fired aspects.

So if we're going to work with these countries -- and this goes -- is partly the answer to the specific question here -- China has started to work with the World Bank on a project to try to analyze the costs of their environmental problems that went in far greater detail than we've done in any others. There's some controversy because of what they wanted to reveal in terms of some of the final numbers, although you could calculate it from the numbers that were published.

But it was a striking recognition within China that they're going to have to address these issues and how we can try to help them.

Third, and this was a point not covered in the Journal piece, as all of you see, China's increasingly playing a role in Africa. Well, I think we can try to work with China on some of the issues in Africa, and I think we'll be more effective in working with China, India, Brazil and others in third countries, such as Africa, if we're working with them on the problems in their own country.

And here -- I've only been at the World Bank a hundred days, so I can't -- I'm going to use a different example. I was, to the best of my knowledge, the first person that started to really press the Chinese on Sudan and Darfur. And there's a long way to go, but you now have the Chinese offering financial assistance; they're offering troops as part of a peacekeeping force; there are some signs they're putting pressure on the Khartoum government. And they're not going to operate the same way the U.S. or Europe will, but I do believe that if we engage in discussions with these major partners, explain how this

is an overlapping interest, we're going to be more effective than if we try to shut them out.

And that comes to the core point. I see the World Bank as one of the core multilateral institutions. This is what it was created to be after World War II, and that's what it's got to be in the 21st century. From my experience in trade and diplomacy and other areas, one of the great challenges of our age is how do we integrate these growing powers into this system. So it would strike me as not a (logic course ?) to say that we're not going to engage with them in one of the great multilateral institutions, because whether the question is currencies, that the IMF deals with, whether it's development in Africa, whether it's global climate change and environmental problems, whether it's a host of other issues that deal with the poor throughout the world, these are key players in the system. It would be a mistake to cut them out.

Now, where some of the criticism is fair -- and as I touched on in the remarks -- is increasingly our role with these countries will be more in services than in pure offering money. But in the case of China, for example, when they are borrowing from this, what they're really doing is getting money that is linked to knowledge services. It's a bundled package. So they're not using it so much for the capital, they're using it for what they -- can help them.

And it's interesting, I checked in recent days about the nature of our portfolio, say, with China, and it's changed over time. Where it started out perhaps dealing with basic infrastructure and development issues, it's increasingly moving to environmental questions. So whether it be sanitation and health issues in cities or whether it be low-carbon energy development, I expect you'd see that path go forward.

MS. SMITH: A couple people ask about Iraq. Does the U.S. involvement in Iraq hurt the World Bank work? And does the World Bank foresee a role in rebuilding Iraq? What conditions must exist before the World Bank takes a major role in getting Iraq back on its feet?

MR. ZOELLICK: The World Bank has already been doing some important things in Iraq. And at times I know I've read questions about this, but perhaps the most telling incident I can relay to you was that the World Bank lost a person in Iraq in 2002. So people were willing to put their life on the line on this.

In part given the nature of the security sensitivity, I don't go into great detail on this, but we've got people in the Green Zone but outside the Green Zone. So we have projects. There is a trust fund of between \$1 billion and \$1.5 billion that were provided by various countries, and we have been running those projects with Iraqis working for the World Bank, obviously in situations where their own life is at risk.

And we also recently -- just before I came there was an approval of about \$500 million of IDA lending, which is for the (poor/poorer ?) countries, and we had to develop those projects with the Iraqi authorities, and almost all of them have now been certified through their bureaucratic system. So, you know, Iraq certainly fits in the

category of what I talked about with Afghanistan and others.

But there's another point here, which is that we're not a security institution. And while I think there's a role for the World Bank in post-conflict societies, we also have to be very careful about the physical conditions of our people, but also to not try to be something that we aren't. And so where I think we can work more closely is, as people create the security environment, what can we do, for example, on the economic side to help with demobilization of soldiers, as happens in Africa, what can we do to help build local capacity so that people can start to see that the conditions get better. So in that sense, it's part of a broader question than one of Iraq.

And frankly, while this is focused on Africa, it's not only an Africa issue. When I was out in Australia, I had some video-conferencing with our team in Timor Leste and Papua New Guinea, and this is an issue in other parts. And I think the reason I highlight it as one of the strategic areas is that the state of knowledge in this area about how to do this right, as I suggested, is pretty modest, and I think we're going to need to work with other

institutions, whether it be Institute of Peace and RAND and others doing this work -- I mentioned Paul Collier; he's done a lot of work in this area -- to try to understand how we can improve it.

In saying that, I don't want to set unrealistic expectations. These are very difficult challenges. On the other hand, if you just think of the countries I mentioned -- you know, whether it be Southern Sudan or maybe Darfur or Cote d'Ivoire or others -- if you can make a difference, if you can make Bosnia work or Mozambique work, you know, that's an important thing.

MS. SMITH: We've had a couple people ask about the Southern Bank. This one is, what is the significance of the announced creation of the Southern Bank, championed by Venezuela's Hugo Chavez? Is this something the U.S. and other World Bank members should be concerned about?

MR. ZOELLICK: I don't know enough of the details of how the bank's going to operate. I've just -- I've seen the reports and I've read a few descriptions of some of the discussions that are still going on in its members about how it will operate, the nature of its services for its members. And I guess my key thought would be, one of the lessons that we've learned about good development practices is they have to be combined with good governance, rule of law and anti-corruption.

So I hope as the bank proceeds, that it proceeds in a transparent, open way and is done in ways that try to help these societies, because as I mentioned, you know, in a number of countries -- and this is true in Latin America and Africa and other locations -- they may have great natural resource wealth -- you know, whether it's natural gas in Peru or in Bolivia or others, oil in Ecuador. And the question is not so much giving them money; the question is how to try to help build the capacity, transparency, governance, so that money is used in a way that benefits people and isn't stolen for those that

are either politically powerful or the oligarchs of past business eras.

MS. SMITH: To that end, I read an article -- last week, I think it was -- about this fellow who made billions selling cell phone systems in Africa. And what he decided to do is create an anti-corruption -- prevention program that offers a substantial amount of money to African leaders who leave office when their term ends and not under a cloud of scandal. Do you think that's an approach that is effective? And is that something the World Bank could get behind?

MR. ZOELLICK: I was interested whether it could have applied to me. (Laughter.) But -- I thought it was a great idea, former public servants.

Well, let me start with the core point, because the story of telecommunications in Africa and the role of the private sector is one that is exciting and shows the potential. And it's one of the reasons why in my remarks today I tried to stress the role of IFC, our private sector arm. We've got some very creative, innovative people at IFC, and they're trying to think about how to help private sector development in everything from health care to export finance. And there's some real great possibilities there.

As I mentioned, there's work to be done through IDA and IBRD in creating some of the infrastructure -- the energy and some of the physical infrastructure. But telecommunications is a good example of a field that used to be considered provided all by government money, and now you can see the role of the private sector.

As for the idea of encouraging leaders, you know, to be able to take a time-out and reward them, you know, I don't know, I think one of the geniuses of humankind -- and I'm glad that you see it in Africa, as well -- is that people will experiment with it and try to -- you know, whether it be universities or foundations, and maybe this one will be of benefit in trying to encourage people to hold public office as a public trust.

So, you know, I welcome any of those ideas.

I'm going to take a broader point. I was talking with the Gates Foundation people on Friday; you know, one of the challenges for us in the World Bank Group is how we operate effectively with this new architecture of aid, how we connect not only with the private sector and NGOs but how we work closely with these foundations. And just to connect these points together, we have a project now, I think about a \$26 million project that we're launching with the -- I think it's the Gates Foundation -- to look at how you can use telecommunications technologies to expand access to finance in rural areas in Africa.

So again, the combination of technology, foundations, private sector, development -- there's immense possibilities. And one of our challenges is to be more agile in taking advantage of them.

MS. SMITH: To that end, every year, governments and charities spend \$200 billion on projects in poor countries. Is it possible to

do effective work without some kind of global coordination? And if so, what would that be?

MR. ZOELLICK: Well, I think, you know, one of the challenges of what some refer to as "the fragmentation of aid" is that you have good impulses by governments, publics, charities, others, and it also reflects in a sense the reality that it's easier to get taxpayers or publics the support if they're giving assistance to a particular cause. So this is one reason you've seen these funds for HIV/AIDS and malaria; people can see, you know, a practical solution, and they can look at the numbers of the difference it makes in human life.

The challenge that it provides for many smaller, poorer countries is you may have hundreds of donors, and how do you integrate those donors effectively while trying to have some consistency? And moreover, you know, the sad story is sometimes that money comes and goes. So, you know, you're sitting there in the government, you're sitting in the country, you've got to do this over a matter of years, and all of a sudden, there's a flow of money in or out. So that is one of the roles, I think, the World Bank can play.

We, for example -- I was in Cambodia in August. We are a modest part of the aid package in Cambodia. I think we were about 40 (million dollars) or \$50 million a year, but there's 500 (million dollars) or 600 million (dollars) coming in through various trust funds. But we play a role as kind of the coordinator of some of this

in part because it goes back to another point I made in the speech -- it would be a mistake to think of the World Bank simply is a financing tool; it's really a tool that applies (to this ?) with knowledge and learning and expertise. The money helps gives us additional influence in the process, but our real reason for being is sort of constantly pressing the frontier about how to deal with questions, whether it be governance or energy or corruption or transparency or health or education. And so in that sense, I think we're both a trusted player; we've got some experience in the field. We operate, you know, in over a hundred countries, and so we can help pull that together.

And that's one reason why, in working with donors, I try to stress the fact that it's important to work with countries where they ultimately have ownership. If this just comes from the outside, we've seen that there's a high chance of failure. The World Bank becomes an intermediary. We develop these relations with the countries, we make sure that the development plans are their plans, they have ownership and responsibility, and that we try to connect the outside money (to get to them ?), and that's one of the reasons, if I can put in a 30-second pitch, this IDA support is so important. Because for us to play this role, IDA funds are really the glue that holds this together, and that's one reason why I was very pleased we have the support of the board by putting in \$3.5 billion of our own money, because I hope that will press developed country capitals to help us increase the numbers to a record high.

MS. SMITH: The Doha Round was supposed to lift millions of people in the developing world out of poverty, but the talks are hopelessly deadlocked, mostly over agricultural support, while the U.S. Congress works to renew foreign policy to continue (price support

?). What are the chances the trade pact will ever develop? And if it fails, what action can the World Bank take to help compensate for the lost opportunities of the Doha Round?

MR. ZOELLICK: Well, as a former trade negotiator, you never say never, right? So -- (chuckles) -- you know, what looks like it's a difficult period in this case is a difficult period. But I personally believe there's a potential deal that can be struck. And my friend Pascal Lamy, the director general of the WTO, is a very skilled individual; he worked through the committee structure of the ambassadors to put forward draft text in a number of the key areas dealing with opening markets to agriculture to farm goods, cutting subsidies, and then what they call NAMA, the manufactured goods opening.

And he did this in a very shrewd way. He didn't use exact numbers; he used ranges. And what you see debating right now is, can you get all the countries to agree to negotiate off those ranges? I hope they will. I think that, given some of the challenges in the world economy, this would be a great boost in terms of sending a positive signal for trade.

I think that there are huge opportunities here in terms of cutting agricultural subsidies, which should be cut in opening agricultural markets.

But part of the challenge goes to this other theme I touched on. When you look at the developing world, it's a mistake to see it as a monolith, I mean, if the conditions in Africa are not the same as the conditions for some of the rising economic powers like Brazil and India and China. And I think increasingly one of the challenges will be at the same time that we need to recognize that those countries have major challenges of poverty and development; they will also need to play a role and responsibility in the system. And so I think that one of the reasons I'm connecting this to the bank is that I believe that I want to encourage these countries to be responsible stakeholders, but there's also the role of the developed countries to step up to their role, whether it be in IDA funding or cutting market access barriers or agricultural subsidies.

So I'm not going to say what will happen if the Doha Round doesn't succeed because I still think there's a chance for it to succeed, and what we are, in turn, doing is trying to help developing countries see the possibility of linking aid and trade. The WTO organized in three parts of the world -- one in the Philippines, one in Peru, one in Tanzania that just occurred, and actually one in Stockholm -- to talk about how you could help developing countries take advantage of more open markets. And this is a key point because it's not just a question of getting the market open -- in some cases it's port facilities; in some cases it's the infrastructure to get things in some cases it's the sanitary and phytosanitary standards so your agriculture products can get exported somewhere else.

And I think one of the things that we in the World Bank can do better is to try to support that aid and trade connection, and I will actually be attending a session in Geneva later this autumn where we're trying to explain some of the things we can do, and again, to

connect the private and the public sector. In our case, it's not just a question of sort of public sector lending; it's a question of IFC. One of the most -- I made reference to this in my remarks -- but one of the most exciting things that I came across was we had a couple of people basically two years ago decided that what the developing world needed was help in terms of trade finance, and so this small team has now sort of created business relationships with small financial institutions in developing countries linking them with some of the money center institutions.

And we have about -- supported about \$1.3 billion of financing ourselves and about \$1.9 billion of trade, and they're planning to ramp this up. The benefit of this is not just the trade volumes; the benefit is the 50 or 60 intermediary institutions in these countries that we're creating to take over these -- (inaudible).

So there's, again, there's a lot that can be done in this area, but you know, trade has to be integrated within a larger aid and development strategy.

MS. SMITH: We're almost out of time, but before asking the last question, I'd like to take care of a couple important matters.

First of all, let me remind our members of future speakers. On October 18, Lynne Cheney, wife of the vice president, will speak about "Blue Skies, No Fences," her soon-to-be-released memoir about growing up.

And October 19th, Ambassador Zalmay Khalilzad, the U.S. permanent representative to the United Nations, will discuss the U.S. and the U.N.

I'd also like to present a gift to our speaker -- certificate of appreciation.

MR. ZOELLICK: Thank you.

MS. SMITH: And the National Press Club mug to add to your collection. (Laughs.)

MR. ZOELLICK: Thank you very much. (Applause.) I drink a lot of coffee. This is handy.

MS. SMITH: (Laughs.) And then the last question is, you've been in your position now for 100 days. When we talk to you at the 200-day mark, what will be the single most indication of genuine success?

MR. ZOELLICK: Being alive? (Laughter.)

Well, let me put it this way, and this is of more general interest, I think, to people. What I tried to do in the start was first, as you referenced, to calm the waters a bit -- we had a tumultuous period -- but do it in a way that we didn't spend all our time in a discussion session, but we started to focus on the agenda ahead. And part of what I did today was to set out an agenda ahead, so we can talk about that with others in the course of the annual meeting.

The second thing is, and I'm very appreciative of our board, because they worked with us, pretty intensively given the World Bank's processes, to make this record-setting contribution to IDA, more than doubling what we did before, and cutting the prices for our low-income countries. So we're sort of not only setting an agenda but we're doing things.

And then third, part of taking an institution forward is getting the right people. And I'm very delighted that somebody who I've had a high degree of respect for -- it was one of Obi's colleagues -- Ngozi Okonjo-Iweala is former Nigerian finance minister and long-time employee of the World Bank for some 21 years -- has agreed to come as the managing director.

So I think those three steps position us well going into the annual meeting. For the 100 days after that, just so you have a sense, is that because I needed to stay around to get some of this stuff going, I've got a rather trying travel schedule through the rest of it. So I guess that's why I obviously did make the joke about after 100 days, if you looked at my travel schedule, I'll be glad if I'm standing.

MS. SMITH: I'd like to thank you for coming today. I'd also like to thank the National Press Club staff members -- Melinda Cooke, Pat Nelson, Jo Anne Booze and Howard Rothman -- for organizing today's lunch. Also thanks to the NPC Library for its research. The video archive of today's luncheon is provided by the National Press Club Broadcast Operation Center. Press Club members can also access free transcripts of our luncheons at our website, www.press.org. Non-members may purchase transcripts, audio and videotape by calling 1-888-343-1940. And for more information about joining the Press Club, contact us at (202) 662-7511.

Thank you again, Mr. Zoellick. It was a great pleasure to have you. We're adjourned. (Strikes gavel.)

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